



THE CORPORATION OF EAST SURREY COLLEGE

FINANCE AND RESOURCES COMMITTEE

MEETING HELD ON THURSDAY 28 JUNE 2018

Meeting commenced: 18.00

Meeting ended: 19.25

PRESENT

Mr Andrew Baird
Mrs Jayne Dickinson
Mr Ray Elgy
Mr Simon Bland
Mr Phillip Kerle

Independent Member
Principal and Chief Executive
Independent Member Chair
Independent Member
Independent Member

IN ATTENDANCE

Mrs Jyoti Baker
Ms Mitzi Gibson

Vice Principal: Finance and Resources
Director of HR and Professional Development

APOLOGIES FOR ABSENCE

Mr Kevin Standish

Deputy Principal: Curriculum and Standards

CLERK

Mrs Sue Glover

Clerk to the Corporation

FRC.14.18 DECLARATION OF INTERESTS

Members and officers were reminded of the need to declare any personal or financial interest in any item to be considered during the meeting.

FRC.15.18 APOLOGIES FOR ABSENCE

Apologies were received from

Mr Kevin Standish - business commitments

The Committee agreed to accept the apologies for absence.

FRC.16.18 NOTIFICATION OF ANY OTHER BUSINESS

Members agreed that there was no other business to be considered.

FRC.17.18 UNCONFIRMED MINUTES OF THE MEETING OF THE FINANCE AND RESOURCES COMMITTEE HELD ON 8 MARCH 2018

The minutes of the meeting were approved and signed as a correct record.

FRC.18.18 MATTERS ARISING AND ACTION POINTS FROM THE MINUTES OF THE MEETING

Members agreed that there were no matters arising from the minutes of the meeting.

Members noted that all other Action Points arising from the meeting had been addressed to the satisfaction of the Committee.

FRC.19.18 RISK MANAGEMENT: SUMMER TERM 2018

The Vice Principal: Finance and Resources presented, for consideration and approval, a report which provided an update of the high level risk assessments and actions for each of the risks assigned to the Committee.

Members were advised of the key changes – and the contributory reasons for the changes - to the identified risks assigned to the Committee:

- **Risk S11 'Failure to maintain 'good' financial health':** 'Fundamental' risk – no change
- **Risk S4 'Failure to achieve income targets':** 'Fundamental' risk – no change
- **Risk S8 'Poor alignment of strategic planning and financial planning':** 'Significant' risk – no change
- **Risk O2 'Severe IT failure':** 'Significant' risk – no change
- **Risk S6 'Inability to attract/retain and develop staff with the required mix of skills':** 'Significant' risk – no change
- **Risk F3 'Exposure through relationships/partnerships with other providers/institutions':** 'Significant' risk – no change
- **Risk S12 'Failure to deliver on capital investment':** 'Significant' risk – no change
- **Risk C1 'Serious breaches of Health and Safety legislation':** 'Significant' risk – no change
- **Risk C2 'Serious breaches of legislation':** 'Significant' risk – changed from 'Minor'

Members were advised that each of the contributory factors, early warning mechanisms, mitigating factors and actions against monitoring them have been updated for each risk.

Members considered the detail of the highlighted revisions to each of the risks, noting that

- Risk C2 'Serious breaches of legislation' has changed from a 'minor' to 'significant' risk due to the severe consequences of breach. Although the College is confident that it has relevant checks and balances in place to manage the risks, it was felt prudent to increase the scoring to Amber in the light of the new General Data Protection Regulation, which has severe penalties in the event of a breach, coming into force. The College also has to follow new UCAS regulation regarding distribution of its exam results
- A new red risk has been added to Risk S4 'Failure to achieve income targets' relating to engagements with levy customers that do not necessarily lead to contracts
- Risk O2 'Severe IT Failure' – a new risk has been added in the event of negative impact of unsuccessful implementations of large IT capital projects.

Members noted the key impact measures arising from the report, in particular the Strategic implications.

RESOLVED

The Finance and Resources Committee approves the Risk Register: Summer Term 2018 relative to its risk assignments and commends the report for approval by the Corporation Board.

FRC.20.18 COLLEGE POLICIES

The following College policy were presented for consideration and approval:

- **ESC 57 Sub-contractor Fees Policy**

The Committee was advised that

- a regular cycle of reviews ensures that College policies take account of any changes in legislation
- the policies have been reviewed and approved by the College Directorate
- minor changes proposed to previously approved policies are required to keep them updated regularly

Members reviewed the changes to the policy, noting that

- these are in line with good practice and the quality standards set by the Education and Skills Funding Agency in their contract with the College
- the term management fee has been replaced by the education oversight charge, as that is the substance of the activity that needs to be funded.

RESOLVED

The Finance and Resources Committee approves and commends for endorsement by the Corporation Board

- **ESC 57 Sub-contractor Fees Policy**

FRC.21.18 EAST SURREY COLLEGE CAPITAL AND REVENUE BUDGETS: 2018/2019

The Vice Principal: Finance and Resources presented, for consideration and approval, the annual budget for the College.

The Committee was advised that the budget has been set

- following confirmation of the income grants by the EFA and SFA (now ESFA)
- following a review of all income streams
- based on 2018/19 curriculum plan
- following detailed review of the costed established staff
- following detailed review of all pay and non-pay costs

Members noted that the plan includes

- provision for 1853 16-18 year old learners
- provision for all of the Adult Education Budget Grant, including the carry forward and non-levy procurement Apprenticeships and the delivery of the Adult Community Learning
- a capital investment programme of £710k

Members were advised that the budget setting considered and included where applicable the following

- the main grant income as per allocation
- Apprenticeships target increased by £400k to £1.8m (128% of 2017/18 delivery), which is regarded as an achievable target, taking into account the carry forward and the pipeline for new recruits and with increasing delivery on 'high value' apprenticeships including degree apprenticeships
- Anticipated growth in ACM student numbers of circa 56 from 276 in 2017/18 to 332 in 2018/19
- Increase in the base allocation for High Needs students from 106 to 121 has resulted in an increase in this income of £90k, with a neutral impact anticipated as this will also result in a reduced claim to the local authority

- Fee income maintained at the same level as 2017/18
- Other income includes lettings and other related commercial services, e.g. the Hair and Beauty salon has an increase in income budget to £30k
- The budget allows for a pay award

Members reviewed:

- Executive Summary
- College Budget 2017/18
 - Income & Expenditure account 2018/19
 - Forecast Balance Sheet 2018/19
 - Cash Flow 2018/19
 - Risks
 - Financial objectives for 2018/19
 - Capital Budget 2018/19
 - Conclusion
- Appendix A - Detailed Income and Expenditure tables
 - Summary of Income
 - Summary of Pay Costs
 - Summary of Other Operating Expenses

Members also reviewed the number of accepted student offers to date for 2018/19, noting these are in line with 2017/18.

In response to questions from members, the Committee was informed that

- an operating surplus of £329k is planned
- the closing cash balance is forecast to be £6.2m, which will generate 'Outstanding' financial health under the current SFA scoring mechanism
- the challenging income levels and the need to achieve the value for money requirement may change the nature and the cost of delivery in some curriculum areas
- the College Directorate is taking a highly proactive stance to mitigate against the volatility in the FE environment, whilst taking the opportunities presented. The Executive engages with national policy with strong key partnership working with the AOC, local MPs, local employers, local schools, FE Sussex, the LEP and both Surrey and Croydon councils. In addition, the four Surrey colleges collectively have a role to play in challenging changes within and outside these partnerships
- the basis for such changes might be consequent on poor retention figures leading to reduction in SFA and EFA funding
- close monitoring and review of pay costs will continue

The Committee noted the key impact measures arising from the proposals, in particular the Strategic, Financial and Learner implications.

RESOLVED

The Finance and Resources Committee approves and commends to the Corporation Board the East Surrey College Capital and Revenue Budgets: 2018/19.

FRC.22.18 FINANCIAL FORECASTS: 2018 - 2020

The Vice Principal: Finance and Resources presented, for consideration and approval, the three year financial forecast for 2018 - 2020.

Members considered the detail of the document, with particular reference to:

- Commentary
 - > Executive summary
 - > Financial Plan 2018/19 – 2020/21
- Schedule 1: Assumptions

- Schedule 2: Financial health grade (new methodology)
- Schedule 2b: Ratio analysis
- Schedule 3: Statement of comprehensive income
- Schedule 4: Balance Sheet
- Schedule 5: Statement of cash flows
- Schedule 3a: Analysis of income
- Schedule 3b: Analysis of ESFA Income
- Schedule 3c: Analysis of other funding body income
- Schedule 3d: Analysis of staff costs
- Schedule 3e: Analysis of non-pay expenditure
- Schedule 4a: Tangible fixed assets
- Schedule 4b: Investments and intangible fixed assets
- Schedule 4f: Provisions and FRS 102 (28) adjustments

In response to questions from members, the Committee was advised

- the current forecasts show a scenario of 'Outstanding' financial health
- a budget surplus of £71k is planned for in 2018/19
- the 2018/19 budget reflects the grant income increase following on from the in year ESFA allocation increase received for the introduction of the Level 2 programme at ACM
- the ESFA allocation for 2018/19 is 1,853 students (1,846 in 2017/18)
- a pay award has been budgeted
- savings to be identified to a total of £150k have been included in both the non-pay and pay budget heading
- contingency has been budgeted of £100k for either reduced income or increasing staffing needed to develop new curriculum – savings were achieved in 2017/18 and expected to do the same in 2018/19
- the College aims to maintain 'Good' financial health and the College expects to meet its bank covenants

Members noted the key impact measures arising from the report, in particular the Policy, Strategic and Learner implications.

RESOLVED

The Finance and Resources Committee approves and commends to the Corporation Board the Three Year Financial Forecasts: 2018 - 2020.

FRC.23.18 HIGHER EDUCATION TUITION FEES: 2019/2020

The Vice Principal: Finance and Resources presented, for consideration and approval, a report on fees for all proposed HE provision for 2019/2020.

The Committee was informed of the background to the report, in particular

- all full time and part time students will have access to the Student Loans Company for assistance with fees
- the College has received its TEF Award (Bronze) and has applied for an Access Agreement. It is anticipated that the outcome of the application will be known by early autumn 2018. In view of the increased charges from the Office for Students (OfS) and the new relationship with the University of Chichester there is a case for the College to raise its fees above £6,000
- the College receives circa £100k of teaching funds per annum from HEFCE, now OfS. These are as yet unknown for 2019/20. The College has made plans in its budget for Bursary awards to students as part of its Access Arrangement application

Members considered the proposals to approve

- listed fees as listed
- delegation to the Principal and the Chair of the Corporation of the application of appropriate discount or increase to the Higher National or Higher Education qualifications where the level of fee is a barrier to recruitment for cohorts of progressing ESC learners
- to approve delegated authority to the Principal and Chair of the Corporation to amend the fees chargeable in 2019/20 in case of change of circumstances

Members noted the key impact measures arising from the report, in particular the Strategic, Risk and Learner implications.

RESOLVED

The Finance and Resources Committee approves and commends for the approval of the Corporation Board

- listed fees as presented
- delegation to the Principal and Chair of the Corporation of the application of appropriate discount or increase to the Higher National or Higher Education qualifications where the level of fee is a barrier to recruitment for cohorts of progressing ESC learners
- delegated authority to the Principal and Chair of the Corporation to amend the fees chargeable in 2019/20 in case of change of circumstances

FRC.24.18 TERMS OF REFERENCE AND STANDING ORDERS OF THE FINANCE AND RESOURCES COMMITTEE: 2018/19

The Clerk to the Corporation presented a report, which outlined the need to review, on an annual basis, the Committee's Terms of Reference and Standing Orders.

Members reviewed the document, noting the minor change and agreed that there were no further changes necessary.

Members noted the impact measures arising from the report.

RESOLVED

The Finance and Resources Committee approves and commends to the Board, subject to the amendment noted, the Terms of Reference and Standing Orders of the Finance and Resources Committee: 2018/19.

FRC.25.18 ANNUAL SCHEDULE OF BUSINESS OF THE FINANCE AND RESOURCES COMMITTEE: 2018/19

The Clerk to the Corporation presented a report, which outlined the need to review, on an annual basis, the Committee's Annual Schedule of Business.

Members reviewed the document, which reflected the business conducted during the current year, noting the changes and agreed that there were no further changes necessary.

Members noted the impact measures arising from the report.

RESOLVED

The Finance and Resources Committee approves and commends to the Board the Annual Schedule of Business of the Finance and Resources Committee: 2018/19.

FRC.26.18 HUMAN RESOURCES REPORT: SUMMER TERM 2018

The Director of HR and Professional Development presented, for information, the Human Resources Report for the period to September 2017 – May 2018.

Members considered the detail of, and discussed issues arising from the report, in particular

- Staff Utilisation/Efficiencies
 - Staff utilisation continues to be a focus for the Executive team and the majority of staff are up to hours, very few staff are showing as being under hours
 - The Quality Department, English, Maths, ESOL and Teacher Education Department have merged
- Staff Turnover
 - Following the AoC College Workforce Survey 2017 recently published, the College turnover remains well under the AoC benchmark
- Attendance Management
 - Staff attendance percentage is in line with both the College target and AoC average percentage
- Equality and Diversity
 - the monitoring of the profile of staff continues with the aim of closely mirroring, as much as possible, the local and student populations
- Continuous Professional Development (CPD)
 - This continues to be a focus to ensure that staff are suitably up-skilled and knowledgeable to provide excellence in their roles
 - Completion of online training remains high for all courses for established staff

Members reviewed the HR and CPD KPI dashboards to 31 May 2018.

Members raised the issue as to why the Quality Department had merged as it was felt this department should maintain independence in order to advise on the quality of provision by the College. Members were advised that the manager heading up the department was very experienced and there would also be oversight by the Deputy Principal.

Members noted the key impact measures arising from the report, in particular the Strategic, Risk and Student implications.

AGREED

The Finance and Resources Committee receives and notes the Human Resources Report: Summer Term 2018

FRC.27.18 FINANCIAL REPORTING

The Vice Principal: Finance and Resources presented, for information, the Management Accounts for the period to 31 May 2018 together with the KPI Dashboard for Finance.

Members considered the detail of the accounts, noting:

- The College is forecasting a stronger financial position
- The operating surplus for year to May 2018 is £645k, a positive variance of £145k
- Surrey Skills Limited remains a dormant subsidiary of the College. If the company commences trading the management accounts will reflect the consolidated position

- The cash balance at 31 May 2018 is £6.8m
- Following approval by the Board to maximise income, the College opened an account with Lloyds Bank and £0.7m is held in a 32 day call deposit and £3m in a 95 day notice account at an interest of 0.7%

Members reviewed the KPI Dashboard for Actual against Budget and Actual against the same period for the prior year for

- Tuition Fees
- Employer Engagement Income
- Additional Contract Income
- Staff FTEs
- Staff costs as a percentage of total income
- Staff costs as a percentage of total income excluding subcontract
- Cash balance at month end
- Supplier invoice payment days
- 12 month rolling cashflow forecast

In discussion, members agreed that whilst the College and the sector continue to face significant challenges, the anticipated surplus of circa £645k for 2017/18 will enable the College, with robust budget management, to invest in growth opportunities to ensure a sustainable long term future.

The Committee noted the impact measures arising from the report, in particular the Strategic and Risk implications.

AGREED

The Finance and Resources Committee receives and notes the Management Accounts for the Period to 31 May 2018 and the KPI Dashboard for Finance

FRC.28.18 HEALTH AND SAFETY REPORT AND ESTATES UPDATE: SUMMER TERM 2018

The Vice Principal: Finance and Resources presented, for information, the Health and Safety Report and Estates update: Summer Term 2018.

Members noted salient issues raised in the report

- The College Health and Safety Committee met on 27 March 2018 and key points discussed were
 - > Head of Estates circulated an workshop LSA induction for review and sign-off at the next meeting
 - > Evacuation chair training has commenced and a member of staff has received training from IOSH to enable the College to deliver evacuation chair training in house
 - > Accident reporting flow charts for College, WEX and Work base learning agreed and circulated
 - > Safe Systems of Work documentation agreed for workshops and work to be carried out over the summer period
- the Committee is now receiving information one term in arrears instead of the mid-term reports.
- Estates have completed a number of works that include emergency works and works that were approved as part of the capital bids programme
 - > Fire Alarm Panel
 - > Gas Assessment Bays

- Other works ongoing
 - Insurance claim – subsidence works at Gatton Point South
 - Cracking – at Gatton Point North

Members reviewed the College Accident Statistics report from September 2017 to date, noting the number of accidents appears to have increased which could be due in the main to a higher student population at the College. It was suggested that the figures could also be presented as a rate (e.g. accidents per enrolled student) to see if this was also increasing in line with the growth in student numbers.

The Committee noted the key impact measures arising from the report.

AGREED

The Finance and Resources Committee receives and notes the report.

FRC.29.18 ANY OTHER BUSINESS

There was no other business.

FRC.30.18 SCHEDULE OF MEETINGS: 2018/19

Thursday 20 September 2018

Thursday 29 November 2018

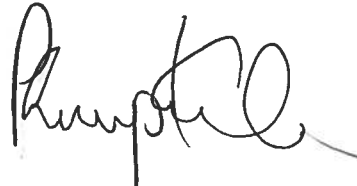
Thursday 7 March 2019

Thursday 27 June 2019

All meetings commence at 18.00

At the conclusion of the Part 1 meeting, members moved into a meeting restricted, in accordance with the Instrument and Articles of Government and with Section 22 of the Freedom of Information Act 2000, to the members of the Corporation Board, the external co-opted member of the Audit Committee and to senior members of staff of the College.

SIGNED AS A CORRECT RECORD:

A handwritten signature in black ink, appearing to be 'Rumpel', written over a horizontal line.

DATE: 17 September 2018