

THE CORPORATION OF EAST SURREY COLLEGE

FINANCE AND RESOURCES COMMITTEE

**MEETING HELD ON THURSDAY 28 NOVEMBER 2019
BOARDROOM, EAST SURREY COLLEGE, REDHILL**

Meeting commenced: 18.00

Meeting ended: 19.15

Present

Mr Phillip Kerle	Independent Member	Chair
Mr Derek Galloway	Independent Member	
Mr Andrew Baird	Independent Member	
Mrs Jayne Dickinson	Chief Executive (College Group)	Principal (ESC)

Apologies for Absence

Mr Simon Bland	Independent Member
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In attendance

Mr Kevin Standish	Principal (JRC) Quality Lead (College Group)
Mrs Jyoti Baker	Chief Operating Officer (College Group)
Ms Mitzi Gibson	Executive Director HR and Professional Development

Clerk

Mrs Sue Glover	Director of Governance
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FRC.43.19 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.

Mr Andrew Baird declared that, as part of his role with the FEC Commissioner's National Leaders of Governance team, he has been seconded to Brooklands College as the interim Chair. In addition, he is also part of the Educational Administrators team working with Hadlow College.

There were no other declarations of interest.

FRC.44.19 Apologies for Absence

Apologies were received from

Mr Simon Bland	- personal commitments
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The Committee agreed to accept the apologies for absence.

FRC.45.19 Notification of Any Other Business

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

FRC.46.19 Unconfirmed Minutes of the meeting of the Finance and Resources Committee held on 19 September 2019

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

FRC.47.19 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 Action Points arising from the meeting had been addressed to the satisfaction of the Committee.

FRC.48.19 Risk Management Autumn Term 2019

The Chief Operating Officer presented, for consideration and approval, a report which provided an update on the assessments and actions for the risks assigned to the Committee.

Members were advised that, following the discussions at the Governors' strategy day meeting in June, the new format risk register has been prepared. The strategic risks assigned to the Finance and Resources Committee have been reduced to three. However, all elements of the College operations included in the previous ten strategic risks considered by this Committee have been condensed and the key contributory factors included in the new format.

Members reviewed each of the identified together with the contributory factors, early warning mechanisms, mitigating factors and actions for:

- **Risk FR1 – Failure to maintain at least 'Good' financial health – 'Significant' risk**
- **Risk FR2 – Breaches of Legislation or Contract Obligations that the College Group needs to comply with – 'Minor' risk**
- **Risk FR3 – Inability to attract/retain and develop staff with the right mix of skills – 'Fundamental' risk**

It was noted that there remain a number of key vacancies unfilled which has contributed to the fundamental rating of Risk FR3.

Members agreed that the new format will enable the Committee to give a better focus on the key risks associated to the long term sustainability of the College.

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: Autumn Term 2019 relative to its risk assignments and commends the report for approval by the Corporation Board

FRC.49.19 East Surrey College Financial Statements 2018/19

The Chief Operating Officer presented, for consideration and approval, the audited Financial Statements for the year ended 31 July 2019. The Committee also received, for information, the premerger John Ruskin Financial Statements as at 31 January 2019, which will be signed by the Chair of the Corporation and the Chief Executive/Principal.

Members were advised that

- The College generated a deficit on continuing operations of (£399k), which is in line with the management accounts as at 31 July 2019
- The College is expected to receive a clear financial statements and regularity audit report
- The reporting accountant is Buzzacott

Members reviewed the key financial documents, as at 31 July 2019

- Report of the Governing Body
- Statement of Corporate Governance and Internal Control
- Governing Body's Statement on the College's Regularity, Propriety and Compliance with Funding Body Terms and Conditions of Funding
- Statement of Responsibilities of the Members of the Corporation
- Independent Auditor's Report to the Corporation of East Surrey College
- Reporting Accountant's Assurance Report on Regularity
- Statement of Comprehensive Income
- Statement of Changes in Reserves
- Balance Sheet
- Statement of Cash Flow
- Notes to the Financial Statements

In discussion, members agreed that post-merger the College management have made significant progress on managing the John Ruskin deficit of £1,081k. It was noted that the increases in Income and savings identified in the 6 months in the region of £232k have resulted in a net deficit of (£399k).

The Chief Operating Officer presented, for information, the Finance Record for the year ended 31 July 2019, which will be signed by the Chief Executive/Principal. It was noted that the deficit of £399k still results in a grading of Outstanding Financial Health based on the current ratios given by the ESFA. Members were advised that the methodology used is to be revised and the new financial framework will take into account the College's capital commitments and its impact on the College cash flow. The College has committed £3.8m to capital expenditure in 2019/20 and for this reason the College self- assesses itself as Good.

Resolved

The Finance and Resources Committee

- approves and commends to the Corporation Board for approval the Financial Statements for ESC for the year ended 31 July 2019
- receives and notes the John Ruskin Financial Statements as at 31 January 2019
- receives and notes the Financial Record for the year ended 31 July 2019, which will be submitted to the ESFA

FRC.50.19 Annual Pay Recommendations 2019/20

The Chief Executive/Principal presented a report which updated members on the Association of Colleges' (AoC) position and negotiations for 2019/20.

Members were advised that

- Prior to the start of its annual pay negotiations through the National Joint Forum (NJF) the AoC confirmed the challenges facing FE Colleges in their April 2019 bulletin to Colleges
- Subsequently in July 2019 the AoC, UCU and Unison sent a joint letter to the Secretary of State requesting support from DfE on college funding and pay
- AoC Employment Policy Group (EPG) met with the joint recognised trade unions via the NJF in November as part of the 2019/20 pay negotiations
- The three key elements of the Trade Unions pay claim were:
 - £1 extra per hour for all staff
 - Foundation Living Wage as the minimum wage in FE
 - An additional five days of annual leave per year
 - In summary, the recommendation noted
 - a recommended pay increase of 1% or £250 (whichever is greater)
 - those colleges that can afford to award staff more should do so, whilst acknowledging that a number of colleges will be unable to do so
 - AoC would expect to make an improved recommendation for 2019/20 as soon as possible after allocations are made
- The Board has previously sought to follow AoC recommendations in order to ensure a competitive salary to attract and retain good staff

Members were advised that the Chief Operating Officer had been asked to model the following for governors' consideration:

- No pay rise - £0
- £1 extra per hour (Union recommendation) applied for all salaries (established and sessional) (dependent on their contract) - £1,007,000
- 1.0% or £250 (FTE) (AoC recommendation) increase applied to all salaries (established and sessional) (dependent on their contract) - £167,000
- 0.5% increase on the above basis - £74,000
- 1.0% increase on the above basis - £149,000
- 1.5% increase on the above basis - £223,000

In response to questions, members were advised that

- the College has to date offered a pay rise throughout the austerity period, based on what was affordable
- for 2019/20 the College has budgeted for 1.5% cost of living pay increase, however since the budget was set, new pressures have emerged which are considered within the Risk Register and in addition the College is facing costs of two new build projects that are needed urgently with limited funding secured from Coast to Capital LEP
- the College benchmarks salaries annually and staff do receive incremental rises as appropriate
- the College pays more than the minimum wage and all staff receive more than the 'living wage'

In discussion, members agreed that the key determining factor on affordability will be the R04 ILR data return, which will be made on 6 December 2019. The recommendation on affordability would therefore be made available in time for the Corporation meeting on 12 December 2019, by which time the national election results will also be known.

Agreed

The Finance and Resources Committee agreed that a recommendation on affordability of a pay award to staff would be made to the Corporation Board on 12 December after the outcome of the R04 ILR data return is known

FRC.51.19 Annual Report of the Finance and Resources Committee: 2018/19

The Director of Governance presented, for consideration and approval, the Annual Report of the Finance and Resources Committee.

The Committee was advised that the annual review of the work of the Committee is essential in ensuring that the areas of strategic responsibilities which have been delegated to the Committee by the Board are being properly addressed.

Members noted that the Annual Report gives all members of the Board the opportunity to review the work undertaken by the Committee on behalf of the Board throughout the year.

Members considered and approved the key conclusions arising from the report.

Members noted the key impact measures arising from the report.

Resolved

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

FRC.52.19 Human Resources Report: Autumn Term 2019

The Executive Director HR and Professional Development presented, for information, the Human Resources report for the period September 2019 to 31 October 2019 for both East Surrey College and John Ruskin College staff.

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

- Staff Utilisation/Efficiencies
 - MIS are currently rebuilding staff utilization reports so that a more precise assessment can be made against contractual teaching hours
 - Recruitment of staff remains a key activity within both Colleges and the cross-college recruitment hub created is proving successful as a number of successful appointments have already been made this academic year
- Staff turnover
 - the rolling 12 month turnover figure at 31 October 2019 for both colleges is lower than the AoC average
 - in terms of each College, the JRC turnover is slightly higher than the benchmark, which is likely due to the natural staff movement following the merger

- Attendance management
 - the benchmark for staff attendance is set in line with AoC national average, at individual College level, attendance is slightly higher at JRC than ESC and both Colleges each have members of staff on Long Term Sick leave
- Equality and Diversity
 - the comparisons of the staff profile, student profile and community profile remain at similar levels to the last academic year to ensure a diverse workforce
- Continuous Professional Development (CPD)
 - compulsory online training continues for all new staff before they commence employment and online training providers, courses and fees are being reviewed in Term 1 by the HR team
 - a Conference Day is planned for 20 December 2019, which will be held at the ESC campus and will be an event for all staff from both campuses
 - designated safeguarding link training is being undertaken by all of the Executive team as well as the Chair and Vice Chair of the Corporation
- The HR post-merger project is ongoing and all urgent and the most vital aspects of the harmonization of HR processes and documentation have now been completed

Members discussed the issues raised and, in response to questions, were advised that there had been a significant number of JRC staff on fixed term contracts, but since merger this is being managed so that this type of contract is only used for covering maternity or long term sickness cover. The Committee agreed that the HR team had done an excellent job in managing staffing at both colleges through the merger and it was pleasing to note that there had been no redundancies necessary post-merger.

It was noted that the CPD KPI dashboard is still being developed for JRC and therefore is not presented at this meeting.

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 Autumn Term 2019 for both Colleges

FRC.53.19 Financial Reporting

The Chief Operating Officer presented, for information, a report detailing the consolidated management accounts for ESC and JRC, and presented as Orbital South Colleges (OSC), for the year to 31 October 2019.

Members considered the detail of the accounts, noting

- they do not reflect any adjustments resulting from enrolments and whilst the management overview indicates target student numbers have been met on full time programmes, the information needs to be validated following the R04 ILR return due to be filed on 6 December

- the budget includes a savings to be identified figure of £1,145k and there has been some progress in achieving these on pay costs and vacant posts continue to exist in both colleges which will be fully worked through and reported in the November management accounts
- the cash balance at 31 October 2019 is £11.2m and the College has met the Bank Covenants on its loan
- the management accounts anticipate that the College is on track to meet its budget presented to the Corporation in July 2019

In discussion, members agreed that the cyber-attack has created a significant amount of work in having to reimplement systems. The cash balances built up over the last few years and the determination of staff to work through incredible pressures has given the College the ability and security to manage the recovery of its systems and processes.

Members were advised that the feedback from staff in classrooms and around the College indicates that it has been a good year of recruitment and retention to date. However, the analysis needs to be available by Income streams which is a significant piece of work but is something that will be worked towards.

The Chief Operating Officer advised the Committee that the ESFA had recently introduced a new Integrated Financial Model for Colleges, which replaces the current Financial Plan, Financial Record and Cash Flow reporting system. This new format is required to be completed and submitted to the ESFA by the end of February and therefore will be presented to the Board for approval at the end of January.

Members reviewed the KPI Dashboard at October 2019 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
- Cash balance at month end
- Supplier invoice payment days
- 12 month rolling cashflow forecast

Agreed

The Finance and Resources Committee agreed to receive and note the

- Consolidated Management accounts for OSC for the period to 31 October 2019
- KPI Dashboard for Finance at October 2019

FRC.54.19 Health and Safety and Estates Report: Autumn Term 2019

The Chief Operating Officer presented, for information, a report which provided an update on Health and Safety and Estates matters.

Members noted the key issues in the Health and Safety report

- the ESC Health and Safety Committee met on 14 November 2019 and the JRC Health and Safety Committee is due to meet on 4 December 2019

- the College has met its obligations and commitments to ensure the Health and Safety of all its stakeholders and users, noting some of the key activities undertaken:
 - Fire evacuations took place at both Colleges during October which went well overall
 - Fire Marshall Training has been undertaken and there are now 62 Marshalls across ESC sites and 19 at JRC
- Accident statistics for Orbital College Group to November 2019
- there have been no RIDDOR reportable incidents processed this term

Members noted there had been two accidents in Construction and asked if students had been wearing requisite clothing and advised they were.

Members noted the key issues in the Estates update

- Capital projects – pre-planning applications submitted for the proposed Construction Skills Centre at John Ruskin and the Advanced Technology Centre at Gatton Point South
- Surrey County Council Safety roadworks – post completion safety roadworks following 2010 Gatton Point North Building Projects – meetings to establish liabilities taken place in order to discharge cash bond and a non-cash bond are in negotiation
- CTS – building maintenance and systems – a contract variation has been signed removing support and maintenance of some equipment is being moved to direct contracts
- Tender for cleaning, catering and multi-functional devices is underway with the assistance of Crescent Purchasing Consortium
- The teams at both locations have completed a series of redecoration projects, including classrooms, corridors

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

Agreed

The Finance and Resources Committee receives and notes the Estates update and Health and Safety Report: Autumn Term 2019

FRC.55.19 Annual Review of the Business of the Finance and Resources Committee: 2018/19

The Director of Governance presented, for information, a report which provided a review of the Action Points arising from the meetings of the Committee during 2018/19.

Members were reminded that, following each meeting of the Committee, a list of Action Points arising from the meeting is drawn-up and, at the next meeting, the list is reviewed in order to ensure that the appropriate action has been or is being taken.

The Committee was advised that the purpose of the report was to ensure that appropriate progress has been made against each of the identified actions required by the Committee.

Members agreed that all Action Points had been fully addressed to the satisfaction of the Committee.

Agreed

The Finance and Resources Committee receives and notes the report.

FRC.56.19 Any other business

There was no other business.

FRC.57.19 Schedule of meetings: 2019/20

Thursday 5 March 2020 - Redhill

Thursday 25 June 2020 - Redhill

All meetings commence at 6pm

At the conclusion of the Part 1 meeting, members moved into a meeting restricted, in accordance with the requirements of the Instrument and Articles of Government and with Section 22 of the Freedom of Information Act 2000, to the members of the Corporation and to senior members of staff of the College.

SIGNED AS A CORRECT RECORD:

A handwritten signature in black ink, appearing to be 'D. Humphreys', written in a cursive style.

DATE: 5 March 2020

