

THE CORPORATION OF EAST SURREY COLLEGE

FINANCE AND RESOURCES COMMITTEE

MEETING HELD ON MONDAY 8 JULY 2019
BOARDROOM, REDHILL

Meeting commenced: 16.10

Meeting ended: 17.55

PRESENT

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

APOLOGIES FOR ABSENCE

Mr Ganesh Kumar	Independent Member
Mr Kevin Standish	Principal (JRC) Quality Lead (College Group)

IN ATTENDANCE

Mrs Jyoti Baker	Chief Operating Officer (College Group)
Ms Mitzi Gibson	Executive Director HR, Organisational and Professional Development

CLERK

Mrs Sue Glover	Director of Governance
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FRC.14.19 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.

FRC.15.19 Apologies for Absence

Apologies for absence were received from

Mr Ganesh Kumar	- business commitments
Mr Kevin Standish	- business commitments

Agreed

The Finance and Resources Committee accepts the apologies for absence.

FRC.16.19 Notification of any other business

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

FRC.17.19 Unconfirmed minutes of the meeting of the Finance and Resources Committee held on 7 March 2019

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

FRC.18.19 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.19.19 Risk Management: Summer 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 the ESC Risk Management Committee had met on 14 February 2019 and the JRC Risk Management Committee had met on 25 February 2019 to agree the revisions to the Register.

Members reviewed each of the identified risks assigned to the Committee together with the contributory factors, early warning mechanisms, mitigating factors and actions taken and agreed to the proposed amendments for:

- **Risk S11 'Failure to maintain 'good' financial health':** 'Fundamental' risk – no change
- **Risk S4 'Failure to achieve income targets':** 'Fundamental' risk – no change
- **Risk O2 'Severe IT failure':** 'Significant' risk – no change
- **Risk S8 'Poor alignment of strategic planning and financial planning':** 'Minor' risk
- **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':** 'Minor' risk
- **Risk S12 'Failure to deliver on capital investment':** 'Significant' risk – no change
- **Risk C1 'Serious breach of Health and Safety legislation':** 'Significant' risk – no change
- **Risk C2 'Serious breaches of legislation':** "Significant' risk – no change

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

- Risk O2 – the recent Ransom attack has had a significant impact on the College's operations and the associated risks relating to Hackers/Malware and failure of IT equipment and systems have been amended to reflect a malicious attack and the risk increased to red
- the College continues to invest in its equipment and infrastructure. Although the capital budget for 2019/20 has been approved, due to the recent Ransom attack, it will be diverted to rebuilding the IT infrastructure. However, the capital investment items that will impact Health and Safety and Safeguarding will be protected

Members discussed the issues raised and, in response to questions, were advised that the insurers have appointed Grant Thornton as the cyber specialists who are assisting the College with rebuilding and recovery of systems. It was agreed prudent that contingency is made in the event that the College has to bear the cost of the financial impact of the attack and that part of the 2019/20 capital funds are diverted to cover this cost.

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

FRC.20.19 College Policies

The Executive Director HR presented, for consideration and approval, the following College policies:

- **ESC16 Adoption Leave Policy**
- **ESC35 Maternity Leave Policy**
- **ESC36 Parental Leave Policy**
- **ESC39 Paternity Leave Policy**
- **ESC79 Shared Parental Leave Policy**
- **ESC37 Attendance Management 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
- All ESC and JRC policies and procedures have been reviewed and consolidated in to a single set of policies

Members reviewed each of the policies, noting the changes to the Attendance Management which incorporates a more robust procedure for absence through sickness.

The Chief Operating Officer presented, for consideration and approval, the following College policies:

- **ESC57 Subcontractor Fees Policy**
- **ESC13 Student Bursary Policy (previously Financial Support for Students)**

Members were advised that

- the policies are reviewed in line with legal responsibilities, adherence to the law and best practice
- ESC13 has been renamed as Student Bursary Policy and reviewed for Orbital South Colleges Group. The policy states the bursaries available and the Governance and conditions around eligibility. The eligibility limit has been reduced and there has been a significant increase in Bursary applications in 2018/19 and all the accumulated balances from past years have been utilised. It was noted that a significant proportion of this has been due to the effective

communication and engagement with the students by the Student Bursary Manager

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

Resolved

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

- **ESC16 Adoption Leave Policy**
- **ESC35 Maternity Leave Policy**
- **ESC36 Parental Leave Policy**
- **ESC39 Paternity Leave Policy**
- **ESC79 Shared Parental Leave Policy**
- **ESC37 Attendance Management Policy**
- **ESC57 Subcontractor Fees Policy**
- **ESC13 Student Bursary Policy**

FRC.21.19 Capital and Revenue Budgets: 2019/20

The Chief Operating Officer 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 ESFA
- a review of all income streams
- detailed review of
 - the costed established staff
 - all pay and non-pay costs
 - the 2019/20 curriculum plan

Members noted that the plan includes provision for

- the funded allocation of all the College income streams including 16-18-year-old learners
- the Adult Education Budget Grant, including the carry forward and non-levy procurement Apprenticeships, and the delivery of the Adult Community budget
- a capital investment programme of £850k

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

- Apprenticeships target increased by £273k to £2,073m (13% increase on 2018/19 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 20 from 306 in 2018/19 to 326 in 2019/20
- Increase in the base allocation for High Needs students from 121 to 160 has resulted in an increase in this income of £243k, with neutral impact anticipated since it will be result in a reduced claim to the local authority
- Tuition fee income maintained at the same level as 2018/19

- Other income includes lettings and other related commercial services, e.g. Hair and Beauty salon has an increased income budget to £30k
- The budget allows for a pay award of up to 1.5%

Members reviewed

- Executive summary
- College Budget 2019/20
 - Income and Expenditure account
 - Analysis – increase in pay costs
 - Summary of other operating expenses
 - Balance Sheet
 - Cash flow
 - Financial objectives
 - Capital Budget 2019/20

Members also reviewed the number of accepted student offers to date for 2019/20 for both college, noting these are in line with 2018/29.

Members discussed the issues raised and, in response to questions, were advised

- A 'breakeven' operating position is proposed and a total comprehensive income of (£484k)
- The operating surplus target for 2019/20 has been set at 'breakeven' with a return to surplus position in 2020/21
- The budget includes savings to be identified or increased income generation of (£1.14m)
- The budget does not include any costs that may be incurred during the rest of this year or in 2019/20 with regard to the cyber-attack, these costs will be identified and a provision included in this budget
- The closing cash balance at July 2019 is forecast to be £8.6m, which will generate 'Good' financial health under the current ESFA scoring mechanism
- The college has managed to absorb 57% of the John Ruskin deficit
- The Executive, in line with the strategy set by the Corporation, take a proactive and prudent stance to mitigate against the volatility of 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, 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

Members agreed that the budget presented a number of challenges, but the Balance Sheet indicated a healthy balance and the cash flow was very positive. However, it was unfortunate that the principle risks associated with the delivery of the 2019/20 budget had not been included. The Committee agreed that it was essential these are included in the version to be presented to the Board in order that they understood the risks associated with this budget. The Chief Operating Officer advised that this was being completed and would be included in the final version to be presented to the Board.

The Committee noted the key 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 Capital and Revenue Budgets for 2019/20, subject to the principle risks associated with the budget included in the version to be presented to the Board on 11 July 2019

FRC.22.19 Financial Forecasts: 2019 – 2021

The Chief Operating Officer advised members that unfortunately, due to the recent cyber-attack, it had not been possible to complete the Financial Forecasts paper by the time of the meeting.

It was agreed that this would be completed and circulated to Committee members for review and comment as soon as available. The Chief Operating Officer would collate all responses and answer any queries and the final report would be presented to the Board for approval on 11 July 2019.

The Chief Operating Officer advised that the financial plan is largely a reflection of the budget, rolled on for one further year.

FRC.23.19 Higher Education Tuition Fees: 2020/21

The Chief Operating Officer presented, for consideration and approval, a report on fees for all proposed HE provision for 2020/21.

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

- Loans Company for assistance and fees
- The College has received its TEF Award (Bronze) for the second year running and the College's Access Agreement was approved enabling the College to charge the higher fees to meet its rising cost base. 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 College to raise its fees above £6,000
- The college receives £100k of teaching funds per annum from HEFCE, now OfS. These are yet unknown for 2020/21. The College has made plans in its budgets for Bursary awards to students as part of its Access Arrangement application

Members considered the proposals to approve

- Fees as listed
- Delegation to the Chief Executive 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.
- To approve delegated authority to the Chief Executive and Chair of the Corporation to amend the fees chargeable in 2020/21 in case of change of circumstance.

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

- Fees as listed
- Delegation to the Chief Executive 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
- To approve delegated authority to the Chief Executive and Chair of the Corporation to amend the fees chargeable in 2020/21 in case of change of circumstance

FRC.24.19 Terms of Reference and Standing Orders of the Finance and Resources Committee: 2019/20

The Director of Governance 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 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 Terms of Reference and Standing Orders of the Finance and Resources Committee: 2019/20

FRC.25.19 Annual Schedule of Business of the Finance and Resources Committee: 2019/20

The Director of Governance 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 for approval the Annual Schedule of Business of the Finance and Resources Committee: 2019/20

FRC.26.19 Human Resources Report: Summer Term 2019

The Executive Director HR and Professional Development presented, for information, the Human Resources Report for the period September 2018 to May 2019.

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

- Staff Utilisation/Efficiencies
 - staff utilisation for 2018/19 has been well managed and continues to be a focus for the Executive team to ensure that established staff hours are fully utilised
- Staff Turnover
 - College turnover remains well under the current AoC benchmark for ESC but slightly higher for JRC, which is due in the main to natural movement before and after the merger
- Attendance Management
 - The key performance indicator for staff attendance for both Colleges is over the College KPI of 97% and the AoC average of 97%
- Equality and Diversity
 - The comparison of staff/student/community profiles remain at similar levels to the previous year
- Compulsory online training
 - The recent push since January 2019 has increased completion rates by an average of 2.5% per course

Members reviewed the HR KPI dashboard to 31 May 2019.

Agreed

The Finance and Resources Committee receives and notes the Human Resources Report: Summer Term 2019.

FRC.28.19

Financial Reporting

The Chief Operating Officer presented, for information, the Management Accounts for the period to 31 May 2019 for Orbital South Colleges, East Surrey College (ESC) and John Ruskin College (JRC) together with the KPI Dashboard for Finance for ESC.

Members were advised that

- The current operating outturn forecast as at 31 May 2019 is a deficit of (£531k), made up as
 - East Surrey Campus surplus 885
 - John Ruskin Campus (deficit) (1,251)
 - Additional unbudgeted expenditure Incurred by ESC (165)

It was noted that the additional unbudgeted expenditure of (£165k) was incurred due to an error in the recording of the gas meters over the past three years (£85k) and reactive works in the car park and the flat roof due to the heavy rains in May 2019.

In discussion, members were advised that the recent cyber-attack is going to have a financial implication which is difficult to assess at the moment, but is anticipated to be in the region of circa £500k. Once investigations are complete the College will be in a better position to quantify the impact. The ICO and the police 'Action Fraud' have been informed.

Members reviewed the KPI Dashboard for Actual against Budget and Actual against the period to end of April

- 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 cash flow forecast

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 2019 for Orbital South Colleges, ESC and JRC and the Finance KPI Dashboard for ESC

FRC.29.19

Estates update and Health and Safety report: Summer Term 2019

The Chief Operating Officer presented, for information, the Health and Safety Report: Summer Term 2019.

Members reviewed the key issues in the Health and Safety report:

- Orbital South Colleges manages its Health and Safety responsibilities through its Health and Safety committees based at each campus
- meetings took place at ESC on 2 April 2019 and JRC on 6 February 2019 to discuss
 - committee membership and timing of meetings
 - relevant codes of practice reviewed and aligned for both sites
 - training needs for staff at both campuses
- various updates received from the Health and Safety manager on Safe Systems of Work, Personal education and evaluation plans, fire drills and workshop inspections

It was noted that the schedule of accidents had not been included and would be circulated to members outside of the meeting.

Members noted the number of works currently being managed as part of the capital bids programme:

- CCTV Replacement of cameras at Gatton South
- Cracking and movement at Gatton Point North
- Leak Adjacent to London Road entrance
- John Ruskin – a small amount of radiation is held at the college. It was noted that the college is fully compliant with the regulation but, subject to agreement with the Principal at JRC, arrangements will be made to return the substance to the relevant government agencies

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

Agreed

The Finance and Resources Committee receives and notes the report.

FRC.30.19 Any other business
There was no other business.

FRC.31.19 Schedule of meetings: 2019/20
Thursday 19 September 2019 - Croydon
Thursday 28 November 2019 - Redhill
Thursday 5 March 2020 - Redhill
Thursday 26 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:
DATE: 19 September 2019

A handwritten signature in blue ink, appearing to be 'Rupert', written in a cursive style.