

THE CORPORATION OF EAST SURREY COLLEGE

FINANCE AND RESOURCES COMMITTEE

MEETING HELD ON THURSDAY 23 JUNE 2022 VIA MICROSOFT TEAMS

Meeting commenced: 18.00

Meeting ended: 19.40

Present

Phillip Kerle	Independent Member	Chair
Simon Bland	Independent Member	
Andrew Baird	Independent Member	
Jayne Dickinson	Chief Executive	

In attendance

Eva Dixon	Chief Operating Officer
Lindsay Pamphilon	Principal
Mitzi Gibson	Executive Director HR and Professional Development

Clerk

Sue Glover	Director of Governance
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FRC.16.22 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.

Andrew Baird declared that, as part of his role with the FE Commissioner's National Leaders of Governance team, he has been seconded to Brooklands College as the interim Chair.

Phillip Kerle declared that he is a governor of West London College.

There were no other declarations of interest.

FRC.17.22 Apologies for Absence

There were no apologies for absence.

FRC.18.22 Notification of Any Other Business

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

FRC.19.22 Unconfirmed Minutes of the meeting of the Finance and Resources Committee held on 3 March 2022

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

FRC.20.22 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.21.22 Risk Management Summer Term 2022

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

- **Risk FR1 – Failure to maintain at least ‘Good’ financial health – ‘Significant’ risk, no change**
- **Risk FR2 – Breaches of Legislation or Contract Obligations that the College Group needs to comply with – ‘Minor’ risk, no change**
- **Risk FR3 – Inability to attract/retain and develop staff with the right mix of skills – ‘Fundamental’ risk**

Members considered the detail of each of the risks, noting that whilst there continues to be difficulty in recruiting staff at all levels, risk FR3 is upgraded from an ‘amber’ to ‘red’ risk.

The Committee agreed that the proposed amendments to the register were appropriate and there were no further changes required.

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 2022 relative to its risk assignments and commends the report for approval by the Corporation Board

FRC.22.22 College Policies

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

- **OSC74 – Business Continuity Plan and IT Disaster Recovery Plan**
- **OSC33 – Student Bursary Policy**
- **OSC35 – Staff IT Usage Policy**
- **OSC38 – Fees Policy**
- **OSC39 – Refunds Policy**
- **OSC41 – Subcontractor Fees Policy**
- **OSC47 – Environment Policy**
- **OSC48 – Drugs and Alcohol Policy**

The Committee was advised that

- a regular cycle of reviews ensures that College policies take account of any changes in legislation
- all policies have been reviewed and approved by the College Directorate
- the Business Continuity Plan has been updated with contact details and title changes

- the Student Bursary Policy has been updated to reflect a reduction in the financial limits, clarification of the definition of income and the HE Bursary programmes and the criteria for qualification
- the subcontractor fees policy has been updated to include the breakdown of retained funding as outlined in the ESFA guidance

Members reviewed each of the policies and agreed there were no further amendments required to each of the policies.

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

Resolved

The Finance and Resources Committee approves and commends to the Corporation Board for approval the following policies:

- **OSC74 – Business Continuity Plan and IT Disaster Recovery Plan**
- **OSC33 – Student Bursary Policy**
- **OSC35 – Staff IT Usage Policy**
- **OSC38 – Fees Policy**
- **OSC39 – Refunds Policy**
- **OSC41 – Subcontractor Fees Policy**
- **OSC47 – Environment Policy**
- **OSC48 – Drugs and Alcohol Policy**

FRC.23.22 Capital and Revenue Budgets: 2022/23

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 allocation of 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 2022/23 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 £2,685k

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

- Apprenticeships target increased by £0.3m to £2.8m (13% increase on 2021/22 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. There is potential for further growth in JRC direct delivery

- the partnership with Sutton United Football Club will continue to enhance the delivery of the sports curriculum with numbers expected to increase to 150 learners
- £234k has been received from the Coronavirus 16-19 tuition fund which will support students from low economically deprived areas, with low attainment who need catch-up support
- Tuition fees and Education contracts income increased by 35%
- an amount of £550k has been included as savings to be identified in the pay costs

Members reviewed the

- Executive summary
- College Budget 2021/22
 - Income and Expenditure account
 - Operating position
 - Assumptions
 - Income
 - Pay
 - Non pay
 - Balance Sheet
 - Cash flow
 - Risks and opportunities
 - Financial objectives
 - Capital Bids 2022/23

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

- a surplus operating position of £28k is proposed
- the total comprehensive income, which includes the release from the revaluation reserve and the financing costs of pensions is (£671k)
- the pension finance costs are estimates as the calculation is dependent on the Government bond rate on 31 July each year
- the closing cash balance at July 2023 is forecast to be £8.3m excluding the Advanced Technology Centre project, which is on hold, and any match funding needed for capital funding applications as the outcome for these is not yet known
- the current budget generates 'good' financial health under the current ESFA scoring mechanism
- 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 acknowledged that, whilst the amount of savings to be identified could present a challenge, there were a number of efficiencies coming through that would enable these to be achieved. The turnaround expected of John Ruskin has not yet been achieved, but it was accepted that Covid-19 restrictions have had a significant impact, which has meant the growth anticipated over the last two years has not materialised. It was acknowledged that the College has continued to manage the JRC deficit.

It was appreciated that it has been normal practice for a consolidated budget to be presented, but it would be helpful in future if a budget for each college could also be presented.

The Committee considered that the global and domestic events will undoubtedly have an effect on the financial position, particularly with regard to the rising energy costs. It was agreed that some modelling of energy prices would be done and presented to the Board with the budget in July.

Members reviewed the proposed capital bids for 2022/23 and agreed that the total amount listed of £2,685k was unaffordable at this time. Those highlighted in 'green' to the value of £1,351k are already committed with some funding contribution and should therefore proceed. Members were advised that the cash flow forecast is continuing to be worked and once complete could identify the potential for other capital bids to proceed.

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 2022/23

FRC.24.22 ESFA College Financial Forecast Return (CFFR)

The Chief Operating Officer advised that the CFFR was continuing to be worked on and will be presented directly to the Board in July.

Capital Bids

FRC.25.22 Chair's Action

Members were advised that Chair's Action was taken to approve the infrastructure refresh at John Ruskin and the Horizon VDI replacement at East Surrey. Both projects are included in the current capital programme approved by the Board, the total planned projects value is £280,713.54 + 11% including VAT (contingency for price fluctuations). Chair's action was taken to approve the purchase of equipment for both projects due to extremely long lead times on delivery and global supply chain issues.

Members reviewed the detail of each of the projects and agreed the Chair's Action taken was appropriate, noting that this will be formally endorsed by the Board at the next meeting in July.

FRC.26.22 Digital T Level project

The Chief Operating Officer presented a report prepared by ITC Concepts Ltd., giving a progress update on the Digital T Level project at the College.

Members reviewed to document, noting that work commenced in April 2022 and is scheduled to complete at the end of July 2022. The Committee was advised that the project is scheduled to complete on time.

It was agreed that it was a very impressive facility and was pleasing that it will complete on time.

FRC.27.22 Higher Education Tuition Fees for 2023/24

The Chief Operating Officer presented, for consideration and approval, a report on fees for all proposed HE provision for 2023/24.

The Committee was informed that

- the College is proposing an inflationary increase in fees of 3% for all courses
- this would increase the minimum fee to £6,350, £185 above the basic fee
- historically, the College has not applied any fee increases beyond the basic fee threshold as would have needed to commit a percentage of income as bursary to support students. This policy has meant the number of students eligible for financial support has been minimal leading to accumulation support funds for FE fee, currently at £20k. The proposal would mean increased HE Fee income for the College

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.
- delegated authority to the Chief Executive and Chair of the Corporation to amend the fees chargeable in 2023/24 in case of change of circumstance.

In discussion, members were advised that before proposing a 3% increase, comparisons have been made to ensure the College is offering fees that are comparable with other providers.

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 by 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
- Delegated authority to the Chief Executive and Chair of the Corporation to amend the fees chargeable in 2023/24 in case of change of circumstance

FRC.28.22 Bank Signatories

The Chief Operating Officer presented, for consideration and approval, a report relating to amendments to College bank signatories in accordance with Financial Regulation 14.3 Banking Arrangements.

Members were advised of the following changes required to the list of authorised signatories to the National Westminster Current Account:

- removal of a recent finance staff leaver at the College
- addition of new members of finance staff

The Committee were updated on the arrangements for the BACS Payment Process operated through the National Westminster Current Account. It was noted that payment runs require the use of multifactor authentication 'tokens', which are registered to specific members of the finance team. The payment runs are initiated by the Purchase Ledger Assistant and authorised by two signatories. All payments follow authorisation from the Agresso self-service system in line with authorisation levels stated in the Financial Regulations.

Resolved

The Finance and Resources Committee approves and commends to the Board for approval amendments to the College bank signatories in accordance with Financial Regulation 14.3 Banking Arrangements

FRC.29.22 Terms of Reference and Standing Orders of the Finance and Resources Committee: 2022/23

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: 2022/23

FRC.30.22 Annual Schedule of Business of the Finance and Resources Committee: 2022/23

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 were advised that the document has been compiled to include the items of business that need to be addressed by each Committee at each of the meetings to be held in 2022/23.

Members reviewed the document and agreed this reflected the business that would need to be conducted by the Committee during the current year.

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: 2022/23

FRC.31.22 Surrey Skills Limited

The Committee was reminded that the activities of Surrey Skills Limited, which is a wholly owned subsidiary of East Surrey College, are monitored by the Finance and Resources Committee on behalf of the Corporation Board, which includes any changes to the Directors.

The Director of Governance advised members that, following the resignation of Jyoti Baker from the College as Chief Operating Officer at the end of April, she ceased to be a Director of SSL. Eva Dixon as the new Chief Operating Officer of the College was appointed as a Director of SSL.

The resignation and appointment have been formally submitted to and accepted by Companies House.

The current Directors and Company Secretary of SSL are:

- Colin Monk
- Eva Dixon
- Sue Glover – company secretary

Agreed

The Finance and Resources Committee agreed to receive and note the report.

FRC.32.22 Human Resources Report: Summer Term 2022

The Executive Director HR and Professional Development presented, for information, the Human Resources report for term 2.

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

- Covid-19
 - there is no longer a requirement to manage Covid-19 to the same intensity in line with changes to Government guidelines
 - following latest guidance the College has created a ‘frequently asked questions’ document for staff, which strongly recommends to stay at home if show signs of having contracted Covid
- Staff Utilisation/Efficiencies
 - the utilisation outturn at both Colleges was broadly a positive one with the majority of staff having met their required teaching hours; those who did not have been consulted with or considered in terms of in-year opportunities
- Recruitment and Headcount
 - recruitment continues to be a key priority with a number of vacancies and, although the College is managing to recruit, the process is much slower as there is reliance on agencies for most roles which is proving costly
 - some staff who have secured roles elsewhere have used the opportunity to negotiate an increase in salary
- Staff turnover
 - turnover across both campuses is currently running at 12.75%
 - turnover is usually benchmarked against the last AoC average, which is 2019/20 at 14.8%, however a different approach is suggested as the labor market has changed since this date and the figure unrealistic. The benchmark remains at 2018/29 levels of 18.02%
- Attendance management
 - attendance across both colleges has remained constant throughout the year at just above 95%

- Equality and Diversity
 - the comparisons of the staff profile, student profile and community profile continues with the aim of closely mirroring the local and student populations to ensure a diverse workforce
- Compulsory Online Training
 - Completion of online training remains high

In discussion, members acknowledged the current pressures on increasing salaries to attract the right staff, but emphasised the importance of carefully managing any potential increases for current staff at this time in order to avoid any reputational issues.

Members reviewed the HR KPI dashboard to 31 May 2021.

Agreed

The Finance and Resources Committee receives and notes the Human Resources Report Summer Term 2022

FRC.33.22 Financial Reporting

The Chief Operating Officer presented, for consideration, a report detailing

- Management Accounts to 31 May 2022 for
 - Orbital South Colleges
 - East Surrey College
 - John Ruskin College
 - KPI Dashboard for Finance

Members considered the detail of the accounts, noting:

- the May accounts forecast a year end college group operating surplus of £22k against a previously reported surplus of £12k
- the budgeted college group operating surplus is £73k, which compares to the 2020/21 year-end college group operating surplus of £236k
- May YTD position is a surplus of £146k resulting in a positive variance of £125k against the YTD budgets
- the favourable position is due to a reduction in income offset by savings in pay due to vacancies and non-pay costs
- the College is reviewing ways to meet its AEB allocation, the current allocation shows an adverse variance compared to budget of £79k and £202k for ESFA and GLA AEB respectively
- College cash balance at month end was £10.2m
- the College continues to meet its bank covenants
- the College is anticipated to maintain at least 'good' financial health

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

- the year-end predicted outturn, including achievement, for Adult Programmes is approximately £300k below allocation. The College will look to work with partners to ensure the funding is not clawed back
- there have been significant staff vacancies which have resulted in savings as advised. To manage the impact of vacancies in support teams, work is being redistributed or where possible delayed, curriculum vacancies are being covered in a similar way with agency staff covering student facing roles

Members agreed that the shortfall by John Ruskin remains an ongoing concern, but was accepting that Covid-19 restrictions have significantly impacted the performance over the last two years and effectively has put John Ruskin back to a year 1 position.

KPI Dashboard

Members reviewed the KPI Dashboard at May 2022 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

ESFA Letter dated 30 March 2022

The Committee received, for information, a letter issued by the ESFA, which confirmed that, following a review of the College's audited financial statements and assurance returns for the year ended July 2021 is Good and the College's financial forecasting return (CFFR), the assessment grade based on the financial record are Good. It was noted that the previous assessment had been Outstanding, but due to an error in the ESFA's system, this was corrected to Good.

A review of the audited financial statements, financial statements management letter and the annual report of the Audit Committee has identified there are no significant financial control concerns.

Agreed

The Finance and Resources Committee agreed to receive and note the

- Management Accounts to 31 May 2022 for
 - Orbital South Colleges
 - East Surrey College
 - John Ruskin College
- KPI Dashboard for Finance at May 2022
- ESFA letter dated 30 March 2022 confirming 'good' financial health

FRC.33.22 Health and Safety and Estates Report: Summer Term 2022

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

Members noted the key issues in the Health and Safety report

- the College Joint Health and Safety Committee met on 8 June 2022
- Covid-19 update
 - from 1 April most of the specific guidance for education settings was withdrawn and replaced by UK Health Security Agency health protection in education and childcare settings, which the College follows
- a number of policies and procedures reviewed with no changes

- Fire drills took place in April and May where a number of issues identified and action taken to resolve
- accident statistics for Orbital College Group to May 2022
- there have been two RIDDOR reportable accidents during the period

Members noted the key issues in the Estates update

- the Digital T Levels project on the third floor is progressing well and expected to complete at the end of July
- a search for Head of Premises and Estates following a retirement at the beginning of the year

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: Summer Term 2022

FRC.34.22 Any other business

There was no other business.

FRC.35.22 Schedule of meetings: 2022/23

Thursday 24 November 2022

Thursday 2 March 2023

Thursday 22 June 2023

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: 24 November 2022

