

## **THE CORPORATION OF EAST SURREY COLLEGE**

### **FINANCE AND RESOURCES COMMITTEE**

#### **MEETING HELD ON THURSDAY 25 NOVEMBER 2021 VIA MICROSOFT TEAMS**

Meeting commenced: 18.00

Meeting ended: 19.20

#### **Present**

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

#### **Apologies for absence**

Derek Galloway	Independent Member
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#### **In attendance**

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

#### **Clerk**

Sue Glover	Director of Governance
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#### **FRC.41.21 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 interests.

#### **FRC.42.21 Apologies for Absence**

Apologies for absence were received from

- Derek Galloway

#### **Agreed**

The Finance and Resources Committee agreed to accept the apologies for absence

**FRC.43.21 Notification of Any Other Business**

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

**FRC.44.21 Unconfirmed Minutes of the meeting of the Finance and Resources Committee held on 23 September 2021**

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

**FRC.45.21 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.46.21 Risk Management Autumn Term 2021**

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 reviewed each of the identified risks 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 – no change**
- **Risk FR2 – Breaches of Legislation or Contract Obligations that the College Group needs to comply with – ‘Minor’ risk – reduced from Significant**
- **Risk FR3 – Inability to attract/retain and develop staff with the right mix of skills – ‘Fundamental’ – risk increased from ‘Significant’**

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

- Risk FR2 is reduced to ‘Minor’ (green) from ‘Significant’ (amber) as pandemic measures have become an embedded way of working and robust controls and measures in place for all contributory factors
- Risk FR3 has increased from ‘Significant’ (amber) to ‘Fundamental’ (red) as there is evidence of significant difficulty in recruiting staff with the right skills at all levels

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

- Recruitment has become significantly difficult in all FE Colleges at this time with evidence of labour shortage across the country in all sectors
- The College is considering a number of innovative ways to recruit, such as the rebranding of the recruitment website, use of social media and use of Job Boards
- The College has competitive remuneration packages in place that attract the best talent

Members were content that the College was doing all that it can at this time to recruit the right staff. It was agreed that the proposed changes to the risk register were appropriate and there was nothing further to amend.

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 2021 relative to its risk assignments and commends the report for approval by the Corporation Board

**FRC.47.21 College Policies**

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

- OSC10 Equality Policy for Staff
- OSC26 Attendance Management Staff

The Committee was advised that

- Both policies are presented as part of the regular cycle of policy reviews
- There are no changes proposed to the Attendance Management Staff policy and only minor changes to the Equality Policy

Members reviewed each of the documents and agreed there were no further changes required.

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

- OSC10 Equality Policy for Staff
- OSC26 Attendance Management Staff

**FRC.48.21 East Surrey College Financial Statements 2020/21**

The Chief Operating Officer presented, for consideration and approval, the audited Financial Statements for the year ended 31 July 2021.

Members were advised that

- The College generated an operating deficit before exceptional items of (£887k), (2019/20 – deficit of £467k), with total comprehensive income of £489k (2019/20 – total operating expenditure of £6,219k)
- 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 2021

- 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

It was noted that, although the document is a draft, it is substantially completed and it is not anticipated that there would be any material changes to the statements. However, the Governing Body report requires a final review and there are certain notes to the accounts that need to be completed. A revised version will be presented to the Audit Committee when it meets next week.

The Committee considered the reconciliation outturn position presented for the Management Accounts to July 2021, noting that

- The management accounts reflect the College operating position and focus on the surplus/deficit from actual delivery on its operations in relation to the budget set for the year
- The Financial Statements are prepared on the basis of UK GAAP and the Statement of recommended practice (SORP), which reflects the historic position over past years and the future position and ability of the College to remain a sustainable solvent organisation, with the focus on the total comprehensive income generated and its impact on the Balance Sheet, reflecting the Reserves
- The operating deficit for the year end 2020/21 of (£887k), an adverse variance of £550k from the July management accounts deficit of £337k
- The financial statements deficit arises primarily from the LGPS pension costs of £1,122k
- ESC has met its 16-18 and tuition fees income targets and also met its AEB target within the amended tolerance limits of 90% instead of the 97%
- The College generated £780k of cash reserves from operations, a positive outcome although an adverse variance of £770k against budget
- the College values its net current assets at £5.1m and will maintain its Financial Health Grade of 'outstanding' for 2020/21.

Members agreed that the result is consistent with the financial picture presented throughout the year. The Committee took the opportunity to congratulate the Chief Operating Officer and the finance team for the hard work in maintaining the College's position throughout the year.

### **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 2021
- receives and notes the reconciliation outturn position year end 31 July 2021

## **FRC.49.21     Annual Pay Recommendations 2021/22**

The Chief Executive/Principal presented a report, which updated members on the Association of Colleges' (AoC) position and negotiations for 2021/22.

Members were advised that

- In October the AoC confirmed they had received this year's initial pay claim from the joint unions and outlined the timetable for discussion
- The three key elements of the Trade Unions' 2021/22 pay claim were
  - *A significant increase to restore the 35% loss of real pay since 2009 and close the £9,000 average pay gap between FE Lecturers and School Teachers. (This is greater than a 5% pay increase alluded to by FE week recently)*
  - *The living wage Foundation to be minimum wage and for all Colleges to become accredited living wage employers with the Foundation.*
  - *A review of 2009 Joint National Agreement on Regulating Working Hours to establish a national workload agreement.*
- The outcome of the AoC's proposal to the Unions will not be known until after this Committee has met
- 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
- 1.0% (excluding £250 minimum) applied for all salaries for all OSC staff (Established and Sessional staff) (dependent on their Contract) = £134,460
- 1.0% or £250 minimum (FTE) increase applied to all salaries (Established and Sessional) (dependent on their Contract) = £141,747
- 1.5% (excluding £250 minimum) applied for all salaries for all OSC staff (Established and Sessional staff) (dependent on their Contract) = £206,190
- 1.5% or £250 minimum applied to all salaries (Established and Sessional) (dependent on their Contract) = £206,302
- 2.0% (excluding £250 minimum) applied for all salaries for all OSC staff (Established and Sessional staff) (dependent on their Contract) = £274,921
- From 2.0% plus, all staff would receive at least the £250 minimum, therefore this does not need to be separately calculated
- 2.5% (ie excluding £250 minimum) applied for all salaries for all OSC staff (Established and Sessional staff) (dependent on their Contract) = £343,662
- 3.0% (ie excluding £250 minimum ) applied for all salaries for all OSC staff (Established and Sessional staff) (dependent on their Contract) = £412,410
- Presented for information: 5.0% which seemed to be the Union pay claim (excluding £250 minimum) applied for all salaries for all OSC staff (Established and Sessional staff) (dependent on their Contract) = £687,405

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 2021/22 the College has budgeted for 1.0% cost of living pay increase, however this amount is not as favourable to those on the lowest College pay scales hence why an additional modelling has been included above which is more favourable for those on the lowest incomes
- 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 considered that a pay award of 2% or 2.5% would demonstrate the positive position the College takes on offering competitive salaries in order to attract and retain good staff.

However, it was agreed that the key determining factor on affordability will be the R04 ILR data return, which will be made in early December. The recommendation on affordability would therefore be made available in time for the Corporation meeting on 9 December 2021, by which time the AoC recommendation 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 9 December after the outcome of the R04 ILR data return and the AoC recommendation are known

#### **FRC.50.21 Annual Report of the Finance and Resources Committee: 2020/21**

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: 2020/21 and commends the Report to the Corporation Board.

#### **FRC.51.21 Human Resources Report: Autumn Term 2021**

The Executive Director HR and Professional Development presented, for information, a report to update governors on human resources activity at Orbital South Colleges (OBC), including both East Surrey College (ESC) and John Ruskin College (JRC) for the academic year 2021/22 (1 September to 31 October 2021).

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

- Staff Utilisation/Efficiencies
  - with lower student numbers mainly at JRC and planned courses not running, this is having an impact on staff under-utilisation at JRC
- Recruitment and Headcount
  - long lead times when recruiting in certain key areas, such as Construction, Engineering and Maths, which is in line with the FE sector where a high level of Colleges report these areas as being hard to recruit
- Staff turnover
  - turnover is under the AoC national benchmark of 18.20%; it is also over 2% lower than this time last year
- Attendance management
  - rolling attendance as at 31 October 2021 for all absences is 95.25%, a decrease by over 1% from May 2021; when excluding long term sickness attendance increases to 98.7%, which is 0.17% lower than in May, the benchmark is 97% and overall attendance is 1.75% lower than this
- Equality and Diversity
  - as with previous years, analysis of the trends in the profile of staff continues with the aim of closely mirroring as much as possible the local and student populations to ensure a diverse workforce
- Continuous Professional Development (CPD)
  - a significant amount of CPD continues to take place to ensure that staff remain highly skilled and knowledgeable to provide excellence in their roles

Members reviewed the HR and CPD KPI dashboard as at 31 October 2021 and also for the year 2020/21 together with the outcomes from the staff survey 2021.

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 Human Resources Report: Autumn Term 2021.

#### **FRC.52.21 Financial Reporting**

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

- Management Accounts to 30 September 2021 for
  - Orbital South Colleges
  - East Surrey College
  - John Ruskin College

Members considered the detail of the accounts, noting:

- a full year operating surplus of £120k against a budgeted surplus of £73k is forecast, which includes savings to be identified of £500k and interest payable on the bank loan of £169k
- the student numbers enrolled and relating to income will be realised in the October/November managements once the R04 returns have been filed in early December
- future months will recognize income earned from any new contracts signed in year and delivery commenced, such as UK Power Networks contract
- the variances in the accounts were recognized as
  - an additional amount of 16-18 funding not budgeted for - £240k 16-19 Tuition Fund
  - an adverse variance of £158k for the loss of the Key Stage 4 contract at JRC
  - making a net positive variance across the College group of £83k
  - an adverse variance of £36k on staff pay costs resulting from the 1.25% increase in NI from April 2022
- the John Ruskin College position is expected to be partially mitigated once the 16-19 Tuition Fund support is identified on the basis of the student's entitlement
- cash balance at month end were £10.49m
- the College continues to meet its bank covenants
- the College's financial health is anticipated to be maintained as 'Good'

Members discussed the issues raised and agreed that the College has made a very positive start to the year. However, John Ruskin remains an ongoing challenge with lower than budgeted 16-18 recruitment, but were encouraged to hear the number of open events planned to promote the College.

Members were advised that the KPI Dashboard would be presented with the October Management Accounts.

### **College Financial Forecasting Return 2021 to 2023**

Members received the letter from the ESFA dated 25 October 2021, together with the Financial Dashboard confirming the assessment grades, based on the College's financial plan:

- Good for 2020/21 (the latest outturn forecast year), and
- Good for 2021/22 (the current budget year)

### **Agreed**

The Finance and Resources Committee receives and notes

- Management accounts to 30 September 2021 for
  - Orbital South Colleges
  - East Surrey College
  - John Ruskin College
- College Financial Forecasting Return 2021 to 2023 from the ESFA



#### **FRC.53.21 Health and Safety and Estates Report: Autumn Term 2021**

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

- Covid-19 update
  - Test centres were established at both Colleges at time of enrolment
  - Government guidance changed on 27 September advising students no longer required to social distance or wear masks in classroom. The College recommends all staff and students continue to wear masks in all communal areas and staff social distance where possible
- the Health and Safety Committee met on 1 November 2021 where a number of policy documents and procedures were approved:
  - Updated Health & Safety Policy
  - Display Screen Equipment
  - General Risk Assessment
  - Minibus – DVLA licence check
- a rolling programme of First Aiders and Fire Marshall training is in place to ensure all updates are current and new staff are trained in a timely fashion
- accident statistics for Orbital College Group to November 2021
- there has been one RIDDOR reportable incident processed this term

Members noted the key issues in the Estates update

- Capital projects
  - T-level Capital Funded Project for the creation of six classrooms and staff offices has reached RIBA stage 3. Tender documents to be issued in January
  - Advance Technology Centre – the required transport statement to support the Planning Application has been produced and will be issued shortly, following which the planning application will be progressed
- Surrey County Council Safety roadworks – post completion safety roadworks following 2010 Gatton Point North Building Projects – there continues to be no indication on the start dates for these works
- close monitoring of recently appointed contractors has highlighted problems that have arisen due to Covid and Brexit, in the case of Catering and Cleaning contracts difficulty in attracting and retaining staff has led to a decline in service level

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 2021

**FRC.54.21      Annual Review of the Business of the Finance and Resources Committee: 2020/21**

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 2020/21.

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.55.21      Any other business**

There was no other business.

**FRC.56.21      Schedule of meetings: 2020/21**

Thursday 3 March 2022

Thursday 23 June 2022

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: 3 March 2022**

A handwritten signature in purple ink, appearing to read 'Dunlop', is written over the signature line.