

THE CORPORATION OF EAST SURREY COLLEGE

FINANCE AND RESOURCES COMMITTEE

MEETING HELD ON THURSDAY 23 NOVEMBER 2023 VIA MICROSOFT TEAMS

Meeting commenced: 16.00

Meeting ended: 17.40

Present

Phillip Kerle	Independent Member	Chair
Bob Pickles	Independent Member	
Hazel Beveridge	Independent Member	
Lindsay Pamphilon	Chief Executive & Principal	

Apologies for absence

Simon Bland	Independent Member
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In attendance

Eva Dixon	Chief Operating Officer
Kevin Squire	Assistant Principal Finance & Resources
Sam Bromige	Head of HR

Clerk

Sue Glover	Director of Governance
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FRC.35.23 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.

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

There were no other declarations of interest.

FRC.36.23 Apologies for Absence

Apologies for absence were received from

- Simon Bland - business commitments

FRC.37.23 Notification of Any Other Business

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

FRC.38.23 Unconfirmed Minutes of the meeting of the Finance and Resources Committee held on 19 June 2023

The minutes of the meeting were approved and signed as a correct record. However, on reflection it was agreed that the section relating to the pay review contained some sensitivities and should be recorded under the restricted minutes.

FRC.39.23 Matters Arising and Action Points from the Minutes of the meeting
Members reviewed the action points arising from the meeting, noting those that will be picked up at this meeting. It was agreed that all actions had been addressed to the satisfaction of the Committee and that there were no other matters arising from the minutes of the meeting.

FRC.40.23 Risk Management Autumn Term 2023
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, no change**

Members considered the detail of each of the risks, noting those contributing risks that remain ‘red’, in particular ‘failure to recruit student numbers to meet or exceed allocations across all income stream’. It was acknowledged that although the college has met the learner allocation for 16-18 study programmes, it has not achieved the target for T levels, which will result in an in-year clawback of funding. In response to questions, members were advised that the poor recruitment of T Levels is a national picture and the College is looking at alternatives including an in-year start for 16-18 to capture NEETs and ESOL.

The risk relating to staff recruitment remains high risk and is a sector wide/global issue at this time and the College continues to work through various options to address the issue.

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: Autumn Term 2023 relative to its risk assignments and commends the report for approval by the Corporation Board

FRC.41.23 College Policies
The Chief Operating Officer presented, for consideration and approval, the following College policies:

- **OSC32 Financial Regulations**
- **OSC46 Health and Safety Policy**
- **OSC10 Equality Policy for Staff and Students**

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 Financial Regulations have been updated to reflect
 - the requirements of Managing Public Money (MPM)
 - the authorisation limit for approving purchases has been raised and is now set at £100k in line with normal practice
- There are no changes proposed to the Health and Safety Policy
- The Equality Policy for Staff and Students had been reviewed by the Learning and Quality Committee, who made a number of suggested changes and will be recommending the policy to the Corporation Board

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:

- **OSC32 - Financial Regulations**
- **OSC46 – Health and Safety Policy**
- **OSC10 – Equality Policy for Staff and Students is being recommended by the Learning and Quality Committee**

FRC.42.23 East Surrey College Financial Statements 2022/23

The Chief Operating Officer presented, for consideration and approval, the draft audited Financial Statements for the year ended 31 July 2023.

Members were advised that

- The College generated an operating deficit before exceptional items of (£696k), (2021/22 – deficit of £1,322k), with total comprehensive income of £3,143k (2021/22 – total operating income of £13,770k)
- The College has accumulated reserves of £37,517k (2021/22 - £34,374k) and a cash and short-term investment balance of £11,069k (2021/22 - £8,914k)
- The College has retained its Financial Health Grade of 'Good' for 2022/23.
- Buzzacott is the reporting accountant

Members reviewed the key financial documents, as at 31 July 2023

- 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 complete and it is not anticipated that there would be any material changes to the statements. A final version will be presented to the Audit Committee when it meets next week, who will make a recommendation to the Corporation Board for these to be approved.

The college will continue to focus on viable operating models and a financial recovery plan to continue building its reserves and cash balances to enable capital investment and revenue growth and sustainability to build a long-term future.

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.

The Committee was also presented with the financial record for the year ending 31 July 2023, which will be submitted to the ESFA following approval of the financial statements.

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 2023
- receives and notes the ESFA financial record for the year ended 31 July 2023

FRC.43.23 Annual Pay Recommendations 2023/24

The Chief Executive & Principal presented a report, which updated members on the Association of Colleges' (AoC) position and pay negotiations for 2023/24.

Members were advised that

- in their Employment Briefing to colleges in September 2023, the AoC confirmed their pay recommendation for 2023/24, that
 - colleges should aim to make an award of 6.5% where their previously budgeted pay award, their financial circumstances and the new allocation of funding allows them to do so
- the unions initially requested 15.4% pay award and are yet to confirm their position in light of the pay recommendation
- 32 colleges had voted to strike and 8 saw strike actions take place over pay and national pay bargaining
- following the formal Pay Claim, the AoC continued to recommend a pay uplift of 6.5% for all staff for 2023/24
- 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
- 6.5% applied for all salaries for all OSC staff established and sessional staff
 - backdated to 1 August 2023 - £795k
 - £580k effective 1 December 2023
- 15.4% pay increase for all OSC staff as recommended by the joint unions - £1.9m

In response to questions, members were advised that

- The College will continue to review salaries against market demands and award increments or market supplements as appropriate
- This award is to reflect the AoC recommendation, but further work will need to take place in light of the government's recent announcement on a 9.8% increase on national living wage
- The College's current budgeted full year surplus (based on increased funding) is £870k and in the event that this is delivered, it is proposed that a non-consolidated payment to staff in recognition of this achievement is brought to the Committee in June

In discussion, members considered that making a pay award of 6.5% in line with the AoC recommendation 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 backdating this to 1 August was not affordable at this time and should take effect from 1 December.

Resolved

The Finance and Resources Committee approves and recommends to the Corporation Board for approval that 6.5% increase is applied to all salaries for all OSC staff, established and sessional, effective 1 December 2023

FRC.44.23 Annual Report of the Finance and Resources Committee: 2022/23

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: 2022/23 and commends the Report to the Corporation Board.

FRC.45.23 Financial Reporting

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

- Consolidated Management Accounts for Orbital South Colleges to 31 October 2023
- KPI Dashboard for Finance
- Enrolment position for 2023/24
- ESFA letter and dashboard dated 03.11.23

Members considered the detail of the accounts, noting:

- as at 31 October 2023, the College group year to date operating position is a surplus of £836k against a budgeted surplus of £144k
- this compares to the 2022/23 year to date October group operating surplus of £4k
- College cash balances at month end were £13m against a forecast of £13m
- the College continues to meet its bank covenants
- the College is anticipated to maintain at least 'good' financial health to 31 July 2024

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

- the management accounts will be updated after the R04 return (December 2023) once funded learner numbers are confirmed
- this will impact mainly on 16-18 funding and early indications depict a decrease of approximately 100 learners for the T levels route of the cohort
- non T levels learner recruitment is likely to be the same as allocation
- there will be an in-year clawback of funding as a result of the under recruitment of T levels and a reforecast of year end position will be provided with the December 2023 management accounts

In further discussion, the Committee considered

- whether the management accounts should reflect the expected pay rise, but acknowledged this was not possible until such time this had been approved by the Board
- it would be helpful to see separate management accounts for East Surrey and John Ruskin, as had been presented previously. The College has made a significant investment in John Ruskin and without having separate accounts makes it difficult to monitor this. By having separate accounts would also make it more manageable for governors to understand any potential risks.

It was agreed that the format of the management accounts would be reviewed by the Chief Operating Officer and Assistant Principal Finance & Resources and proposals brought back to the Committee at the next meeting. It was further agreed that the forecast would be adjusted to reflect the pay award

KPI Dashboard

Members reviewed the KPI Dashboard at October 2023 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

Enrolment position for 2023/24

The Chief Operating Officer presented, for information, a report on the current enrolment position for 2023/24.

Members considered the report, which provided information in respect of the current preliminary position on enrolment relative to both campuses, noting that

- Although slightly below allocation at this time, it was acknowledged that the final numbers will be confirmed once the R04 return has been completed
- At ESC, Plumbing, Motor Vehicles, Life Skills have recruited above target
- At JRC the ESOL did not meet target and Sutton United partnership was discontinued during the year and did not recruit further
- ACM Birmingham are yet to enroll as there has been a delay in receiving enrolment forms from the subcontractor

Members agreed that as enrolment continues there are early indications that the College may not achieve recruitment targets in its adult full and part time programmes. However, members were reminded that the position was still fluid at this stage, and it was important to note that the post 42 day numbers are the important point at which the annual position will settle.

ESFA Letter dated 3 November 2023

The Committee received, for information, a letter and dashboard issued by the ESFA, which confirmed that, following a review of the College's financial forecasting return (CFFR), the assessment grade based on the financial plan for 2022/23 is Good and for 2023/24 is Outstanding.

Agreed

The Finance and Resources Committee agreed to

- receive and note the Consolidated Management Accounts for OSC to 31 October 2023, subject to being updated to reflect the pay award
- proposals for the format of the management accounts to be brought to the committee at the next meeting
- KPI Dashboard for Finance at October 2023
- Enrolment position for 2023/24
- Letter from ESFA dated 3 November 2023

Sam Bromige joined the meeting

FRC.45.23 Human Resources Report

The Head of HR presented a report to update governors on human resources activity at Orbital South Colleges (OSC), including both East Surrey College (ESC) and John Ruskin College (JRC), for the summer term 2022/23.

Members were updated on

- Employee analytics and data
- HR Projects and activity
- Employment updates

The Committee considered the detail of, and discussed issues arising from the report, in particular the key points

- Turnover
 - From April to July 2023, there were 23 new starters and in the same period 24 leavers
 - At the end of the year turnover was 27.6% against an AoC benchmark of 17.8%. However, a recent informal poll of FE colleges gave an average of 20.26%, which is significantly closer to the OSC outturn
- Recruitment
 - High recruitment need has continued with ongoing challenges in shortage areas, most notably construction and engineering
- Staff Survey – key headlines
 - 86.25 % of staff feel the college offers a high-quality education
 - 83.75% feel the college has a robust approach to safeguarding
 - 48.75% disagree that student behaviour is well managed
 - 92.36% of staff know how they contribute to the achievement of the college aims and objectives
 - 62.09 felt they are appropriately rewarded for the job they do
 - 66.6% believe their workload is manageable
- Employee relations – from April to July, HR managed a number of employee relations issues, which included 3 Grievances and cases relating to sickness. There is also one employment tribunal being managed relating to disability discrimination and the case is scheduled to be heard in February 2025.
- HR systems and data – the college continues to move towards automation of all processes, including absence reporting systems, CPD application process,

In discussion, members were advised that while the wider data gives some assurance that our own increase in turnover is representative of national data, further work is being undertaken to understand the underlying reasons and will look to provide more information in the next report to the Committee.

The Committee were pleased to receive the report in the format provided.

Agreed

The Finance and Resources Committee receives and notes termly Human Resources report

Sam Bromige left the meeting

FRC.46.23 Health and Safety and Estates Report: Autumn Term 2023

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 1 November 2023
- policies and procedures reviewed in term with no significant changes
- workshop inspections where a number of issues identified and action taken to resolve
- accident statistics for Orbital College Group for year to date
- there have been no RIDDOR reportable accidents during the period

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 2023

FRC.47.23 Annual Review of the Business of the Finance and Resources Committee: 2022/23

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 2022/23.

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.48.23 Any other business

There was no other business.

FRC.49.23 Schedule of meetings: 2023/24

Thursday 7 March 2024

Thursday 20 June 2024

All meetings commence at 4pm

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: 7 March 2024

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