

THE CORPORATION OF EAST SURREY COLLEGE

FINANCE AND RESOURCES COMMITTEE

MEETING HELD ON THURSDAY 20 JUNE 2024 VIA MICROSOFT TEAMS

Meeting commenced: 16.00

Meeting ended: 17.30

Present

Phillip Kerle	Independent Member	Chair
Simon Bland	Independent Member	
Hazel Beveridge	Independent Member	
Lindsay Pamphilon	Chief Executive & Principal	

Apologies for absence

Bob Pickles	Independent Member
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In attendance

Eva Dixon	Chief Operating Officer
Sam Bromige	Director of People & Culture

Clerk to the Committee

Sue Glover	Director of Governance
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FRC.15.24 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.16.24 Apologies for Absence

Apologies for absence were received from

- Bob Pickles - personal commitments

The Finance and Resources Committee accepts the apologies for absence.

FRC.17.24 Notification of Any Other Business

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

FRC.18.24 Unconfirmed Minutes of the meeting of the Finance and Resources Committee held on 7 March 2024

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

FRC.19.24 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.20.24 Risk Management Summer Term 2024
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 the risk relating to staff recruitment remains high as this continues to remain a sector wide/global issue.

As previously advised, the risk relating to failure to recruit student numbers to meet or exceed allocations across all income streams remains ‘red’ as the College has not met its 16-18 allocation, although learner numbers for study programmes has been exceeded the target for T Levels has not been made and there has been an in-year clawback of funding as a result. The subcontracting of community learning provision with the WEA has been terminated due to quality concerns and the GLA Multiply contract was not extended for April 2024.

It was noted that the inherent risk relating to Health and Safety has been upgraded to ‘red’ and the residual risk has been upgrade to ‘amber’. The college is reviewing its health and safety arrangements, including a review to ensure risks are being adequately managed. The Committee was advised that this area recently had an internal audit where ‘significant’ assurance had been given, which members agreed was a pleasing outcome.

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 2024 relative to its risk assignments and commends the report for approval by the Corporation Board

FRC.21.24 College Policies

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

- **OSC74 – Business Continuity Plan and IT Disaster Recovery Plan**
- **OSC38 – Fees Policy**
- **OSC39 – Refunds Policy**
- **OSC41 – Subcontractor Fees 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
- there are minor updates to contact details and title changes to the Business Continuity Plan and a full update is planned for next year
- the Fees Policy has been updated to reflect an increase in fees
- there are minor changes to the Refunds Policy
- the subcontractor fees policy has been updated with minor changes, previous subcontractor internal audits have identified there are robust processes in place

Members reviewed each of the policies and agreed there were no further amendments required to each of the policies. However, members commented on the difference between Emergency and Continuity in the Business Continuity Plan and it was agreed that the wording relating to this would be given consideration during the next full update.

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**
- **OSC38 – Fees Policy**
- **OSC39 – Refunds Policy**
- **OSC41 – Subcontractor Fees Policy**

FRC.22.24 College Budgets for 2024/25

The Chief Operating Officer presented, for consideration and approval, the annual budget for the College. Members were reminded that the capital element of the budget had been approved at the previous meeting.

The Committee was advised that the budget has been set following

- confirmation of the allocation of income from funding agencies
- a review of all income streams
- detailed review of
 - the costed established staff
 - all pay and non-pay costs
 - the 2024/25 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 Skills Fund (previously Adult Education Budget), including the carry forward and non-levy procurement Apprenticeships, and the delivery of Tailored and Non Regulated Learning (previously the Adult Community Learning and Local Flexibilities Funding)

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

- grant income has been included in the Budgets as per allocation. This includes 16 -18 which reflects an allocation of 2465 learners. In addition, there has been an uplift of £320K in Teachers Pension Grant for 2024/25
- Apprenticeships target has increased by £150k to £2.5m compared to the 2023/24 apprenticeship income, which is regarded as an achievable target taking into account the carry forward and the pipeline for new recruits. Apprenticeship provision is planned to be rationalised by reducing some low contributing, low quality apprenticeships. There is potential for further growth in JRC direct delivery
- 16-18 subcontractors, Academy of Contemporary Music (ACM) and Surrey Choices are projecting growth in learner numbers, consequently ACM budget increased to 230, and 25 for Surrey Choices learners
- Tuition fees and Education contracts income is slightly reduced compared to 2023/24 as a result of the impact in reduction in HE learners and associated fees in addition to changes in apprenticeship funding and the co-funding requirements from SMEs
- A number of initiatives to promote internal progress are being adopted and the College is also developing strategies around micro-credentials in Digital, Healthcare Management, Engineering and Construction where students enroll for smaller full cost units of accredited study, which will be crucial learning for when the Lifelong Loan Entitlement is rolled out from 2025/26
- There is no contingency or savings to find included in the pay costs.

Members reviewed the

- Executive summary
- College Budget 2024/25
 - Income and Expenditure account
 - Operating position
 - Assumptions
 - Income
 - Pay
 - Non pay
 - Balance Sheet
 - Cash flow
 - Risks an opportunities
 - Financial objectives

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

- a surplus operating position of £7k is proposed
- 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 considered the application data, noting that this is above 2023/24 figures by 370 learners, with progressing learners representing 48% of the total applications and the assumption that the allocation and target of 2700 for 16-18 recruitment will be achieved in R04 is reasonable. It was pleasing to note the number of progressive learners.

In discussion, members considered that with the recent reduction in the level of inflation, which undoubtedly will result in interest rates being reduced, that it would be prudent for the cash reserves to be moved to an account with more favourable interest rates.

Members were informed on the Procurement Act that comes into force in October and any procurement activities the College enters into will be subject to any changes. It would be helpful if the Reserves Policy could be amended to reflect that any funds used are designated rather than restricted, which would mean that any change in the use of funds would not be subject to approval from the DfE. It was agreed that a paper would be presented to the Board in this respect to gain approval for this approach.

Resolved

The Finance and Resources Committee approves and commends to the Corporation Board

- the College Budgets for 2024/25
- Cash reserves are moved to an account with more favourable interest rates
- Report to be presented to the July Board on procurement and the approach to be taken

FRC.23.24 ESFA College Financial Forecast Return (CFFR)

The Chief Operating Officer presented for consideration and approval, details of the CFFR to the ESFA.

Members were advised that

- the College is required to submit the CFFR to the ESFA by 31 July 2024, which reports on the 3 year financial plan for the College
- the CFFR has been prepared on the basis of the forecast outturn for the year ending 2023/24, the budget for 2024/25 and the forecast for 2025/26
- the model generates a financial health category of 'good' and the College agrees with this assessment

Resolved

The Finance and Resources Committee approves and commends to the Corporation Board for approval the College Financial Forecasting Return to be submitted to the ESFA

FRC.24.24 Higher Education Tuition Fees for 2025/26

The Chief Operating Officer presented, for consideration and approval, a report on fees for all proposed HE provision for 2025/26.

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 £6,730, £565 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 number for those eligible for support will increase once our TEF Award runs out in 2024/25

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 2025/26 in case of change of circumstance.

In discussion, members were advised the proposal would mean increased HE Fee income for the College and will bring all students within scope of our Access and Participation Plan. However, this will probably have little impact around financial support as Higher Nationals and Early years are unlikely to meet the conditions of the support if they are employer sponsored.

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 2025/26 in case of change of circumstance

FRC.25.24 Insurance Provision for 2024/25

The Chief Operating Officer presented, for consideration and approval, proposals for the College's insurance provision in 2024/25.

Members were advised that

- The College utilises a commercial insurance broker, currently FE Protect, to manage its annual insurance renewals, who are authorized and regulated by the Financial Conduct Authority and on the CPC Framework for College insurance
- They are advisers for 40% of FE Colleges, having achieved this position through cost reduction, increase in cover whilst improving services for the education sector, which ensures our group policies continue to meet the needs of the organisation
- the price we pay remains competitive and avoids the need to negotiate terms and underwriting directly with each insurer

The Committee considered the detailed review of the levels of cover previously provided and the levels of cover required for the 2024/25 academic year for

- Employers' liability
- Professional indemnity
- Cyber
- Buildings
- Machinery, plant and contents
- Computer
- Equipment taken off premises
- Business interruption
- Motor
- Turnover
- wages

The Committee was informed that the broker is currently preparing quotations, but based on early indications our premiums are unlikely to rise by more than 10%, thus the recommendation on the maximum values is the total cost of renewing all the College Group's insurance policies over a one-year period is approximately £128,634, representing an increase of 10% on last year's cumulative renewal charge of £116,941.

In discussion, members agreed that the rates quoted are competitive and offer good value and are recommended for approval for 2024/25

Resolved

The Finance and Resources Committee approves and recommends to the Corporation Board for approval the renewal of the College Group's insurances policies over a one-year period as quoted

FRC.26.24 Terms of Reference and Standing Orders of the Finance and Resources Committee: 2024/25

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: 2024/25

FRC.27.24 Annual Schedule of Business of the Finance and Resources Committee: 2024/25

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 2024/25.

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: 2024/25

FRC.28.24 Human Resources Report: Spring Term 2024

On behalf of the Director of People & Culture, the Chief Executive presented a report to update on the People Team activities at both colleges in the spring term 2024.

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

- Turnover
 - although this is falling it remains high at 32.96%, which correlates with other evidence of a more settled work force, including lower vacancy rates
- Recruitment
 - remains a key area of focus although vacancy numbers have reduced to currently 27 across the group. We are supporting this through the introduction of the agency preferred supplier list (PSL)
 - agency usage remains a significant concern and is being addressed through the introduction of an agency preferred supplier list (PSL) together with a programme of manager upskilling to improve our recruitment and onboarding processes

- Pay
 - following the submission of the Further Education England Joint Trade Unions Claim 2024/25 to the AoC on 27 March 2024, there has been little progress, and with a general election looming indications are that no decisions will be reached until the autumn term.
- Staff learning and development
- the first whole college learning and development day took place on 30 March 2024, which was well received by staff with a number of learning sessions offered
- Levelling up
 - a one off payment to new teachers up to £6,000 will be payable to staff applying who meet the criteria in the Autumn. 26 staff members have been identified who may be eligible
 - the college will also be applying for funding for teacher training places, including teaching apprenticeships, to ensure that funded places for staff members are available in the coming year.

The Committee thanked the Director of People & Culture for a very informative update on staff.

Agreed

The Finance and Resources Committee receives and notes the People Team Report: Spring Term 2024.

FRC.29.24 Financial Reporting

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

- Consolidated Management Accounts for Orbital South Colleges to 30 April 2024
- KPI Dashboard for finance

Members considered the detail of the accounts, noting:

- YTD operating position is a surplus of £487k against a budgeted surplus of £128k, giving a positive variance of £358k
- The full year operating surplus of £37k, a deterioration of £7k against the budgeted full year surplus of £45k
- College cash balance at month end was £12.8m. The forecast for year to date indicates a negative variance of (£87k) arising from the decrease in Advanced Learner Loans, HE Fees and other Tuition Fees
- 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 College has not met its 16-18 funding numbers, however there was an over recruitment of the non-T level learners offset by an under recruitment of T levels learners
- The college is currently below target for its adult allocation and apprenticeship income budget and there is an in-year clawback of £185k as a result of the under recruitment of the T levels learners

- The May 2024 management accounts would shortly be available which will give a more up to date position

KPI Dashboard

Members reviewed the KPI Dashboard at April 2024 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

Capital Bids schedule

Members reviewed the capital bids scheduled that had been requested at the last meeting, agreeing with the format to be used. Members asked if this could be RAG rated for future reports with a comments section.

ESFA Letter dated May 2024

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 2022 is Good and the College's financial forecasting return (CFFR), the assessment grade based on the financial record are 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 Consolidated Management Accounts to 30 April 2024 for Orbital South Colleges
- KPI Dashboard for Finance
- Capital Bids schedule
- ESFA letter and dashboard

FRC.30.24 Health and Safety Report: Summer Term 2024

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

Members noted the key issues in the Health and Safety report

- The cross college health and safety committee met in May 2024
- The areas covered included
 - Policies and procedures
 - Risk assessments and inspections
 - Training
 - Accident reporting, including near misses
- There were 4 RIDDOR reportable issues, which have all been completed in a satisfactory manner

- There were no matters that required to be escalated to the Board during the period

Members reviewed the policies and procedures that had been considered by the health & safety committee and agreed these areas were well covered with robust processes in place. It was noted that a health and safety internal audit had been conducted during the term where a significant assurance had been given.

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

Agreed

The Finance and Resources Committee receives and notes the Health and Safety Report: Spring Term 2024

FRC.31.24 Any other business

There was no other business.

FRC.32.24 Schedule of meetings: 2024/25

Thursday 28 November 2024

Thursday 6 March 2025

Thursday 19 June 2025

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: 28 November 2024