

THE CORPORATION OF EAST SURREY COLLEGE

FINANCE AND RESOURCES COMMITTEE

MEETING HELD ON THURSDAY 24 NOVEMBER 2022 VIA MICROSOFT TEAMS

Meeting commenced: 18.00

Meeting ended: 19.30

Present

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

Apologies for absence

Bob Pickles	Independent Member
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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.36.22 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.

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

There were no other declarations of interest.

FRC.37.22 Apologies for Absence

Apologies for absence were received from

- Bob Pickles - business commitments

Agreed

The Finance and Resources Committee accepts the apologies for absence.

FRC.38.22 Notification of Any Other Business

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

FRC.39.22 Unconfirmed Minutes of the meeting of the Finance and Resources Committee held on 23 June 2022

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

FRC.40.22 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.41.22 Risk Management Autumn 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 those contributing risks that are rated red, which includes a new risk relating to wage inflations and cost of living pressures. It was acknowledged that this is a sector wide/global issue, and that management are working through a number of options to address this.

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

FRC.42.22 College Policies

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

- **OSC18 – Capability Policy**
- **OSC19 – Wellbeing and Resilience at Work Policy**
- **OSC22 – Redundancy Policy**
- **OSC10 – Equality Policy for Students and Staff**

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 Equality Policy had also been presented to the Learning and Quality Committee as it is combined for staff and students

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

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

- **OSC32 - Financial Regulations**
- **OSC46 - Health and Safety Statement and Policy**

The Committee was advised that

- there have been minor updates to contact details and title changes to the financial regulations, and that the limit below which budget holders have discretion to obtain multiple quotes has been raised as part of evidencing value for money
- there have been minor updates to contact details and title changes to the Health and Safety Statement and Policy and the removal of Covid restrictions
- the Health and Safety Statement will be signed by the Chair of the Corporation and the Chief Executive for 2022/23

Members reviewed each of the policies, noting the proposed changes and agreed there was nothing further required. The Committee was reminded that these are important key documents and, although there are only minor changes, the Board is required to review them on an annual basis to ensure they remain fit for purpose.

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 the following policies

- **OSC18 – Capability Policy**
- **OSC19 – Wellbeing and Resilience at Work Policy**
- **OSC22 – Redundancy Policy**
- **OSC10 – Equality Policy for Students and Staff**
- **OSC32 - Financial Regulations**
- **OSC46 - Health and Safety Statement and Policy**

FRC.43.22 East Surrey College Financial Statements 2021/22

The Chief Operating Officer presented, for consideration and approval, the draft audited Financial Statements for the year ended 31 July 2022.

Members were advised that the

- College generated an operating deficit before exceptional items of (£1,322k), (2020/21 – deficit of £887k), with total comprehensive income of £13,770k (2020/21 – total operating expenditure of £489k)
- College has accumulated reserves of £34,374k (2020/21 - £20,604k) and a cash and short-term investment balance of £8,914k (2020/21 - £8,914k)
- College values its net current assets at £5.2m
- financial health grade will be downgraded to 'good' for 2021/22
- Buzzacott is the reporting accountant

Members reviewed the key financial documents, as at 31 July 2022

- 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. 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 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 2022, 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 2022
- receives and notes the ESFA financial record for the year ended 31 July 2022

FRC.44.22 Annual Pay Recommendations 2022/23

The Chief Executive presented a report, which updated members on the Association of Colleges' (AoC) position and negotiations for 2022/23.

Members were advised that

- In April the AoC confirmed they had received this year's initial pay claim from the joint unions, which called for
 - A 10% pay increase on all points with a minimum uplift of £2,000
 - All colleges to become accredited Foundation Living wage employers

- For significant movement towards agreements on workload in colleges
- Following this, the AoC recommendation for 2022/23 is
 - A consolidated uplift of 2.5% for all staff
 - A £500 non-consolidated payment to be made to staff up to a threshold to be agreed locally and subject to affordability
 - A further recommendation for staff earning less than £25,000 per annum that the non-consolidated uplift should be £750
- 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% applied for all salaries for all OSC staff (Established and Sessional staff) (dependent on their Contract)
= £158,900 (£92,700 if not backdated to 1 August 2022)
- 2.5% applied for all salaries for all OSC staff (Established and Sessional staff) (dependent on their Contract)
= £397,200 (£231,700 if not backdated to 1 August 2022)
- With regard to the £500 non-consolidated payment, the college is proposing £250 for full time staff, prorated for part time and sessional staff
= £84,800 if paid as a non-pensionable bonus via payroll (£74,500 if paid in vouchers)
- £750 non-consolidated for staff earning less than £25,000
= £64,100
- Presented for information: 10% pay increase on all points with a minimum uplift of £2,000 for all OSC staff as recommended by joint unions (Established and Sessional staff)
= £1,590,000
- An additional 2 days' leave is also proposed to be offered to all support staff and managers, prorated accordingly

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 offered a 2.5% increase against the budgeted 1.0% for cost of living pay increase
- 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 making a pay award of 2.5% 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. In addition, the 2 days' leave would also be offered as this would be seen favourably in bringing support staff closer in line with curriculum staff.

Resolved

The Finance and Resources Committee approves and recommends to the Corporation Board for approval that

- 2.5% increase is applied to all salaries for all OSC staff, established and sessional
- An additional 2 days' leave is offered to all support staff and managers

FRC.45.22 Annual Report of the Finance and Resources Committee: 2021/22

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: 2021/22 and commends the Report to the Corporation Board.

FRC.46.22 Human Resources Report: Autumn Term 2022

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 term one of the academic year 2022/23, which included the HR dashboard.

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

- Staff Utilisation/Efficiencies
 - the focus remains on ensuring that staff are up to hours and those who remain under are suitably re-deployed
- Recruitment
 - there are currently 27 vacancies across the College group, which is a significant drop on the 60+ being recruited over the summer. However, this reduction would be expected at this time of the year and the College continues to be aware of the challenges in the job market
- Staff turnover
 - there has been an increase in leavers over the summer for varying reasons. Further investigation is being undertaken through further leaver surveys and exit interviews as well as information from staff forum groups in order to substantiate the numbers given

- Attendance management
 - attendance across the College group as at 31 October 2022 is 96.44%, which is broadly comparable, benchmarking against the pre-pandemic AoC workforce data survey for 2018/19 average attendance of 97%
- 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

In discussion, members commented that the headcount at October 2022 is down from the figure reported for May 2022 and were advised that this is mainly attributable to the annual audit undertaken on sessional staff to check whether they are continuing or not.

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 2022.

FRC.47.22 Financial Reporting

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

- Management Accounts to 31 October 2022 for
 - Orbital South Colleges
 - East Surrey College
 - John Ruskin College
 - KPI Dashboard for Finance
 - ESFA Financial Forecasting Return 2022-2024

The Committee was advised that the enrolment report had not been finalised, but the Chief Operating Officer was able to advise that there has been an over recruitment by circa 100 learners. Once the report was finalised, it would be circulated to members.

Members considered the detail of the accounts, noting:

- the management accounts will be updated after the R04 (December 2022) once funded learner numbers are confirmed
- YTD October group operating surplus is £4k against a YTD budgeted surplus of £181k, which compares to the 2021/22 YTD October operating surplus of £381k, which is driven primarily by a shortfall in income compared to budget, offset by reduced costs compared to budget. Overall, YTD income and costs are much higher than prior year figures
- College cash balance at month end was £8.6m against a forecast of £8.3m
- 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

- there is an under-recruitment of circa 64 learners T Levels and 164 over recruitment of non-T Levels, with the under-recruitment leading to an in-year clawback of funding. However, there is an opportunity to make a business case for growth on the non-T Level funding
- the maximum threshold of any additional enrolment above allocation has been capped at £500k and a reforecast position will be provided with the December 2022 management accounts

Members considered the key negative variances presented and summarised, commenting on the savings to be found of circa £700k and that in order to achieve a breakeven position there is circa £1.3m to be found. The Committee agreed that the accounts presented were perhaps a little too optimistic and should present a more cautious view and asked if they could be refined to present a 'best case' and 'worst case' analysis as there are a number of unknowns at this time.

KPI Dashboard

Members reviewed the KPI Dashboard at October 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 25 October 2022

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) 2022-2024, the assessment grade is Good for 2021/22 and Outstanding for 2022/23.

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 and dashboard dated 25 October 2022

FRC.48.22 Health and Safety and Estates Report: Autumn 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 7 November 2022
- a number of policies and procedures reviewed with no substantive changes
- workshop inspections where a number of issues identified and action taken to resolve
- accident statistics for Orbital College Group to November 2022
- there have been no RIDDOR reportable accidents during the period

Members noted the key issues in the Estates update

- the recent works carried out at both sites and that at ESC and JRC
- Fire Risk Assessments taken place at all 3 sites
- the Digital T Levels project on the third floor has been completed on time and budget
- the Head of Estates handed in her notice in October 2021. Despite best efforts, a suitable replacement has not been found. The College has since restructured the team and established cross college functions to support both campuses.

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 2022

FRC.49.22 Annual Review of the Business of the Finance and Resources Committee: 2021/22

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 2021/22.

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.50.22 Any other business
There was no other business.

FRC.51.22 Schedule of meetings: 2022/23
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: 6 March 2023

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