

THE CORPORATION OF EAST SURREY COLLEGE

FINANCE AND RESOURCES COMMITTEE

MEETING HELD ON MONDAY 19 JUNE 2023 VIA MICROSOFT TEAMS

Meeting commenced: 15.00

Meeting ended: 16.45

Present

Phillip Kerle	Independent Member	Chair
Bob Pickles	Independent Member	
Simon Bland	Independent Member	
Lindsay Pamphilon	Chief Executive & Principal	

In attendance

Eva Dixon	Chief Operating Officer
Mitzi Gibson	Executive Director HR and Professional Development
Kevin Squire	Assistant Principal Finance & Resources

Clerk

Sue Glover	Director of Governance
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FRC.15.23 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.16.23 Apologies for Absence

There were no apologies for absence.

FRC.17.23 Notification of Any Other Business

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

FRC.18.23 Unconfirmed Minutes of the meeting of the Finance and Resources Committee held on 6 March 2023

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

FRC.19.23 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.20.23 Risk Management Summer 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 the risk relating to achieving budgeted which remains a fundamental risk. The College has in place mitigating actions but remains in deficit with £0.5m, a reduction of deficit from a previous position of just under £1m.

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

FRC.21.23 Finance 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**
- **OSC07 – IT Equipment for Students**
- **OSC35 – Staff IT Usage Policy**
- **OSC38 – Fees Policy**
- **OSC39 – Refunds Policy**
- **OSC41 – Subcontractor Fees 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
- there are no changes to sections 1-3 of the Business Continuity Plan. However, they will be updated in the autumn term and brought to the next meeting. There are minor updates to contact details and title changes in section 4 and new platform details have been added, such as SharePoint and Teams as a communications tool used by the College

- the Student Bursary Policy has been updated to reflect an increase in financial limits for eligibility from £23,870 to £26,000, which will bring more learners in scope
- it is recommended that OSC07 IT Equipment for students is cancelled as the Covid modifications are no longer required
- the subcontractor fees policy has been updated with minor title changes but will need to be reviewed after the subcontractor audit in light of the new Subcontracting Standards

Members reviewed each of the policies and agreed there were no further amendments required to each of the policies and that it was appropriate for OSC07 to be cancelled.

An overview of the principles and procedures of Managing Public Money was presented for information. Members were advised that the procedures which are to be adhered to following the reclassification of colleges to the public sector will be incorporated into the College's Financial Regulations and brought to the Committee at the next meeting.

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 Finance 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**
- **OSC48 – Drugs and Alcohol Policy**
- **OSC07 – IT Equipment for Students is cancelled**

FRC.22.23 Human Resources Policies

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

- **OSC13 – Adoption Leave Policy**
- **OSC23 – Maternity Leave Policy**
- **OSC23A – Flexible Working Policy**
- **OSC24 – Parental Leave Policy**
- **OSC25 – Shared Parental Leave Policy**
- **OSC27 – Paternity Leave 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 only minor date and title changes required to each of the policies

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

Resolved

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

- **OSC13 – Adoption Leave Policy**
- **OSC23 – Maternity Leave Policy**
- **OSC23A – Flexible Working Policy**
- **OSC24 – Parental Leave Policy**
- **OSC25 – Shared Parental Leave Policy**
- **OSC27 – Paternity Leave Policy**

FRC.23.23 Revenue and Capital Budgets: 2023/24

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 2023/24 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

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

- Apprenticeships target decreased by £0.1m to £2.4m (4% decrease on 2022/23 delivery), 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
- the partnership with Sutton United Football Club has not been smooth in the year with concerns over communications with learners, health and safety measures being ignored and general lack of prioritisation of teaching and learning with affordability of the provision being a major challenge for both parties. Consequently, the College will be going through a teach-out process with SUFC in 2023/24 with the number of learners remaining on the programme being second year students, circa 30 learners

- Tuition fees and Education contracts income is largely in line with 2022/23 forecast driven by growth in school links programme, new contracts including DWP, pipeline work such as Multiply, the development of the full cost provision in green technologies and development of the Electrical Installation workshop
- the college is developing foundation degrees in Cloud Computing and Cyber Security which will come on stream in 2024/25 and look to have solid demand
- an amount of £400k has been included as savings to be identified in the pay costs

Members reviewed the

- Executive summary
- College Budget 2023/24
 - Income and Expenditure account
 - Operating position
 - Assumptions
 - Income
 - Pay
 - Non pay
 - Balance Sheet
 - Cash flow
 - Risks and opportunities
 - Financial objectives

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

- a surplus operating position of £44k is proposed
- the total comprehensive income, which includes the release from the revaluation reserve and the financing costs of pensions is (£1,000k)
- the pension finance costs are estimates as the calculation is dependent on the Government bond rate on 31 July each year
- the current budget generates 'good' financial health under the current ESFA scoring mechanism
- a 2.5% staff pay award has been included
- 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 2022/23 figures, with progressing learners representing 45% of the total applications and the assumption that the allocation and target of 2600 for 16-18 recruitment will be achieved in R04 is reasonable.

With encouraging signs of increasing applications, the Committee considered whether it may be prudent to have a strategy of growth which could result in a deficit budget for a few years. However, it was acknowledged that additional learners would be gradual and incur additional costs, particularly with staff.

As the budget had made provision for a 2.5% pay award, members asked if the report covering the pay review could be taken at this point in the agenda to give a better understanding of pay rises in the sector. As there were some sensitivities within the report, it was agreed to record this section under the restricted minutes of the meeting.

Resolved

The Finance and Resources Committee approves and commends to the Corporation Board the Revenue Budgets for 2023/24, subject to update for the Board as discussed

FRC.24.23 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 2023, 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 2022/23, the budget for 2023/24 and the forecast for 2024/25
- 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.25.23 Higher Education Tuition Fees for 2024/25

The Chief Operating Officer presented, for consideration and approval, a report on fees for all proposed HE provision for 2024/25.

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 £6,540, £375 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 204/25

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 2024/25 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 2024/25 in case of change of circumstance

FRC.26.23 Property Strategy

The Chief Operating Officer advised that work is continuing on the Property Strategy and is not at a point where it can be presented to the Committee.

Members were advised that monies recently received for expenditure on the College Estate would need to be utilised by the end of the academic year. This ties in with the development of the Property Strategy and, consequently, the document will need to be approved by the end of July.

In discussion, the Committee was advised that it was unlikely the Property Strategy would be complete by the time of the next Board meeting on 6 July. It was agreed therefore that arrangements should be made for the Board to meet as soon after this date in order to approve the Property Strategy.

Agreed

The Director of Governance would convene an extraordinary meeting of the Corporation Board as soon as is feasible after the July meeting date in order for the Property Strategy to be considered and approved

FRC.27.23 Terms of Reference and Standing Orders of the Finance and Resources Committee: 2023/24

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: 2023/24

FRC.28.23 Annual Schedule of Business of the Finance and Resources Committee: 2023/24

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 2023/24.

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: 2023/24

FRC.29.23 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 as Colin Monk will be retiring from the Board on 31 July, he will cease to be a Director of SSL at this date. Bob Pickles has agreed to be a Director of SSL.

The resignation and appointment will be formally submitted to Companies House.

The Directors and Company Secretary of SSL as 1 August 2023:

- Bob Pickles
- Eva Dixon
- Sue Glover – company secretary

Agreed

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

FRC.30.23 Termly Human Resources Report

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 2022/23, September 2022 to 31 May 2023, which included the HR dashboard.

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

- Turnover
 - Turnover rate is recognized high against historical data, however it should be noted this is the case through the UK and should be considered against the background of the Pandemic, impact of Brexit and cost of living crisis
 - of the 193 leavers in the last calendar year, 25% were non voluntary, the majority of whom were non active sessional employees
 - measures are in place to ensure that new starters have the best experience when joining
- Recruitment
 - there are currently 33 vacancies, with 15 of these with offers in progress
- Attendance
 - Levels remain broadly unchanged at 95.26%, with the most recent sector data showing an average of 97.3%

In discussion, members were advised that turnover is in line with other colleges in the area.

Agreed

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

FRC.31.23 Financial Reporting

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

- Management Accounts to 30 April 2023 for
 - Orbital South Colleges
 - East Surrey College
 - John Ruskin College
 - KPI Dashboard for Finance

Members considered the detail of the accounts, noting:

- as at 30 April 2023, the College group year to date operating position is a deficit of £273k against a budgeted deficit of £18k, giving a negative variance of £291k
- the full year operating deficit of £523k, a deterioration of £551k against the budgeted full year surplus of £28k

- College cash balances at month end were £11.1m. The forecast for year to date indicates a negative variance of (£317k) 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 exceeded its 16-18 funding numbers (an over recruitment of the non T Level learners offset by an under recruitment of T levels learners) and is below target for its adult allocation and apprenticeship income budget
- there has been an in-year growth of £390k and an in-year clawback of £71k as a result of the over and under recruitment of 16-19 learners

Members agreed that the current position is as expected.

KPI Dashboard

Members reviewed the KPI Dashboard at April 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

It was noted that the KPI Dashboard was incomplete as it did not include the following

- Staff costs as a percentage of total income
- Cash balance at month end
- Supplier invoice payment days
- 12 month rolling cashflow forecast

The COO would circulate a revised version to the Committee.

ESFA Letter dated 29 March 2023

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.

ONS Return for period 29.11.22 – 31.03.23

The Chief Operating Officer presented the return to the ONS for the period 29.11.22 – 31.03.23.

Members were advised that

- all FE Colleges were asked to submit a return to the ESFA, which provided assurance to the Accounting Officer and the National Audit Office of the regularity of funds provided to colleges for the year ending 31 March 2023
- for the College, the 'Managing Public Money' (MPM) return was a nil return in all areas. However, the college has been selected for review as part of a random sample to provide evidence where it is relevant (eg. Ledger extract, trail balance extracts)
- guidance to MPM has been prepared and shared with the ESFA and feedback is awaited on the outcome of the review

It was agreed that the outcome would be shared with the Committee when received.

Agreed

The Finance and Resources Committee agreed to

- receive and note the Management Accounts to 30 April 2023 for
 - Orbital South Colleges
 - East Surrey College
 - John Ruskin College
 - KPI Dashboard for Finance at April 2023
- Letter from ESFA dated 29 March 2023
- ONS Return for period 29.11.22 to 31.03.33

FRC.32.23 Health and Safety and Estates Report: Summer 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 6 June 2023
- 6 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 three RIDDOR reportable accidents during the year

Members noted the key issues in the Estates update

- the recent works carried out at both sites
- Fire Drills successfully completed at both sites during the term
- Catering arrangements going well, with good feedback received from staff and students
- There are ongoing issues with the cleaning contractor to improve standards. A notice to improve has been issued and the situation is being kept under review
- The number of student behavior and security incidents have reduced this term.

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: Spring Term 2023

FRC.33.23 Any other business

There was no other business.

FRC.34.23 Schedule of meetings: 2023/24

Thursday 23 November 2023

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: 23 November 2023

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