



**USP College Corporation
Finance and Resources Committee**

**Minutes of the Meeting held on Wednesday 9 March 2022
via Microsoft Teams
Meeting commenced: 10.30hrs
Meeting ended: 13.30hrs**

Present

Phillip Lennon	Independent Member	Chair
Gordon Haines	Independent Member	
Andy Williams	Independent Member	
Dan Pearson	Principal & Chief Executive	

In attendance

Steven Hendy	Chief Finance Officer (CFO)
John Revill	Vice Principal Partnerships, Funding & Business Planning (VP P,F&BP)
Clare White	Deputy Principal Corporate & Student Services (DP C&SS)
Malcolm Shearer	Head of Finance (HofF)
Murray Higgs	Head of Estates & Facilities (HofE&F) (item 10 only)
Lorraine Stoten	Director of HR (HofHR) (item 11 only)

Clerk

Sue Glover	Clerk to the Corporation
------------	--------------------------

FRC.01.22 Declaration of Interest

Members and officers were reminded of the need to declare any personal or financial interest in any item to be considered during the meeting.

There were no declarations of interest.

FRC.02.22 Apologies for absence

There were no apologies for absence.

FRC.03.22 Unconfirmed minutes of the meeting held on 23 November 2021

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

FRC.04.22 Matters arising and action points from the minutes of the previous meeting

Members reviewed the action points arising from the meeting, noting those items that would be dealt with under this agenda.

Members noted the letter from the ESFA dated 14 February 2022 confirming that the Early Intervention Notice issued in June 2021 has now been removed.

The CFO gave an update on the benchmarking exercise commissioned. Members were advised that this has been completed and a report received, which has been reviewed by SMT. The report highlights areas where staff utilisation could be improved and will be used to support any staff restructuring. It was agreed that the

report would be circulated to the Committee for information either separately after the meeting or, at the latest, as an attachment to the draft minutes.

It was agreed that all other actions had been satisfactorily completed and that there were no other matters arising from the minutes of the previous meeting.

FRC.05.22 Higher Education

The VP P,F&BP presented, for information and comment, a report detailing the development of the Pearsons HND Business course based at Palmers.

Members were reminded it was agreed at the previous meeting that, following a decision by Oxford Business College (OBC) to redirect their arrangements with the College, the College would develop its own HND qualification.

Members were updated on the current status of OBC, who have:

- requested to enter 'teach out' of its HND programmes with the College, which means the current contract will now terminate in July 2023
- been issued with a remediation notice for breaches to the required service level standards in relation to administrative practices. The Quality Committee will continue to monitor this provision at each meeting and the Link Governor for HE has been kept advised during his recent meeting with the HE team

Members were also informed that the level of provision has significantly improved with the College's other HE provider, Docklands Academy London (DAL).

The Committee was advised that the College will be offering HND Business from the Palmers campus from May in the 2021/22 academic year, which will:

- provide a mid to long-term return on investment strategy for internal HE provision at Palmers, via Student Loans (SL) and the Office for Students (OfS) funding streams
- support the widening access and participation to HE in Thurrock and Grays area, while building the USP brand within that marketplace

Members considered the financial implications, noting that:

- a potential worst case 'bad debt' has been modelled at 20%, although it is anticipated that this will materialise in the following academic year. This rate is modelled from OBC actual data
- the likely contribution by year, dependent on bad debt status is likely to be
 - Year 1 (2021/22) between £13,000-£43,000, with up to 100 new starts
 - Year 2 (2022/23) between £440,000-£670,000, with 300 new starts
 - Year 3 onward, between £640,000-£800,000, with 300 new starts, maximum of 600 student's steady state

Members were advised there are currently 25-35 learners showing an interest who are being contacted to apply. In discussion, it was acknowledged that the main gains would be realised in Year 2. The key risks are around recruitment numbers and members were advised that an agency would be enlisted to help manage student recruitment. Members agreed that having arrangements in place for the College to provide its own HND provision was a sensible approach: the College has the infrastructure, capacity and relevant expertise to manage such provision, a view endorsed by the significant improvement made at DAL. It was noted that the Quality Committee would continue to monitor the quality of the HE provision, and that this Committee will be kept informed of the financial implications.

Agreed

The Finance and Resources Committee agreed with the approach taken for the development of the Pearsons HND Business course based at Palmers.

FRC.06.22 ITEC Learning Technologies

The VP P,F&BP presented a report to update the Committee on the current operational status of ITEC Learning Technologies.

Members were reminded that ITEC was inspected in October 2021, gaining an overall Ofsted rating of inadequate. As a result, ITEC has been removed from the Register of Training Providers (RoATP) and can no longer recruit any new apprentices.

The Committee was advised:

- the ESFA agreed, subject to employer support, that ITEC could continue to deliver to the current apprentices until the end of their programme under a 'teach out' contract
- the Managing Director of ITEC has resigned and other key posts have been made redundant; all other staff have found alternative employment, a number with the College
- the College is managing the quality of provision of the 'teach out' and has engaged two experienced external consultants to manage the provision and have oversight of all aspects of the delivery

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

- in accordance with the ESFA requirements, ITEC wrote to all employers to request their support in 'teaching out' the apprenticeship programme: all but three agreed and those apprentices affected are being supported to find alternative providers
- the financial impact of the current position is effectively a forecast year-end loss of circa £46k in 2021/22 and the ITEC Board will be updated further when it next meets
- to minimise the financial impact on 2022/23, a review of all end dates of apprentices is being undertaken

The Committee acknowledged that the ITEC Board would be fully informed of the financial position when it next meets later in March, but asked to also be kept informed of any changes to the structure and governance of the company

Agreed

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

FRC.07.22 Financial Reporting

The HofF presented the management accounts to 31 January 2022, acknowledging that some of the points raised in the commentary had been superseded by the latest budget review under item 7.2 below.

Members were advised that:

- the College is currently showing a YTD underlying operating deficit before exceptional items of £436k (budgeted deficit £376k) and an overall YTD deficit of £511k including exceptional items (budgeted deficit £451k), the overall historic deficit after the revaluation reserve transfer is £464k (budgeted deficit £405k)

- the movement from a reporting operating deficit of £425k in December is primarily related to the Higher Education income with lower than expected student numbers
- mitigations are planned in the second half of the year to address the decline in income
- the outcome of the February 2022 budget review will identify any further decline to income and confirm the level of savings required to ensure the current forecast is maintained or to ensure the College does not forecast a deficit year-end outturn
- the cash position at the end of January 2022 is £933k, a position expected following the budget review in November

Members reviewed the detail of the report, noting in particular

- the summary of key financial performance measures
- Financial KPI dashboard
- Financial performance summary
- Monthly comparison of key performance indicators 2021/22
- Income and Expenditure account
- Summarised consolidated rolling year cash flow 2021-2023
- Balance Sheet
- Cash flow reconciliation
- Analysis of curriculum area and support area performance
- Analysis of significant year to date variances
- Capital programme performance summary
- Financial Bank Loan Covenants 2021/22

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

- the cash position at the end of January is as expected following the budget review in November. Indications are that the College will maintain sufficient cash levels during the low funding periods. A further detailed review is planned in February as part of tight control and monitoring measures
- following a review of latest financial forecasts, the bank have informed the College they have removed financial oversight that has been in place for the last 2 years and confirmed they will continue to provide financial support where required
- a fixed asset audit is planned to clean up the asset register in preparation for the next financial statements audit
- the current financial health rating is 'satisfactory' and expected to be 'good' by the end of the academic year under the proposed ESFA scoring system

The Committee agreed that it would be helpful to have a more thorough review of the analysis of curriculum and support area performance and it was agreed that sufficient time would be allocated in the agenda at the next meeting.

Agreed

The Finance and Resources Committee agreed to receive and note the management accounts to 31 January 2022.

FRC.08.22 Budget Review for 2021/22

The CFO presented details of the current position as the February 2022 budget review for 2021/22 nears completion.

Members were advised that:

- the budget review commenced in January 2022 and is currently being finalised as further detailed work on key income and expenditure items is still required
- some key budget outcomes will not be known until the end of the financial year, including Trust bid income, Xtend Centre income and the outcome of the pension revaluation
- the key issues since the November budget review are:
 - budget error identified – negative impact circa £300k
 - HE partner OBC delivery ceased – further reduction to target recruitment numbers and budget
 - further reductions to HE income, Full cost income and Catering income identified
 - ITEC expected surplus now a deficit
 - further mitigations identified but not sufficient
- the budget review has focused on establishing whether the College will still be able to achieve a surplus budget for 2021/22
- the current target budget has been revised from a £208k surplus to a breakeven budget at year-end

The CFO presented a budget review summary indicating a 'likely' and 'worst' case scenario against the targeted breakeven budget. Members considered each of the outcomes and were advised that the current target and likely case outcomes would generate a 'good' financial health rating, whilst the 'worst' case outcome would result in a 'satisfactory' rating. It was agreed that, while everything should be done to work towards a breakeven outturn, the consensus was that the 'likely' case scenario was the most realistic.

It was acknowledged that the current position is subject to change as the budget review is finalised and the latest outcome will be presented to the Corporation Board at the March meeting together with further detail and analysis.

Agreed

The Finance and Resources Committee agreed that the 'likely' case scenario is adopted as the working outturn until a final outcome is presented to the Corporation Board in March.

FRC.09.22 Any Other Business – Adult Education Budget

The VP P,F&BP advised that he had an item of AOB and as he had to leave the meeting, the Chair of the Committee agreed this could be considered before he left.

Members were advised that:

- there is a shortfall on the delivery of the adult education budget of £60k
- in order to utilise this by the required date, the College would like to subcontract this to the Skills Network
- the College has used the Skills Network previously, when they provided a good quality of provision
- as the amount is under the threshold of £100k, there is no procurement process required

Agreed

The Finance and Resources Committee approves the subcontracting arrangement with the Skills Network to a value of £60k.

John Revill left the meeting

FRC.10.22 Xtend Partnership Agreement

The CFO presented an update on the latest position with regard to the arrangement between the College and Diverse Interactive Limited.

Members were reminded that it had previously been agreed that the College would set up a subsidiary company, Xtend Digital Limited, to deliver its commercial activity. This activity included establishing a partnership with Diverse Interactive Limited through the implementation of a business plan for Xtend Digital Limited.

The Committee was advised that:

- work subsequently commenced on the business plan, but as the plan evolved it was evident that this was not meaningful and the best way forward would be to implement a Partnership Agreement, with the aim to focus on establishing a mutually beneficial arrangement whereby a customer base and initial revenues could be recognised before setting up a subsidiary company
- as part of the Partnership Agreement a profit share arrangement would be agreed whilst the digital business and associated customers are established
- a review is planned in a year's time to decide if a subsidiary company is the best vehicle to take the partnership forward and if agreed would then include a formal business plan
- the Partnership Agreement is currently being drawn up between the College and Diverse. The first draft will be reviewed in early March 2022 by the College and once agreed will be referred to legal representative for further review to ensure agreement is sound

In discussion, members raised the issue of whether this arrangement would clearly retain the focus on the students at the campus and were advised that this remained the primary objective with student CPD days being channelled through the facility. Members were reminded that the relationship with Diverse was key to the success of this arrangement and, to this end, were keen to understand the key features of the proposed Partnership Agreement and whether, in itself, this precluded some form of business plan for the current year. It was agreed that the Partnership Agreement would be considered further by the Finance Executive Group.

Agreed

The Finance and Resources Committee agreed to receive and note the update and further consideration of the Partnership Agreement will be given by the Finance Executive Group.

FRC.11.22 Finance Executive Group

Members received the unconfirmed minutes of the Finance Executive Group held on 19 January 2022.

Land Sale Update

The CFO provided an update on the proposed sale of the land to the rear of the Seevic campus.

Members were reminded that the College has agreed to enter into an Option Agreement with Persimmon Homes Essex for the proposed sale of Sports Fields at the Seevic campus.

The Committee was advised that:

- draft Heads of Terms have been shared with Persimmon Homes following a review by Glenny LLP and Birketts Legal and a response is awaited
- the Masterplan meeting took place on 8 February 2022 between Castlepoint Council and all key stakeholders with land interest in the local plan
- the key issues highlighted at the meeting were:
 - the Inspector will submit a final report regarding the Castlepoint local plan in February where he will recommend plan for formal adoption
 - the report will be presented at the March 2022 Castlepoint meeting for members to approve
 - it was evident from the November 2021 meeting that political support for the local plan has declined and it is therefore expected that members will reject the local plan in March 2022
 - if rejected, it is highly likely Government will step in and take over control, which will delay process until 2023
 - as a consequence, separate planning applications are now expected from landowners/developers to push ahead without the local plan
- lobbying is taking place behind the scenes to ensure the local plan is adopted and a further update will be shared

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

- if the local plan is not adopted our strategy is likely to change as the College will need to submit a planning application and will be working with Glenny and Persimmon in this regard
- despite the Option Agreement not currently being in place, Persimmon Homes have agreed to engage with the College from now on to ensure neither are disadvantage in any way

It was agreed that as further updates become available and the outcome of the council meeting, these will be reported to the Finance Executive Group.

Agreed

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

Dan Pearson left the meeting

FRC.12.22 Any Other Business – T Level Capital Bid

The CFO advised that he would need to leave the meeting for another commitment. The Chair of the Committee agreed that the item of AOB to consider the T Level Capital Bid would be taken at this point of the meeting.

The CFO presented, for consideration and approval, a report detailing the College's intention to submit a T Level Capital Bid to redevelop key areas at the Seevic Campus in Health & Sciences, Childcare and Digital in readiness for the 2023/24 academic year.

Members were advised that:

- The College is planning to submit two separate bids for T Level Capital Funding by 11 March 2022
- The total value of the bids is estimated to be £1.2m, and the College is asked to match fund up to 50%

- the two bids are in addition to the capital bid submitted in 2021 for a new Medical & Sports Sciences building, the outcome of which is expected later this month. If the College is successful with this bid, it is likely to impact the level of match funding being proposed for the two new bids and this position will be emphasised in the bids

The Committee gave consideration to the proposal and, in response to questions, were advised that:

- as part of the bid process, a new CFFR and accompanying commentary is required to be submitted, which will provide an analysis of cash flow projections
- the outcome of the CFFR will highlight whether the College should seek additional borrowing from Barclays or whether the College can manage these projects with expected cash reserves
- should additional borrowing be required, this will be against the proposed land sale and therefore would be expected to be a maximum of 5 years
- the total value of the Medical & Sports Sciences bid is £2.4m and the College is expected to contribute 46% if successful
- the College could take the decision, should finances dictate, to withdraw from the capital funding process

In discussion, members raised the issue of management capacity and whether the College was undertaking too many projects at the same time, whilst appreciating that it was important to take up opportunities as they present themselves to develop areas of the College and the curriculum, particularly with regard to T Levels. Members were advised that the College is working with Fusion Project Management on these bids. Fusion will be managing the projects on behalf of the College, thus alleviating any additional time on College management.

It was agreed that, at this stage, support is given to this latest capital bid, recognising that, should finances reveal it is not affordable, the College is able to withdraw from the capital funding process without any penalty. A further report on the progress of all of the bids will be presented to the next meeting with detailed plans and costs.

Resolved

The Finance and Resources Committee agreed to support submission of the two T Level Capital Bids to redevelop key areas at the Seevic Campus in Health & Science, Childcare and Digital and that an update on progress will be presented to the next meeting.

Murray Higgs joined the meeting

FRC.13.22 Termly Health and Safety Report

The HofE&F presented for consideration a report to update members on the current Health and Safety position and activities at the College.

Members reviewed the detail of the report, noting:

- the number of accidents reported through the College's internal reporting system for the year to date
- there has been one claim for accidental injury made against the College by an LSA connected to the Pathways department at the Seevic campus
- the College remains adequately covered with first aid trained personnel and that a number of volunteers have come forward to train
- the fire alarm installations and firefighting equipment function correctly and have been tested and inspected as required

- compliance and testing has been carried out over the past few months
- Covid-19 update – restrictions have been lifted included the need to test twice weekly

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

- there had been no RIDDOR reportable accidents at the end of February 2022 but there has been one such accident subsequently
- the College has elected to exercise a duty of care and ask staff and student to stay at home for a minimum of 5 days should they test positive for Covid-19 on a LFD test
- consideration would be given to the inclusion of a first aid summary for future reports

The Link Governor for H&S commented on the amount of work handled by the H&S team, which was evident when he attended their meetings and asked that thanks are passed on for all their hard work contribution.

Resolved

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

Murray Higgs left the meeting

Steve Hendy left the meeting

Lorraine Stoten joined the meeting

FRC.14.22 Termly Human Resources Report

The HofHR presented for consideration a report to update members on the Human Resources activities for the period September 2021 to December 2021.

Members were advised that:

- there continues to be a decreasing trend of leavers in both Curriculum and Business and Learning Support
- starters in both Curriculum and Business and Learning Support decreased compared to 2020, which was an increase on 2019
- employee relations caseload remained well managed
- there were no formal grievances in this period and informal grievances with positive HR intervention resulted in two being withdrawn
- the workforce diversity in terms of gender remains largely unchanged and above the benchmark in the AoC Workforce Survey
- there was an increase in staff sickness absence compared to the same period in the previous year, due to the high level of long term sickness absence (4 weeks or more)

Members reviewed the report, noting details with regard to the many aspects of the staff profile including:

- Total number of staff by gender and job role
- Starters and leavers, by campus
- Short and long term sickness absence

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

- Staff sickness absence in the same period in 2020 reflected a period of lockdown which was not in place in 2021, which could account for the lower absence in 2020. In September –December 2021, there were less restrictions in place, so would have been a rise in the common cold/virus infections typical for time of year
- Current absence levels are seeing a return to expected levels of absence as per the time of year
- there were no employee ACAS Early Conciliation cases or Employment Tribunals for the period
- the outcome of the staff survey and staff performance appraisals will be reported in the next termly report

In discussion, it was agreed that the report presented a very positive position with staff and asked that thanks are passed to the HR team for their continuing hard work in supporting all staff.

Agreed

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

Lorraine Stoten left the meeting

FRC.15.22 Any Other Business

Two items of other business were considered during the meeting.

There were no other items of any other business.

FRC.16.22 Dates of scheduled meetings of the Finance and Resources Committee 2021/22

Tuesday 28 June 2022

All meetings commence at 4pm unless otherwise stated.

As there was no further business the Chair declared the meeting closed.

SIGNED AS A CORRECT RECORD:



DATE: 28 June 2022