



**USP College Corporation
Finance and Resources Committee**

**Minutes of the Meeting held on Tuesday 28 June 2022
Immersive Room, Palmers Campus
Meeting commenced: 16.00hrs
Meeting ended: 19.00hrs**

Present

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

Apologies for absence

Paul Dale	Independent Member
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In attendance

Steven Hendy	Chief Finance Officer (CFO)
Clare White	Deputy Principal Corporate & Student Services (DP C&SS)
Malcolm Shearer	Head of Finance (HofF)
Lorraine Stoten	Director of Human Resources (DofHR) (attending remotely, item 15 only)

Clerk

Sue Glover	Clerk to the Corporation
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FRC.17.22 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.18.22 Apologies for absence

Apologies for absence were received from

- Paul Dale

The Finance and Resources Committee agreed to accept the apologies for absence.

FRC.19.22 Unconfirmed minutes of the meeting held on 9 March 2022

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

FRC.20.22 Matters arising and action points from the minutes of the previous meeting

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

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.21.22 Finance Executive Group (FEG)

The unconfirmed minutes of the meeting held on 4 May 2022 were received.

Members were reminded that FEG had met to discuss the adjustment made in the ITEC accounts relating to a bad debt provision against ESFA accrued income. The Corporation Board had delegated authority to FEG to take the most appropriate action following consideration of the outcome of the internal review undertaken regarding this. FEG had agreed that all actions were being taken to establish the correct position and accepted that there were still a number of actions to be completed before the final position was confirmed.

Since FEG had met, the CFO confirmed that:

- the initial ITEC adjustment to write off the bad debt was £229k
- of this total, £39k requires an adjustment within the balance sheet which therefore does not affect the I&E – leaving a total of £190k as the potential write-off
- of this £190k, £116k related to 2020/21 and was incorrect, requiring to be written off
- the remaining £74k related to 2019/20 and would be finally resolved at the 31 July 2022 year-end reconciliation
- the Risk and Audit Committee have considered the performance of the external auditors regarding the ITEC audit and also the possibility of whether any fraudulent activity had taken place and was satisfied with the outcome of discussions on both counts; it will report this to the Corporation Board in July

In discussion, members agreed that the issue relating to the ITEC adjustment had not been helped by the lack of clear detail provided on the ESFA remittance advices. The Committee agreed with FEG that all actions had been taken to establish the correct position and that a final position was not able to be established until the year-end has been completed.

FRC.22.22 Financial Reporting – Financial update for June 2022

The HofF presented the management accounts for the 10 months to 31 May 2022.

Members were advised that:

- the forecast outturn continues to show a deficit of £331k in line with the February budget review approved by the Corporation Board in March 2022
- this includes the further decline in Higher Education delivery, reduced Apprenticeship income within ITEC and a £116k adjustment in the group I&E to reflect the ITEC bad debt provision from 2020/21 which will need to be shown in the group accounts for 2021/22
- the Consolidated Management Accounts are currently showing a YTD underlying operating deficit before exceptional items of £438k (budgeted deficit £447k) and an overall YTD deficit of £576k including exceptional items (budgeted deficit £582k), the overall historic deficit after the revaluation reserve transfer is £498k (budgeted deficit £504k)
- the cash position at the end of May 2022 is £1,545k

- following the budget review in February 2022 the monitoring of Higher Education and Apprenticeship Funding continues and remain high risk income areas
- applications are up from this time last year by 12%, 7% increase at Seevic and 20% increase at Palmers

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 2022-2024
- Balance Sheet
- Cash flow reconciliation
- Analysis of curriculum area and support area performance
- Analysis of significant year to date variances
- Capital programme performance summary
- ITEC Apprenticeship Provision 2021/22
- 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 May is slightly worse than expected but is being actively managed as year-end is approached
- the College has been informed that one of its partners, Docklands Academy, has had its licence withdrawn by the main examining body, Pearsons, and the reduction in activity has been reflected in the forecast
- despite the decline in financial performance during the year, the current financial health rating is 'good' for 2021/22 under the existing system. However, the EBITDA and adjusted current ratio are only marginally above the level for 'requires improvement' which is a risk to the College if the forecast outturn declines any further

The Committee had previously agreed that it would be helpful to have a more thorough review of the analysis of curriculum and support area performance. Members made suggestions for the report to be formatted into a more meaningful strategic document and agreed this would be circulated to the Committee outside of the meeting for comment so that it can be reviewed more fully at the next meeting.

The CFO presented members with other College updates for June 2022:

- Capital Transformation Fund – bid to build a new Medical & Sports Sciences building at Seevic has been successful and planning is now underway to ensure completion of the project by August 2024
- Funding bid – T Level Capital Fund – bid submitted in March 2022 and outcome is due in July 2022. There is an element of match funding required and affordability will need to be established. However, following the successful Capital Transformation Funding bid with a reduced requirement for the College's matched funding, additional borrowing may now not be needed
- Strategic Development Fund – the College has submitted a bid for £225k to repurpose a room on the second floor of Xtend. The outcome is expected in July 2022

- Office for National Statistics (ONS) review of colleges – ONS recently announced its intention to review the classification of colleges – at this stage there is no change and colleges remain in the private sector and should continue to operate as they do currently throughout the review period
- Land Sale – following local elections in May 2022, a special meeting was called by Castlepoint Council whereby a motion was approved to reject the (previously agreed) local plan and to commence work on a new plan focusing on brown field sites

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

- with regard to the ONS review, colleges are not expected to take on debts or other financial commitments that they were not already planning during the review period, which is July-September 2022
- the College has met with its local MP to discuss the matter of the local plan and she is supportive of our approach to submit a planning application to develop the sports field
- the College is now working with Persimmon Homes with a view to submitting a planning application for the proposed development of the site; SMT, Glenny and Birketts are all supportive of this approach and an application is expected to be submitted in September 2022
- the bank has agreed to grant a partial release of its charge relating specifically to the piece of land that is proposed for sale. On receipt of the signed release, Birketts can complete the HoTs for signature. The Clerk was asked to check that the correct delegations of authority were in place for both documents

The Committee thanked the CFO for a very informative update on College matters and asked to be kept informed of progress on the various matters discussed as appropriate.

Agreed

The Finance and Resources Committee agreed

- to receive and note the
 - management accounts to 31 May 2022
 - financial update for June 2022
- the CFO and HofF would continue to develop the Curriculum and Support area performance within the Management Accounts into a more meaningful strategic document, to be circulated outside of the meeting for comment, and reviewed more fully at the next meeting

FRC.23.22 High Education (HE) and Adult Education Budget (AEB)

The CFO presented a report giving an update on the new HE intake at the Palmers Campus and on the subcontracting position with the Skills Network relating to the AEB.

Members were advised that

- the College has commenced delivery of HND Business at Palmers
- the cohort for May 2022 originally targeted 25 learners but this has now reduced to 18
- all learners are currently applying for loans through the Student Loan Company
- the current risk in financial terms is £100 per learner if the student does not obtain a loan

In response to questions, members were advised that

- although still profitable, a review is taking place to ensure all students obtain their student loan; those who do not will need to be removed from the course, which will make this cohort high risk given the small levels of profit
- the cohorts planned for 2022/23 have been based on lower recruitment numbers than are actually expected as a prudent approach and current risk is the recruitment of appropriate staff to deliver this programme

With regard to AEB, members were advised that

- the college has an ESFA funding of £224k for Adult Education in 2021/22
- as the college was not meeting its funding target it was agreed to subcontract this provision with the Skills Network to protect funding for 2022/23
- based on previous years' ESFA reconciliation processes, the College does not expect any clawback. However, reconciliation for 2021/22 has not been confirmed by the ESFA and currently the funding risk is £7k, which is being closely monitored

Agreed

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

FRC.24.22 ESFA Letter dated 30 March 2022

The Committee received, for information, a letter issued by the ESFA which confirms that, following a review of the College's audited financial statements and assurance returns for the year ended July 2021, their assessment of the College's financial health is 'Good'.

A review of the audited financial statements, financial statements and management letter and the annual report of the Audit Committee has identified there are no significant financial control concerns.

Lorraine Stoten joined the meeting remotely

FRC.25.22 Termly Human Resources Report

The Director of Human Resources (DofHR) presented for consideration a report to update members on the Human Resources activities for the period 1 January to 30 April 2022.

Members were advised that

- although slightly higher than the average stated in the latest AoC Workforce Survey 2019/20, the College's levels of staff turnover are in line with the college sector in the South East
- staff leavers are overall consistent by volume but causes are at variance from AoC data. The data for 2020/21 has not yet been published by the AoC so the impact of the worldwide pandemic on leavers and absence levels is not yet known
- there was an overall increase in total sick days in the period compared to last year
- there were no formal grievances in this period and one informal grievance which was subsequently withdrawn following positive intervention by HR
- there were no employment tribunals during the period
- the annual staff survey was circulated in December 2021 and responses closed in January 2022
- all appraisals that were in scope have been completed

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

- there was a national lockdown during January-March 2021, which may account for the reduction in sickness absence during that period. The HR Team's close monitoring and interventions have had a positive impact on managing returns
- the response categories for the staff survey were reduced to 4 to bring in line with the USP College Student Survey and also enables the results to be benchmarked to other colleges, which means the analysis shown does not show an increase or decrease in score on previous years
- 'safeguarding arrangements' and 'learners are supported' are the highest scoring responses

Members 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.26.22 Benchmarking Report

The CFO presented a report detailing the actions currently being implemented or recently completed regarding the previously reported Financial Strategy Review (Benchmarking Report).

Members reviewed the detail of the report noting the

- actions and targets agreed by SMT following the Financial Strategy Review
- RAG rating on current outcomes and progress made

The Committee were informed that the report would be kept updated and reviewed at future meetings.

Agreed

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

FRC.27.22 Draft Budget and Capital Plan for 2022/23

The CFO presented the draft budget and capital plan for 2022/23 for consideration and recommendation for approval to the Corporation Board.

Members were advised that the budget is deemed to be high risk due to some material uncertainties facing the College as we enter the new financial and academic year. A high level budget review is planned for November 2022 following the new academic year recruitment process in order to establish whether the uncertainties faced have materialised and, if so, to what level. Following the review, the current proposed budget will either remain or a revised budget will be submitted for approval at the December 2022 Corporation Board meeting.

The Committee was reminded that the College strategy had been to present a surplus budget before the inclusion of HE. The expectation had been that HE would then increase the surplus further. However, the current position indicates the College (excluding HE and ITEC) has an overall deficit of £281k and requires the whole of the surplus from HE to achieve an overall breakeven budget for the year.

Had there not been an energy price increase of £600k, the College would be reporting a surplus of £319k and, with HE and ITEC included, the surplus would be c£600k and, at this level, a staff pay award would have been possible. However, it is proposed that a staff pay award is reconsidered after the November budget review once the recruitment outcome has been assessed together with the uncertainties of:

- The new level of energy costs
- Inflation - currently at 9.1%, although budgeted costs include allowances for inflation of 5%
- Bank interest rates - which have been rising over recent month and impact the interest paid on current College loans
- Higher Education
- ITEC
- Staffing

Members reviewed each of the appendices:

- Appendix A – budget summary 2022/23
- Appendix B – consolidated budget together with the breakdown of USP College, HE and ITEC budgets
- Appendix C – remaining actions to be completed
- Appendix D – high risk budgets
- Appendix E – capital Investment 2022/23

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

- the budget for ITEC is currently showing breakeven on the assumption that the remaining learners are found a suitable, alternative provider by the end of October
- staff savings in the first quarter of the financial year are expected in the region of £250k through unfilled vacancies and delayed appointments
- HE has been challenging over the past few years as the College tries to grow this provision. Two key contracts have either ended (Docklands Academy) or are planned to end (OBC in the process of being taught out)
- the draft budget does not include any general contingency

Members discussed the risks associated with the draft budget especially those included within the proposed budgets for ITEC (breakeven) and HE (surplus of £328k) as these were critical in achieving the overall College budget of breakeven. There was also a discussion about the advantages and disadvantages of proposing a 'worst-case' (deficit) budget or a 'likely-case' (breakeven) budget.

After consideration, the Committee agreed to the proposed breakeven budget for the College, acknowledging that this would also allow the College's financial health to remain 'good' as well as providing a clear focus to ensure the budgeted outcome is achievable. The Committee also agreed to support the approach taken to further consider a staff pay award following the outcome of the November 2022 budget review.

It was noted that the College Financial Forecast will report on the current financial position for 2021/22. There is no requirement to seek Board approval for this, but it must be signed by the Accounting Officer and the CFO advised that he plans to present this to the Board at the meeting in July together with the budget.

The Committee reviewed the proposed capital plan for 2022/23 of £532k and agreed this was acceptable.

Resolved

The Finance and Resources Committee recommends for approval to the Corporation Board the draft breakeven budget and capital plan for 2022/23 (acknowledging that this will be subject to a high level review in November 2022 and any subsequent approval by the Corporation Board in December 2022).

FRC28.22

Draft Financial Plan 2021 – 2026

The CFO presented the Draft Financial Plan 2021-2026 for review and comment. Members were advised that the plan is subject to final review by SMT following approval of the 2022/23 budget. The Financial Plan for 2022-2027 will then be presented for formal approval by the Committee and the Corporation Board.

The Committee reviewed the detail of the plan, noting the key points of:

- Operational finances
- Financial sustainability
- Key aims
- Risk management
- Future planning
- Responsibilities
- Monitoring and review

In discussion, it was agreed that the plan sets out a good framework to help ensure the College meets the strategic aims set out in the Strategic Plan.

Agreed

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

FRC.29.22

College Policies and Strategies

Fees, Loans & Refunds Policy

The CFO presented the Fees, Loans & Refunds Policy for consideration and approval. Members were advised that the policy has been updated following the release of the latest guidance from the ESFA. Members reviewed the proposed changes and agreed these were appropriate with no further amendments required.

Reserves Policy

The CFO presented the Reserves Policy for consideration and approval. Members were advised that there are no significant changes to the policy.

Members reviewed the detail of the policy and agreed there were no amendments required.

Resolved

The Finance and Resources Committee recommends to the Corporation Board for approval the following documents:

- Fees, Loans & Refunds Policy
- Reserves Policy

FRC.30.33 College Contracts

The CFO presented a report to update members on the key contracts for 2022/23.

Student Buses

Members were reminded that the FEG at their meeting on 4 May had agreed in principle that the current contract could be extended by one year rather than going out to tender.

The Committee was advised that the service will be reviewed for Terms 2 and 3 in the light of student usage and a decision made after that.

Catering (outsourcing)

Members were advised that

- the College recently tendered its catering services
- the tender panel agreed to award the contract to Aramark on a zero-cost basis (excluding VAT) and including capital investment of £164k, of which Aramark have contributed £124k
- the current staff will remain but will transfer over to the employment of Aramark (under TUPE)
- the contract will commence in August 2022 and plans are underway to ensure this date is achieved

Cleaning Contract

Members were advised that

- the College is currently in discussion with the current cleaning contractor to bring this service in-house
- indications are that savings of circa £100k will be achieved
- negotiations are now underway on implementing this decision by October 2022; the current staff will transfer over to the employment of the College (under TUPE)
- the College will decide whether to employ staff through USP College or its subsidiary

Photocopier Contract

Members were advised that

- the current photocopier contract for Palmers has ended and the current contract for Seevic will end in January 2023
- the College carried out an initial review of the current market with the intention of going out to tender. However, following consideration of the workload of other tenders and projects, the College has negotiated an improved contract with the current provider Agilico
- Agilico have agreed to end the Seevic contract early and implement a new one that aligns to the College financial year starting on 1 August
- the new contract will run for 3 years

Energy

Members were advised that

- with the assistance of the Port of Tilbury (Procurement), a new deal for both Electricity and Gas is being negotiated with Zenergy, which involves the College tracking the market to identify the best deal and appropriate time to lock into a new contract. The College expects to agree a new contract in July 2022
- an Energy Saving Working Group has been set up to work on strategies to reduce energy costs and the College's carbon footprint in line with government guidelines

Agreed

Members discussed each of the contracts presented and agreed to support the

- current bus contract is extended by one year with a review of usage in 2022/23
- appointment of Aramark as the catering provider for the College
- decision that the cleaning contract is brought in-house and that relevant staff are employed through the subsidiary company if deemed to be appropriate
- appointment of Agilico to provide photocopying with a new contract for 3 years
- College's approach to locking into a new energy contract and the approach taken to engaging with external consultants

FRC.31.22 XTEND

Members received a copy of the draft Collaboration Agreement between USP College and Diverse Interactive (DI).

Members were advised that the document has been created by Birketts and is in draft form whilst final amendments are being made. The document will not be shared with DI until it has been formally agreed and, therefore, the Chair reminded members that this document should be treated as confidential.

Members queried the split of usage of the Canvey Campus and the Principal confirmed that the focus is on an educational facility with some commercial opportunities (the ratio being circa 80:20). Members acknowledged the impressive technical infrastructure at the campus and were keen to progress the commercial opportunities before losing any 'first mover advantage'. At present and because of the financial constraints, the College could not install its own commercial personnel and was therefore more reliant on DI.

The Committee encouraged the CFO to finalise the Collaborative Agreement by 1 August and to then work with DI to produce a realistic budget for 2022/23.

FRC.32.22 Terms of Reference and Annual Schedule of Business for the Finance and Resources Committee 2022/23

The Clerk presented a report which outlined the need to review, on an annual basis, the Committee's Terms of Reference and Annual Schedule of Business.

Members reviewed the highlighted changes to both documents which reflected the business conducted during the year and agreed to the proposed amendments.

Resolved

The Finance and Resources Committee recommends to the Corporation Board for approval the Terms of Reference and Annual Schedule of Business for the Finance and Resources Committee for 2022/23

FRC.33.22 Termly Health and Safety Report

The CFO 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
- 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 throughout this period

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

- legionella counts were identified in a tap at the Seevic Campus in the sports hall in the same area as previously. Tanks and calorifiers have tested clear but after cleaning and further investigation it may be that a buried pipe is too long a dead leg; quotes have been received to extend the hot water return and reduce the possible dead leg
- there have been no RIDDOR reported accidents during the term

Agreed

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

FRC.34.22 Any Other Business

There were no items of any other business.

FRC.35.22 Dates of scheduled meetings of the Finance and Resources Committee 2022/23

Tuesday 11 October 2022
Tuesday 22 November 2022
Tuesday 14 March 2023
Tuesday 27 June 2023

All meetings commence at 4pm unless otherwise stated.

SIGNED AS A CORRECT RECORD:



DATE: 11 October 2022