



**USP College Corporation
Finance and Resources Committee**

**Minutes of the Meeting held on Tuesday 11 October 2022
Via MS Teams
Meeting commenced: 16.00hrs
Meeting ended: 18.00hrs**

Present

Phillip Lennon	Independent Member	Chair
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	Director of Finance (DofF)
Lorraine Stoten	Director of Human Resources (DofHR) (item 10 only)

Clerk

Sue Glover	Clerk to the Corporation
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FRC.36.22 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.37.22 Apologies for absence

Apologies for absence were received from

- Paul Dale

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

FRC.38.22 Unconfirmed minutes of the meeting held on 28 June 2022

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

FRC.39.22 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.40.22 Financial Reporting – Management Accounts to 31 July 2022

The DoF presented the management accounts for the 12 months to 31 July 2022.

Members were advised that:

- the outturn for 2021/22 shows a surplus of £10,974k
- this significant increase is as a result of the year-end actuarial adjustment of the pension fund of £11,713k
- other contributing operating variances are
 - an income shortfall of £60k and higher expenditure than forecasted of £210k
 - delays in agreeing the option agreement for the land disposal at the Benfleet Campus has meant the £150k originally forecasted can no longer be recognised in 2021/22: this has been partially offset by higher income relating to student buses
 - the adverse movement in expenditure forecast is due to the full recognition of the prior year adjustment from 2020/21 relating to ITEC as this full amount has been deemed unrecoverable
 - additional costs relating to the HE contract with OBC are higher than anticipated
- the consolidated management accounts shows an underlying operating deficit before exceptional items of £560k (compared to a budgeted deficit of £55k) and an overall surplus of £10,974k including exceptional items (budgeted deficit £220k)
- the overall historic surplus after the revaluation transfer is £11,068k (budgeted deficit £126k)

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 adjustment to the pension fund is a result of the valuation method used for completing the annual financial statements. The valuation of the liabilities relies on a number of factors such as inflation, mortality and future pension increases which is then discounted back to arrive at a current cost of the future valuation. Under FRS102 standards the discount rate should be determined by reference to the market yield of high quality bonds over an

appropriate duration. Bond yields have risen this year with high inflation, and further exacerbated by the war in Ukraine has affected global growth. The pension scheme valuation as at 31 July 2022 has valued the assets higher than the liabilities resulting in a pension asset of £3,787k. However, there is uncertainty whether the College will be able to recover the asset and as a result the asset has not been recognised in the financial statements. The pension adjustment of £11,713k adjusts the pension liability to nil in the financial statements

- the cash position at the end of July 2022 is £1,553k
- following the decline in financial performance over the year, the current financial health is currently forecasting 'requires improvement' for 2021/22 under the existing system. Further deterioration in the forecast has adversely affected the EBITDA calculation and adjusted current ratio, although the borrowing ratio is largely unaffected. 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
- an improved Capital Summary schedule would be included in future management accounts which would present the actual versus budget position more clearly

The Committee agreed that it was important to focus on the underlying deficit position, which was a disappointing outcome and has not been helped by key areas such as Apprenticeships and HE not having met their target. Members considered that, going forward, 'stress testing' the approach to making assumptions in the budget should be shared with all governors, so that they have a better awareness of possible outcomes.

Due to the time taken to review the management accounts, it had not been possible to consider the analysis of curriculum and support area performance. It was agreed that the Vice Principal Curriculum and Quality and the Director of MIS would give a short overview at the next meeting.

Agreed

The Finance and Resources Committee agreed that

- an overview on the Curriculum and Support area performance within the Management Accounts is given by the Vice Principal/Director of MIS at the next meeting
- an improved Capital Summary schedule would be included in future management accounts, which would present the actual versus budget position more clearly

FRC.41.22 Financial Reporting – Financial update for October 2022

The CFO presented members with an update on key financial matters that are either ongoing or have occurred since the previous meeting of the Committee.

Members were updated on:

- Summary of budget changes since the February 2022 budget review
- New financial year challenges
- Budget 2022/23 – summary of key budget changes
- Leasing and capital programme updates
- ITEC
- Cash forecast and financial health update
- Higher Education
- Capital Bids

- Bank update
- Enrolment numbers for 2022/23
- Contracts update
- ONS
- Land Sale

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

- the College continues to face challenges in meeting its targets for HE for 2022/23 and this is currently under review and will be updated in November
- the 2022/23 budget approved by the Board in July was a breakeven budget. Since this meeting, the College was asked to submit a College Financial Forecast Return (CFFR) to the ESFA to show the impact the energy crisis has had since the budget was approved as they are collating financial information together with the DfE on the impact this is having so this data can be shared with Government that may then influence future in-year financial support for colleges
- a high level budget review was conducted to meet the ESFA requirements, which will continue to be updated as changes are received and finalised in November 2022 as originally planned and shared with the Corporation
- the outcome of the current budget review indicates the College would face a deficit of circa £500k if no action is taken by the Government
- the College plans to mitigate the deficit and protect cashflow by introducing a number of measures to bring the budget forecast back to a breakeven position
- there could be some additional income relating to funding that was not expected when the original budget was approved that could make a difference to the outcome. There will be additional costs associated with this new income and the College is currently reviewing whether costs already budgeted can be offset against funding
- a breakeven position would result in 'good' financial health

The Committee considered the measures currently being introduced to mitigate the deficit were appropriate and were pleased to note the potential for additional funding income, which could alleviate the current potential deficit and bring the budget back to the breakeven position previously approved.

Members were further advised that:

- the College has submitted a request to the DfE to defer the Capital Transformation Fund project by 10 months. This project was to be match funded and the bank had been prepared to support the College with additional borrowing. However, since the ONS review of colleges, they are not currently lending until this review is complete
- deferring completion of the project by 10 months to July 2024 would allow the College to change the financial planning for the project and to make it affordable
- the Collaboration Agreement with Diverse Interactive for work to be carried out in partnership at the Xtend Centre has been finalised but the final review of the agreed pricing arrangements is awaited
- enrolment for 2022/23 has gone well with the current position indicating the College is 145 students above funding allocation. The projection following the 42 day census point indicates 51 students above allocation. On the advice of the ESFA, a request for additional in-year funding will be made whether 145 or 51 students above allocation

- the Heads of Terms for the land sale with Persimmon Homes are being finalised and are expected to be available for signing by the end of October 2022
- plans to wind down ITEC and close the business continues, with an anticipated end date of November 2022.

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 July 2022
- financial update for October 2022

FRC.42.22 ESFA Financial Update

The CFO presented a copy of the report submitted to the ESFA which detailed the impact the energy crisis is having on the College.

Members were advised that the ESFA had requested an update to help them build a case for additional financial support for Colleges due to the energy crisis and to understand the mitigating measures under consideration by the College to ensure it could deliver a balanced budget and protect its cash.

The Committee reviewed the detail of the report, noting the:

- updated financial forecast 2022-23 and 2022-2024
- key budget changes 2022-23
- mitigating actions under consideration
- financial health update
- short term financial priorities and objectives
- assessment of solvency/forecast cash
- overall assessment of financial performance
- identified energy saving measures

In consideration of the mitigating actions currently being considered by the College, it was accepted that, whilst there needs to be a more efficient use of the estate, it was important that staff and student wellbeing is maintained. The Committee suggested that a paper be presented to the Board regarding the introduction of a 4-day working week onsite and 1 day home working and online learning, which would demonstrate that students are not being disadvantaged in any way and that their learning is unaffected by a change in timetable.

Members commended the mitigating actions taken to ensure that the College remains financially sound if financial support is not received from Government agencies. The Committee will be kept informed of the progress of actions taken and any support received.

Agreed

The Finance and Resources Committee agreed to:

- receive and note the report
- request a report is submitted to the Board regarding the introduction of a 4 day working week onsite and 1 day home working and online delivery

FRC.43.22 Benchmarking Report

The CFO presented a report detailing the progress of actions 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 pleased to note the good progress made to implement the agreed actions.

Agreed

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

FRC. 44.22 Financial Regulations

The CFO presented the revised Financial Regulations for consideration and approval. Members reviewed the highlighted changes to the document, noting these were to update title changes and agreed they were appropriate with nothing further to add.

Resolved

The Finance and Resources Committee approved and recommended to the Corporation Board for approval the Financial Regulations

FRC.45.22 Insurance Review for 2022/23

The CFO presented a report which gave an update on the current insurance arrangements for 2022/23 following the recent insurance review.

Members were advised that:

- the College has reviewed and updated its insurances for 2022/23
- the sector has seen an increase in premiums overall, in particular for Cyber Liability

Members reviewed the summary of premiums for the year against the previous year, noting the increase in premium. In response to questions, members were advised that the increase in renewal premium for 2022/23 had been offset by the removal of Terrorism Cover; following discussions with FE Protect (the broker), it was agreed to remove this cover as colleges are low risk with no claims being made

Agreed

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

FRC.46.22 Health and Safety Policy

The CFO presented for consideration and approval the Health and Safety Policy.

Members reviewed the highlighted changes to the document. It was agreed there was nothing further to add and that authority is delegated to the Chair of the Corporation and Principal to sign the Statement of Intent in order to remain compliant.

FRC.47.22 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 recruitment for new volunteers to support First Aid duties is actively ongoing
- the fire alarm installations and firefighting equipment function correctly and have been tested and inspected throughout this period and periodic servicing has taken place as required
- compliance and testing has been carried out over the past few months at Palmers, Seevic and Xtend

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

- there have been no accidents requiring a RIDDOR or insurance notification to end of September 2022
- fire drills were successfully completed at both campuses on 7 October

The Committee suggested that a schedule detailing the number of first aid incidents is added to the report to help monitor these.

Members asked that thanks on behalf of the Committee and the Board are passed to the Head of Estates for all the hard work that he and his team do to ensure the health and safety of staff and students.

Resolved

The Finance and Resources Committee:

- agreed to receive and note the report
- approves and recommends to the Corporation Board for approval the Health and Safety Policy
- delegates authority to the Chair of the Corporation and Principal to sign the Statement of Intent (page 1 of the policy) prior to formal approval of the whole policy by the Corporation Board, in order to remain compliant

Lorraine Stoten joined the meeting

FRC.48.22 Annual Report on Human Resources – 2021/22

The DofHR presented for consideration and approval the annual report on Human Resources for 2021/22.

Members were advised that the report identifies key activities undertaken by the Human Resources function in relation to staff related matters during the academic year 2021/22, excluding ITEC.

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

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

- the College benchmarks against statistics and data from the AoC College workforce survey for the academic year 2019/20, published in November 2021

- there were a higher number of leavers in 2021/22 than in previous years, which can be attributed to the outsourcing of the College's catering provision, with overall staff retention on a par with previous year if these numbers are excluded. In addition the overall workforce has reduced during the period
- the gender and age breakdown of staff remains largely unchanged, as does the role type breakdown
- there was an increase in total sick events and total sick days, although the average days per employee sickness lost has decreased year on year
- the College's overall absence rate was 5.4 days per employee, which is marginally higher than the latest AoC Workforce Survey findings of 5.1 days for 2019/20
- the number of starters has increased on previous year, with new starters participating in the staff induction programme
- there were 93 positive Covid-19 cases of staff from September 2021 to August 2022, compared to 55 cases in the previous period. The College experienced its highest number of staff who were self-isolating during the period December 2021 and January 2022, with a spike in March 2022
- the College is committed to ensuring that its workforce is correctly skilled in order to deliver the most appropriate outcomes for its students and the community
- there were no Employment Tribunal applications or formal grievances in the period
- the College employed 148 qualified teachers in 2021/22, an increase of 5 over the previous academic year. There are currently 18 staff undertaking a teaching qualification

The Committee commended the work by the College's HR team to support staff and the range of initiatives available to everyone. Members asked that thanks are passed to the HR team for their continuing hard work in supporting all staff.

Resolved

The Finance and Resources Committee agreed to accept and commend to the Corporation Board the annual report on Human Resources for 2021/22

Lorraine Stoten left the meeting

FRC.49.22 Committee Effectiveness

The Clerk presented the outcomes from the Committee's self-assessment for 2021/22.

Members were reminded that the Board had conducted its annual self-assessment over the summer, which included a self-assessment of the performance of each of the committees. The Board reviewed the outcomes at the meeting held on 27 September and agreed that each Committee should consider the outcomes of its own self-assessment at the autumn meetings.

The Committee reviewed the outcomes for the Finance and Resources Committee, noting:

- the overall assessment of the Committee's performance is Good/Outstanding
- the impact the Committee has made in the last twelve months
- the areas suggested of how performance might be improved

In discussion, members concluded that the Committee continues to fulfil its function as a key committee of the governing body. It was agreed that more focus would be given on 'stress testing' the assumptions made when setting the budget going

forward. The Committee will continue to play a proactive role in advising the Board on all aspects of College finance and to ensure there is an effective and efficient use of all resources.

Agreed

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

FRC.50.22 Any Other Business

There were no items of any other business.

FRC.51.22 Dates of scheduled meetings of the Finance and Resources Committee 2022/23

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:

A handwritten signature in cursive script, appearing to read 'Kemon', is written in black ink on a light-colored background.

DATE: 22 November 2022