



**USP College Corporation
Finance and Resources Committee**

**Minutes of the Meeting held on Tuesday 23 November 2021
via Microsoft Teams
Meeting commenced: 16.00hrs
Meeting ended: 18.00hrs**

Present

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

In attendance

Steven Hendy	Chief Operating Officer (COO)
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)

Clerk

Sue Glover	Clerk to the Corporation
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The Chair welcomed Andy Williams to his first meeting of the Finance and Resources Committee. The Committee took the opportunity to formally note the resignation of Ralph Henderson who left the Board on 31 October 2021 and to record thanks for all his hard work and contribution during his time as a member of the Committee.

FRC.42.21 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.

Andy Williams declared that he is a Director of the Palmerians Rugby Football Club.

There were no other declarations of interest.

FRC.43.21 Apologies for absence

There were no apologies for absence.

FRC.44.21 Unconfirmed minutes of the meeting held on 13 October 2021

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

FRC.45.21 Matters arising and action points from the minutes of the previous meeting
Members reviewed the action points arising from the meeting, noting those to be endorsed by the Board in December and items that would be dealt with under this agenda.

The Principal was invited to give an update on the benchmarking exercise commissioned. Members were advised that this has been completed and a report received, which is still being fully reviewed by SMT before it is shared with this Committee and the Board. Indications are that the report will be able to give parameters for any restructure that may be planned.

The COO was invited to give an update on the security arrangements at the Canvey campus. Members were advised that insurers had recently inspected the campus and confirmed there were no major issues. Cards to control access have been restricted and additional locks have been added in relevant areas.

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.46.21 Finance Executive Group and Land Sale recommendations
Members received the unconfirmed minutes of the meeting held on 8 November 2021, which detailed the proposals for the land sale of the Sports Field to the rear of the Seevic campus, together with an executive summary of updates to the Committee and Board regarding land sale proposals.

The Committee reviewed the detail of the discussions concerning the proposals, noting that the Finance Executive Group agreed to recommend to the Committee and Corporation Board that

- the College signs up to the master plan process
- enters into a Planning Performance Agreement with the Council, accepting that the College's contribution could be up to £20k
- appoints Persimmon as the developer to work with the College on the land sale project under an 'Option to Purchase' contract

The COO advised that since this meeting, he had received communication from Ron Martin, who previously had offered £642k minimum land value plus legal fees. He has now made an offer to pay a sum equivalent to 95% of Open Market Value (OMV).

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

- the bank had previously urged caution in dealing with Ron Martin as he is not on their preferred list of developers
- any potential agreement with Ron Martin would have to be through McLaren Living in order to be considered
- the COO would check whether McLaren Living is on the bank's preferred list of developers
- if the College signed Heads of Terms (HofT) on a proposed option agreement with a preferred developer, the bank could take this on and advance monies to the College, alleviating the necessity of having to wait for the HofT to complete which could take up to 3 months

Given that Ron Martin (on the assumption through McLaren Living) had increased his offer, the Committee felt that it was only fair and transparent to ask Glenny to contact the other three bidders and give them the same opportunity to submit a revised offer. The COO would arrange this and present the outcome to the Corporation Board in December.

Resolved

The Finance and Resources Committee agree the recommendations of the Finance Executive Group and recommend to the Corporation Board that

- the College signs up to the master plan process
- enters into a Planning Performance Agreement with the Council, accepting that the College's contribution could be up to £20k
- appoints a developer to work with the College on the land sale under an 'Option to Purchase' contract
- appoints a developer who is on the bank's preferred list in order to allow the College the opportunity of earlier access to funds
- considers the recommendations of Glenny from the latest round of offers as presented directly to the Corporation Board.

FRC.47.21 Financial Statements 2020/21

The COO presented the draft financial statements for 2020/21.

The Committee was advised that this version of the Financial Statements would be presented to the Risk and Audit Committee at their meeting on 30 November for approval and recommendation to the Corporation Board.

The COO advised members with regard to

- Year-end audit outcomes
 - no proposed adjustments at this time
 - one management point relating to staff contracts which is currently being challenged
 - awaiting confirmation regarding ITEC position, which could lead to a year-end adjustment
- Other points to note
 - Going Concern review by the auditors is ongoing and subject to the outcome of the budget review and updated cashflow
 - Ofsted outcome to be reflected for both USP and ITEC
 - Final ILR reconciliation statement is pending
 - Letter of representation for the College is to be prepared
 - Confirmation that no significant events have occurred prior to signing the financial statements
 - Final review and checks will take place prior to submission to the Risk and Audit Committee
- Expected judgements from Buzzacott
 - 'Financial Statements give a true and fair view and properly prepared in accordance with UK GAAP
 - Audit opinion of going concern position to be confirmed
 - Regularity assurance conclusion – 'nothing has come to our attention'

Members reviewed the detail of the report, in particular

- Income & Expenditure Account
- College Reserves
- Balance Sheet
- Consolidated statement of cash flows

The College group generated a surplus in the year of £6,796k (2019/20 deficit £1,970k), with total comprehensive income of £10,323k (2019/20 deficit of £4,670k), noting that the comprehensive income is stated after accounting for the re-measurement of the Defined Benefit pension scheme.

Members agreed that, as discussed at the previous meeting, although this presented a very positive position, it was important not to lose sight of the fact that this is due to 3 exceptional items all of which were positive - the SELEP capital grant (£0.9m), the valuation of the Canvey campus on acquisition (£8.0m) and the FRS 17 year-end adjustment (£1.9m). As such, these items represent a 'one off' benefit in this financial year while the underlying position is a deficit one at £579k (increased from £335k)

Members accepted that the remaining matters to be resolved prior to signing are minor with the exception of the going concern status. Further work is required by Buzzacott once they have received the latest financial plan and cash flow forecast so they can satisfy the requirements to demonstrate the College can continue operations in the foreseeable future.

Members agreed that the result is consistent with the financial picture presented throughout the year.

Members asked that thanks on behalf of the Committee be passed to the COO and his team for the tremendous amount of good work done with regard to the audit.

Resolved

The Finance and Resources Committee agreed that the financial results are consistent with the financial picture presented through the year and should be commended to the Corporation Board.

FRC.48.21 Management Accounts to 31 October 2021

The HofF presented for consideration the management accounts to 31 October 2021.

Members were advised that:

- the College is currently showing a YTD underlying operating surplus before exceptional items of £239k (budgeted surplus £111k) and an overall historic surplus of £202k including exceptional items (budgeted surplus £74k)
- the changes in the forecast outturn from the original budget reflect the lower recruitment levels now forecast for the HE partnership with Oxford Business College (OBC) due to a change in strategy from OBC, which was now focusing its delivery with other partners. This lower recruitment reduces income by £2m which is partially mitigated by a reduction in delivery costs of £1.6m and a reduction in the staffing outturn of £250k relating to delayed appointments and vacancies not being recruited to link to the OBC agreement and reduction in overall contingency of £150k
- a full budget review commenced in October 2021 for completion by the end of November 2021, which will take into account changes to the original budget with particular focus on Apprenticeships, Higher Education income and staff efficiencies

Members reviewed the detail of the report, noting in particular:

- Key performance measures
- Financial KPI dashboard
- Financial performance summary
- Monthly comparison of key performance indicators 2021/22
- Income & 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 bank covenants will not be breached
- the financial health rating is currently forecasted as 'Good' for 2021/22 under the existing system; the proposed system from 2022/23 is being consulted on by the ESFA and under this the position has a slight improvement as debt is not as punitively scored in the new system
- the ESFA agreed to review the 'Early Intervention' position it placed the College in upon receipt of the draft year-end management accounts. The outcome of the review is not yet known despite the submission of the accounts; a meeting is scheduled in December with the ESFA where this matter will be discussed should the early intervention not be removed in the meantime

Agreed

The Finance and Resources Committee agreed to receive and note the management accounts to 31 October 2021

FRC.49.21 College Financial Forecasting Return 2021 to 2023

Members received the letter from the ESFA dated 25 October 2021, together with the Financial Dashboard confirming the assessment grades, based on the College's financial plan:

- Requires Improvement for 2020/21 (latest outturn forecast year), and
- Good for 2021/22 (current budget year)

Agreed

The Finance and Resources Committee agreed to receive and note the ESFA letter and Financial Dashboard

FRC.50.21 Budget Review 2021/22

The COO presented a report giving a high level review of the current forecast outturn for 2021/22.

Members were advised that

- the forecast budget position the College will aim to achieve following the completion of the budget review at the end of November 2021 is £205k
- this would mean a further £461k of savings will need to be identified. However, consideration will be given to setting a breakeven budget by applying a £205k General Contingency

- if the General Contingency is not utilised this would lead to a surplus position at the year-end
- the final revised budget together with revised cashflow will be presented to the Corporation on 14 December for approval

The Committee reviewed the detail of the budget review summaries presented, noting that

- the current HE forecast presented highlights the challenge the College faces in 2022-23 to ensure it can generate a surplus without having to rely on HE
- all capital purchases and investments are on hold whilst the budget review is ongoing. This is to protect cash due to the uncertainty regarding HE and Apprenticeships and also to ensure current cash levels are sufficient to meet, as a minimum, the previously approved pay award from January 2022
- National insurance and Minimum Wage increases have impacted the budget
- Internal HE delivery plans for 2022 are not included nor Xtend Digital as this business plan is pending

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

- key areas where savings have been identified to date include
 - ITEC staff savings resulting from proposed wind down
 - HE staff savings from outstanding vacancies
 - Savings made due to delayed staff recruitment
 - Withdrawal of staff vacancies no longer required
 - Removal of the general contingency
- remaining actions include
 - Final review of staffing with managers to identify further savings
 - Confirmation of ESFA response to ITEC Ofsted inspection
 - SMT to agree proposed pay award and percentage to be awarded; original proposal for the pay award is 1%

In discussion, members agreed that it was important for a pay award for staff to be factored into the revised budget and proposed that 3% should be a level for consideration. Members were advised that savings now achieved are £362k and, if a break-even budget were to be agreed, then this level of pay award could be a consideration. The Committee were conscious that any pay award would need to consider the cash flow implications especially around the February-April period when cash is traditionally at its lowest point.

Resolved

The Finance and Resources Committee agreed to recommend to the Corporation Board for approval

- A revised budget for 2021/22 showing either:
 - a breakeven budget with a £205k contingency; or
 - a surplus budget of £205k with no contingency
- A pay award for all staff of 3% to be considered

FRC.51.21 Xtend Business Plan

The COO advised that the business plan that had been prepared and submitted by an external organisation was not considered to contain an appropriate level of information and had been withdrawn. The COO will now take responsibility for producing this business plan and is aiming to complete this in January 2022 and a copy will be submitted to the next meeting.

FRC.52.21 HE Financial Update 2021

The VP P,F&BP presented a report detailing the funding projections for 2020/21, particularly in relation to Oxford Business College (OBC).

Members were advised that

- due to external market factors including Covid-19, Brexit and the impact of Teacher Assessed Grades, OBC have seen an alternative opportunity and redirected students onto more profitable provision with other Higher Education institutions
- the has had the impact of reducing the number of learners that OBC can deliver onto the HND programme from 900 to 300, a reduction of £1.4m with a net impact on College funding of £768k
- mitigations within the department have reduced the overall impact to £660k (eg current staff vacancies with the team will not be recruited to)

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

- several options have been proposed, two of which would deliver numbers in a similar manner to the current partnership delivery method
- the proposal is to develop our own provision utilising the business processes learnt through the partnership provisions, specifically using agents to direct recruit learners in an ethical, sustainable and quality drive process
- this option could be set up and run from February 2022 or May 2022 at the latest
- initial investigations into Tier 4 recruitment to enhance our Direct Fee Paying recruitment has shown this could be a very viable opportunity and propose to further develop this option

In discussion, members agreed that it was unfortunate OBC have decided to redirect their arrangements with the College. Members advised that it would be unwise to progress with any Tier 4 recruitment with UK Visa and Immigration as those with prior experience of this commented that this had not gone well. The Committee gave support to explore other proposed options of

- re-engaging with Docklands Academy London (DAL) as the quality of their provision has seen a significant improvement
- engage with an additional partnership and develop further provision
- run a USP College hosted HND qualification from the Palmers campus

Agreed

The Finance and Resources Committee agreed that it would be preferable for the College to host its own HND qualification and should be further developed. An update on development would be presented at the next meeting.

FRC.53.21 Any Other Business
There were no items of any other business.

FRC.54.21 Dates of scheduled meetings of the Finance and Resources Committee 2021/22
Tuesday 8 March 2022
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:

A handwritten signature in black ink, appearing to read "Kemon", is written on a light blue rectangular background.

DATE: 9 March 2022