



**USP College Corporation
Finance and Resources Committee**

**Minutes of the Meeting held on Tuesday 22 November 2022
Via MS Teams
Meeting commenced: 16.00hrs
Meeting ended: 17.40hrs**

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)

Clerk

Sue Glover	Clerk to the Corporation
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FRC.52.22 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.53.22 Apologies for absence

Apologies for absence were received from

- Paul Dale

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

FRC.54.22 Unconfirmed minutes of the meeting held on 11 October 2022

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

FRC.55.22 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.56.22 College Policies

The Clerk presented, for consideration and approval, the Safer Recruitment Policy.

Members were advised that the policy has been reviewed and approved by the College's Policies & Procedures Committee and is presented to the Committee as part of the annual review cycle of the policy.

Members reviewed the detail of the policy noting that its purpose continues to ensure

- the safeguarding of all students and staff, which remains the highest priority
- appropriate checks are undertaken during the recruitment process to mitigate safeguarding risks
- all candidates are considered equally and consistently throughout the whole recruitment process
- compliance with all relevant legislation, recommendations and guidance

Members commented it would appear that a new applicant could commence employment despite any gaps that may emerge from references received. The Committee was advised that any gaps are risk assessed prior to commencement of employment and that also all new employees complete a DBS before starting.

Resolved

The Finance and Resources Committee approves and recommends to the Corporation Board for approval the Safer Recruitment Policy

FRC.57.22 Financial Statements 2021/22

The DoF presented the draft financial statements for 2021/22.

The Committee was advised that this version of the Financial Statements would be presented to the Risk and Audit Committee at their meeting on 29 November for approval and recommendation to the Corporation Board.

The DoF advised members with regard to

- Year-end audit outcomes
 - Reversal of £80k of HE income related to OBC contract
 - Bad debt provision for intra group debit in USP. No impact on group position
- Other points to note
 - Going Concern review to be completed following budget review and updated cash flow
 - Confirmation of no post balance sheet events
 - Letter of Representation for the College is to be prepared and a Letter of Support will be required from the College for ITEC
 - Final review and disclosure checks by Buzzacott
- 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 deficit in the year of £2,774k (2020/21 surplus £6,796k), with total comprehensive income of £10,895k (2020/21 surplus £10,323k), noting that the comprehensive income is stated after accounting for the re-measurement of the Defined Benefit pension scheme.

It was noted that the financial position has improved significantly from the original budget approved by the Corporation Board. The re-measurement adjustment to the pension scheme of £11,713k was significant as the recent valuation has the plan assets higher than the defined benefit obligation resulting in the net pension deficit now being removed from the financial statements. The group had an underlying operating deficit in 2021/22 of £640k compared to an operating deficit of £579k in the previous year, which is primarily due to the ongoing deficits made by ITEC and the challenges associated with the delivery of HE.

Members accepted that the remaining matters to be resolved prior to signing are minor with the exception of the going concern status.

It was 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 finance team for the 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.58.22 Financial Reporting – Management Accounts to 31 October 2022

The DoF presented for consideration the management accounts to 31 October 2022.

Members were advised that:

- the College is currently showing a YTD underlying operating surplus before exceptional items of £148k (budgeted deficit £113k) and an overall YTD surplus of £109k including exceptional items (budgeted deficit £143k)
- the forecast outturn shows a breakeven position in line with the original budget. However, there have been a number of events since the budget was approved which will affect the outturn and these are being fully worked on to report by the end of November 2022
- HE remains a challenge with budgeted cohorts unlikely to start combined with the uncertainty of partnerships with Newham and Docklands

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 2022/23
- 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
- Financial Bank Loan Covenants 2021/22

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

- Exposure to HE partnerships is lower in 2022/23 but remains a risk; additional grant funding is expected from the Office for Students and the Strategic Development Fund but these will also come with increased expenditure as we deliver those schemes
- The main items of expenditure which have seen some change since the budget was approved are: the ongoing energy crisis (although price caps have been announced by the government, the timing and level of support is as yet unclear); the cancellation of the 1.25% Health and Social Care Levy from November 2022 will benefit the College although the changes from April 2023 are as yet unknown; and pay inflation suggests that the national minimum wage impact will be higher than originally budgeted
- The cash position at the end of September 2022 is £3,494k
- The current financial health is currently forecasting 'good' for 2022/23. However, the bank covenant for the level of borrowing against cash flow is becoming increasingly tight to the limit and will require close monitoring and management for the rest of the year in order to avoid any breach.
- ITEC is still on course to close operations at the end of November 2022 and staff have already been served with final notice
- The improved Capital Summary schedule was helpful, but the Chair agreed to meet outside of the meeting with further suggestions

FRC.59.22 Financial Reporting – Financial update for November 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:

- New financial year challenges
- Budget update 2022/23
- Higher Education
- Capital Bids
- Bank update
- Enrolment numbers for 2022/23
- Contracts update
- ONS
- Land Sale
- Bank update

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

- as a result of the energy crisis affecting all of the UK, the College had increased its energy budget for 2022/23 by circa £1m. The crisis had worsened over the summer and, despite engaging with several energy consultants to obtain best possible price, the College incurred a further forecasted cost of £500k before being able to lock into a new energy contract
- the College also faces increases to the rate of inflation and bank interest rate and has undertaken a high-level budget review of its approved 2022/23 budget, which is covered under the next agenda item
- the College continues to face challenges in meeting its targets for HE and changes are planned to the delivery budgeted for in 2022/23
- the approved budget for 2022/23 did not include a staff pay award. Given the current cost of living crisis, the College has targeted making a staff pay award in either January or April 2023; this target has been helped following the receipt of additional funding not previously budgeted and the positive impact of the energy cap introduced by Government
- a breakeven position would result in 'good' financial health and tight monitoring of the college financial health will be a main focus during 2022/3
- the request submitted to the DfE to defer the Capital Transformation Fund project by 10 months has been approved and plans are being revised with the Project Managers
- 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 still awaited
- enrolment for 2022/23 - the current position indicates the College is 79 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
- since the last financial update, the Heads of Terms (HofTs) for the land sale with Persimmon Homes had been finalised but there is now a query on the access road which needs to be resolved. The Chair raised concerns around these continued delays and questioned the commitment of Persimmon. He requested the CFO to liaise with Glenny and Persimmon with a view to arranging a meeting in the New Year to re-assess the College's position.

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

Agreed

- 1) The Finance and Resources Committee agreed to receive and note the:
 - management accounts to 31 October 2022
 - financial update for November 2022
- 2) The CFO to liaise with Glenny and Persimmon.

FRC.60.22 Budget Review update 2022-23

The CFO presented a report, which provided an update on the ongoing budget review due for completion by 30 November 2022.

The Committee was reminded that

- the high level budget review conducted is to meet the requirements of the ESFA, which is continuing and will be finalised by the end of November 2022 as originally planned and agreed with the Corporation

- in conducting the review, the assumption is made that inflation will increase on average by 14% over the year and bank interest rate is expected to increase to between 4% and 5% over the current financial year
- the original approved budget for 2022/23 was for a breakeven position and the budget review indicates that the College would face a deficit of circa £500k if no action taken by Government and no mitigations put in place by the College
- a number of measures were introduced to mitigate the deficit and protect cashflow, which would bring the budget forecast back to either a breakeven position or a small surplus

Members were advised that

- there is additional income that the College will now receive in 2022/23
 - Option Agreement on land sale £150k, previously expected in 2021/22
 - Office for Students - £148k – additional funding resulting from the OBC contract
 - Strategic Development Fund - £138k – employer engagement and knowledge exchange
- although there will be additional costs associated with this income, the College is currently reviewing this to ascertain if costs already budgeted can be offset against this funding
- the high-level review indicates that there is no significant change to the breakeven position previously reported
- a detailed budget review is planned for January 2023 to consider current financial performance against target and the risk of breaching bank loan covenants so that action can be taken if necessary and to ensure good financial health is maintained

Members discussed the issues raised. In particular and given the loss of confidence in Persimmon, they felt that it would be prudent to exclude the £150k from the budget update. The Committee acknowledged that the budget review would not be completed until the end of November. As such, it could review progress to date but would not be able to form a recommendation to Corporation. The final version of the budget update would, therefore, need to be presented direct to Corporation. The Chair recommended that this meeting of the Finance and Resources Committee should be moved to the beginning of December in future years.

Agreed

The Finance and Resources Committee agreed

- to receive and note the progress of the budget review update, to date
- that a completed budget review update is presented to the Corporation Board in December
- this meeting be scheduled for the beginning of December in future years.

Phillip Lennon left the meeting and Andy Williams assumed the Chair

FRC.61.22 Overview of curriculum and support area performance

The CFO had planned to give an overview of this area's performance, but due to the timing of the meeting and the fact that the Chair of the Committee had to leave, it was agreed to defer this to the next meeting.

FRC.62.22 Any Other Business
There were no items of any other business.

FRC.63.22 Dates of scheduled meetings of the Finance and Resources Committee 2022/23

Tuesday 14 March 2023

Tuesday 27 June 2023

All meetings commence at 4pm unless otherwise stated.

SIGNED AS A CORRECT RECORD:



DATE: 14 March 2023