



USP College Corporation
Finance and Resources Committee

Minutes of the Meeting held on Tuesday 27 June 2023
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
Ben Akande	Independent Member

In attendance

Steven Hendy	Chief Finance Officer (CFO)
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Clerk

Sue Glover	Clerk to the Corporation
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FRC.16.23 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.

Dan Pearson advised that he is the non-remunerated Chair/Education Advisor for I-Immersion, which is being considered under item 11.2 of this agenda.

There were no other declarations of interest.

FRC.17.23 Apologies for absence

Apologies for absence were received from

- Paul Dale
- Ben Akande

Apologies were also received from the following members of staff who normally attend this meeting:

- Clare White
- Malcolm Shearer

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

FRC.18.23 Unconfirmed minutes of the meeting held on 14 March 2023
The minutes of the meeting were approved and signed as a correct record.

FRC.19.23 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.

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.20.23 Termly Health and Safety Report
The CFO presented a report, on behalf of the Head of Facilities & Estates, 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 are still experiencing high levels of first aid calls;
- the fire alarm installations and firefighting equipment function correctly and have been inspected throughout this period;
- there are significant building operations underway at the Seevic campus with the refurbishment of Science and Early Years/Health areas;
- there have been a number of issues with the lift operation at both campuses.

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

- a Legionella risk assessment was undertaken at Seevic and at Xtend with no immediate actions required, with the exception of the boiler replacement at Xtend which had already been planned;
- there have been no RIDDOR reportable accidents during this period;
- the greatest risk to the completion of the current building works is a potential delay to the furniture for each of the projects and also the removal of asbestos. The planned completion is 1 September 2023.
- an upgrade for the lifts is planned.

In discussion, members considered the high level of first aid calls received around medical conditions, which in the main relate to mental health issues. It was suggested that perhaps more could be done regarding supporting these issues, in particular around the issue of 'resilience' of students. Members were reminded that the College does have in place a Mental Health and Wellbeing Strategy, which is kept under review by the Quality Committee and addresses these issues; the Chair of the Corporation agreed to contact one of the local colleges to see what arrangements they may have in place.

Agreed

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

FRC.21.23 Termly Human Resources Report
The CFO presented, on behalf of the Director of HR, a report to update members on the Human Resources activities for the period 1 January to 30 April 2023.

Members were advised that:

- there has been an overall decrease in leavers
- starters in the period were slightly less than the same period last year;

- similar to the previous term and the previous year, there was an increase in staff sickness absence in the same period in the previous year, due to the high level of long term sickness;
- the College is beginning to see an increase of staff retiring than in previous years;
- there were no formal grievances or employment tribunals during the period;
- overall responses to the annual staff survey have increased by 36%.

Members reviewed the report, noting 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:

- long term sickness levels are again due to a high number of serious health concerns requiring longer period of treatment or recovery and HR is working closely with the individuals, line managers and external agencies to support where possible;
- the increase in retirement is inevitable due to the age profile of staff at this time;
- the satisfaction rate in the annual staff survey in 2022 is higher than 2021 for all areas surveyed, except for 'Leaders and Managers';
- a different approach to the annual staff survey is being considered for next year, with proposals for this to be facilitated through a staff forum;
- the changes to how holiday pay should be calculated for workers with irregular or zero-hours contracts has not resulted in any claims being made.

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.

FRC.22.23 Xtend – Wellset Repro Limited

The Principal/CEO presented a report detailing the Collaboration Agreement for projects at the Xtend campus between the College and Wellset Repro Limited.

Members were advised that:

- Wellset Repro Limited is currently known as Flipside and has absorbed the business of Diverse Interactive;
- the agreement sets out a collaboration on projects within a specified focus;
- each project is priced on application with the College deciding whether they are to be carried out internally or by Wellset;
- the Agreement sets a 50% profit share, subject to variation clause of the agreement;
- forecasted costs and expenses would be agreed by the parties on a project basis;
- USP payment and invoice rates are set on a monthly basis.

Members reviewed the Collaboration Agreement in place, noting that a Deed of Assignment of Intellectual Property Rights for work experience candidates is included. The Principal advised that he would outline the strategy for using Wellset a little wider in his Principal's report to the next Board meeting.

Agreed

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

FRC.23.23 Curriculum and support area performance – CEFSS Review

The CFO presented an update on the reporting of the Curriculum and Support area performance within the management accounts.

Members were reminded that, following the request by the Committee, a different approach when calculating the curriculum contribution during the curriculum planning stage of the budget setting process was being undertaken.

The Committee was advised that as part of the review:

- the curriculum delivery plan was updated including how this links to the budget setting process;
- the aim of this review was to establish key indicators including contribution rates, staff utilisation rates, room utilisation and cost contribution for support areas;
- having completed the review, the rates provided showed very good contribution and staff utilisation rates, which require further challenge and review as they seem higher than expected.

Members were further informed that:

- the College was invited to carry out a Curriculum Efficiency & Financial Sustainability Support (CEFSS) review by the FE Commissioner's office;
- the College decided this was timely to request this type of support to ensure the revised curriculum planning model and supporting budget setting is at the level expected;
- the CEFSS review is a 3 stage review and the College can withdraw at any time, with the expected timeframe if all three stages are completed as 3-4 months;
- the College has agreed to commence stage one with a scoping meeting scheduled for 10 July 2023.

In discussion, members were supportive of the review and agreed this was timely to ensure that the curriculum planning model and supporting budget is at the right level and looked forward to receiving details of the outcome of the review in due course.

Agreed

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

FRC.24.23 ONS return for period 29.11.22 to 31.03.23

The CFO presented the return to the ONS for the period 29.11.22 to 31.03.23.

Members were advised that all FE Colleges were asked to submit a return to the ESFA, which provided assurance to the Accounting Officer and the National Audit Office of the regularity of funds provided to colleges for the year ending 31 March 2023.

The purpose of this return is to collect 'Managing Public Money' (MPM) data and information from colleges, so that the ESFA can quantify the value of MPM transactions in the period.

Agreed

The Finance and Resources Committee agreed to receive and note the ONS return.

FRC.25.23 ESFA letter dated 29 March 2023

The Committee received, for information, a letter issued by the ESFA, which confirmed that, following a review of the College's audited financial statements and assurance returns for the year ended July 2022, it was concluded that the College's financial health grade for 2021/22, based on the outturn forecast, was Good. However, following a review of the College's audited financial statements and finance record it was concluded that the appropriate assessment grade for 2021/22 is now Requires Improvement.

Members acknowledged that this is an historical outcome, and that the financial health is currently Good.

FRC.26.23 Financial Reporting – Financial update for June 2023

The CFO presented members with an update on key financial matters. The Committee was advised that these are normally reported as part of the commentary included in the management accounts, but since these have been completed further updates have become available relating to key ongoing matters.

Members were updated on:

- Land sale with Persimmon Homes
- Existing loan with Barclays
- T Level Projects
- ONS reclassification
- Local Skills Improvement Funding (LSIP)

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

- the outstanding issues with Persimmon Homes have been resolved and the option agreement has been signed and is now with the legal team;
- T Level Wave 4 projects – tender is now completed with ITC Concepts appointed with work commencing 26 June;
- T Level Wave 5 bid submitted, expected outcome July 2023;
- ONS reclassification – application for additional borrowing submitted to the DfE to support College projects;
- existing College loan – due to mature in April 2024. Borrowing consent submitted to DfE who are expected to pay off this loan and agree a new loan with favourable terms with the College. Current loan with Barclays is classified as due for payment within one year which may cause an issue at year-end with the audit opinion if the DfE have not agreed a new loan by then;
- LSIP – capital bid submitted for £300k for digital renovation to the Seevic campus. This is a partnership with other local colleges under the lead of Harlow College. The outcome is expected in July 2023
- VAT Registration – College now has group registration with its subsidiary.

Members discussed the implication of whether completion of the land sale is deferred to August as this would have a positive impact on the 2023/24 budget. The CFO would establish whether this could be achieved.

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.

FRC.27.23 Financial Reporting – Management Accounts to 30 May 2023

The CFO presented the management accounts to 30 May 2023.

Members were advised that:

- the College is currently showing a YTD underlying operating surplus before exceptional items of £246k (budgeted revised surplus £197k) and an overall YTD surplus of £149k including exceptional items (budgeted surplus £102k);
- the current forecast outturn is monitored against the revised forecast following the February 2023 budget review;
- the current forecast outturn remains in line with the revised budget as a surplus of £54k. An improving position is expected in June management accounts, subject to positive updates relating to the general contingency (£158k), option agreement (£150k) and backdated rates review (£63k);
- energy costs are currently under review as consumption is lower than forecast. There are some issues with invoicing by British Gas but there is a likely saving by year-end;
- unexpected Estates breakdowns causing overspends in revenue and capital, although savings from energy costs could offset these;
- improving cash position – forecast now £3.1m at year-end but includes unspent capital grants. Cashflow has been updated to reflect capital spend profile;
- net current assets forecast for year-end £937k;
- financial health currently forecast 'good' at year-end, subject to maturing loan treatment which could move the College to 'requires improvement' if the DfE do not resolve the matter in time.

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

- Financial KPI dashboard
- Financial performance summary
- Financial performance tracker
- Income and Expenditure account
- Summarised consolidated rolling year cash flow 2023-2025
- Balance Sheet
- Cash flow reconciliation
- Analysis of curriculum area and support area performance
- Analysis of significant year to date variances
- Capital expenditure summary
- Financial Bank Loan Covenants 2022/23

In discussion, members commented that the General Contingency of £158k had not been utilised, and that this was a possible improved position due to the completion of the SDF project, which had been carefully managed by the Deputy Principal and Vice Principal who should be congratulated.

The Committee were pleased to note that the position presented remains as predicted.

Agreed

The Finance and Resources Committee agreed to:

- receive and note the
 - management accounts to May 2023
 - financial update for June 2023

FRC.28.23 Capital Loan Scheme Application

The CFO presented an update on the College's application to the Capital Loan Scheme.

Members were reminded that:

- in April 2023, the DfE opened the Capital Loan Scheme with the aim of providing funding to eligible college capital projects that are either underway or in advanced stages of planning;
- in October 2021, the College applied for FE Capital Transformation Funding to build a new Medical & Sports Sciences building at Seevic. The project was forecast to cost £2.4m of which 46% would be match funded by the college with the intention at the time to apply for commercial borrowing of £1m to support the project;
- in April 2022, the college was notified the funding bid was approved. However, in approving the bid the DfE reassessed the project cost at £1.774m and agreed a college match of £177k;
- in addition to this bid, in March 2022, the College submitted two T level Wave 4 funding bids – one for Science and Medical and the other for Early Years and Childcare – both were subsequently approved;
- due to the cost risk to the Medical & Sports Sciences building project and the successful T level wave 4 bids, the College recommenced discussions with Barclays regarding commercial borrowing. However, following the ONS announcement in May 2022 of their intention to conduct a reclassification review of colleges, discussions with the bank regarding commercial borrowing ceased until the outcome of the ONS review was announced. However, the option to take a capital repayment holiday against existing commercial borrowing was offered instead as a short term option.

The Committee was advised that:

- since the capital bids were approved, there has been a significant change in the national economic position with the energy crisis, high level of inflation and increasing bank interest rates, the outcome of which has put serious strain on fulfilling the projects and highlighted the need for additional borrowing;
- a loan application for £1m was submitted to the DfE on 31 May 2023.

Members thanked the CFO for the update and agreed the decision to make the application was a sensible one and asked to be kept informed of the outcome.

FRC.29.23 T Levels Project Update

The CFO presented an update on the progress of the two T levels projects.

Members were advised that:

- both projects are based at Seevic – Health, Digital & Science and Early Years & Childcare and due for completion 1 September 2023;
- the tender for the main contract was completed in sufficient time to allow the project to commence on 26 June 2023, two weeks behind the original programme but with enough time, currently, to meet the original completion date;
- in order to achieve this, the College had to approve the appointment of the main contractor in early June, prior to informing the Committee at this meeting;
- ITC Concepts were appointed as the main contractor.

The Committee reviewed the detail of the tender outcome, noting that ITC Concepts have the lowest value of provisional sums and quantities included in their submission.

Members agreed that the appointment of ITC Concepts was appropriate. The key risks to the project were noted and hoped that the completion date of 1 September was achieved.

FRC.30.23 Draft Budget and Capital Plan for 2023/24

The CFO presented the draft budget and capital plan for 2023/24 for consideration and recommendation for approval to the Corporation Board.

Members were advised that the budget is deemed to be prudent with certain growth income areas excluded until a higher level of confidence can be applied.

Members reviewed each of the appendices:

- Appendix A – draft budget summary 2023/24
- Appendix B – draft budget summary – best case, likely case, worst case
- Appendix C – remaining actions to be completed
- Appendix D – high risk budget areas – worst case
- Appendix E – capital Investment 2023/24

It was noted that within Appendix B, the budget presented for approval is reported as 'likely case'. A full budget review will commence in January 2024 to ascertain the certainty regarding income growth and achievement of in-year targeted savings.

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

- no contingency has been budgeted and no pay award has been assumed;
- the planned budget review in January 2024 will ascertain whether sufficient budget improvements have been made to allow a pay award; this will be subject to student recruitment and the lagged funding impact this may have on 2024/25;
- a deficit budget of £390k is presented for approval;
- the net reduction to income is £764k compared to 2022/23
 - the reduction in HE income is due to the contract with OBC ending
 - Apprenticeships no longer delivered; work placement funding reduced
 - Advanced learner loans - £38k reduction against funding allocation
 - includes impact of full year pay award made in April 2023 (4%)
 - impact of LGPS rate increase and new posts included and bank interest rate increases

Members discussed the risks associated with the draft budget, particularly around staff savings of £400k and the cash position if additional funding is not secured to cover capital project cost increases.

The Committee considered that the budget presented was cautious in the light of the current climate and agreed it was realistic. The proposed deficit budget of £390k was agreed and should be presented to the Corporation Board on 11 July for approval. The Committee were keen to support a pay award for staff if possible, acknowledging that this would be heavily dependent on savings within the staffing budget and the ability to create a level of general contingency.

The College's financial health would remain as 'good' under this budget forecast.

It was noted that the College Financial Forecast will report on the current financial position for 2022/23. 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 2023/24 of £942,138 and agreed this was acceptable.

Resolved

The Finance and Resources Committee recommends for approval to the Corporation Board the draft deficit budget and capital plan for 2023/24 (acknowledging that this will be subject to a high level review in January 2024 and any subsequent approval by the Corporation Board).

FRC.31.23 College Policies

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 further amendments required.

Treasury Management Policy

The CFO presented the Treasury Management 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 was no further amendments required.

Financial Regulations

The CFO presented the Financial Regulations for consideration and approval. Members were advised that the policy has been updated following the ONS reclassification of colleges, which included changes to quotation limits. Members reviewed the proposed changes and agreed these were appropriate with no further amendments required.

Resolved

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

- Fees, Loans & Refunds Policy
- Reserves Policy
- Treasury Management Policy
- Financial Regulations

FRC.32.23 College Contracts

Bus Contract (Student Transport Service Tender)

The CFO presented a report to update members on the recent tender exercise for the Student Transport Service.

Members were advised that:

- the new Student Transport Service is required for the start of the new academic year 2023/24;
- the contract will be for an initial two years with the option to extend this further annually for a further two years;
- the outcome of the tender exercise resulted in the re-appointment of APT Transport Services.

The Committee reviewed the detail of the tender exercise and agreed the appointment was appropriate.

Immersive Rooms

The CFO presented a report detailing the requirement to purchase two new immersive rooms for the College.

Members were advised that:

- the two new rooms have been agreed as part of the College's Capital Plan for 2023/24;
- the requirement for additional immersive rooms was presented within the College Digital Strategy;
- there is a long lead time on certain pieces of equipment of 16 weeks and as the two new immersive rooms are required from the start of the new academic year the College has taken the decision to place an order with its preferred supplier, I-Immersive Ltd, to ensure delivery and implementation by 11 September 2023;
- by taking this decision, the College does not meet its procurement rules regarding obtaining quotes/tenders and the total cost exceeds the delegated authority limit for the Principal/CEO;
- in line with financial regulations where goods/services can only be bought from one supplier or three quotes cannot be obtained, a single supplier approval form must be completed.

The Committee discussed the issues and, in response to questions, were advised that I-Immersive have already installed 5 rooms across the college and, as the preferred supplier, they will ensure like for like comparison against the current immersive rooms in terms of technology and equipment whilst bringing in necessary advancements to the current technology.

Members were satisfied that sufficient research had been conducted to establish that I-Immersive Ltd were able to supply the two rooms giving the best value for the College. Members were content that the Principal had not been actively involved in the purchase and agreed that the Chair of the Corporation and Chief Finance Officer should sign the single supplier approval form to approve the purchase from I-Immersive Ltd.

Resolved

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

- APT Transport Services as the provider for the Bus Contract;
- two immersive rooms are purchased from I-Immersive Ltd, and a single supplier approval is signed by the Chair of the Corporation and CFO to approve the purchase.

FRC.33.23 Terms of Reference and Annual Schedule of Business for the Finance and Resources Committee 2023/24

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 2023/24

FRC.34.23 Any Other Business

The CFO advised that the property strategy will require to be updated before the start of the academic year. It was agreed that the Finance Executive Group would give this consideration at the end of August and the Clerk would secure a convenient date.

There were no other items of any other business.

FRC.35.23 Dates of scheduled meetings of the Finance and Resources Committee 2023/24

Tuesday 10 October 2023
Tuesday 28 November 2023
Tuesday 12 March 2024
Tuesday 25 June 2024

SIGNED AS A CORRECT RECORD:



DATE: 10 October 2023