



USP College Corporation
Finance and Resources Committee

Minutes of the Meeting held on Tuesday 14 March 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
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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)
Murray Higgs	Head of Estates & Facilities (HofEF) – up to item 5 only
Lorraine Stoten	Director of HR (DofHR) – up to item 6 only

Clerk

Sue Glover	Clerk to the Corporation
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FRC.01.23 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.

There were no declarations of interest.

FRC.02.23 Apologies for absence

Apologies for absence were received from

- Paul Dale

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

FRC.03.23 Unconfirmed minutes of the meeting held on 22 November 2022

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

FRC.04.23 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 as the ongoing items had now been concluded they should be removed from the schedule.

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.05.23 Termly Health and Safety Report

The HofEF presented 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 actively continues to recruit new volunteers
- the fire alarm installations and firefighting equipment function correctly and have been tested throughout this period
- there has been an Estates Management and Health & Safety internal audit
- the first Lockdown (stage 3 security alert) practice took place in the autumn term at Seevic and Palmers

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

- the outcome of the internal audit will be reported to the next meeting of the Risk and Audit Committee, but there is no indication of any significant issues arising
- there was a small legionella hit in the west building at Seevic due to two defective under sink water heaters. New heaters have been installed and the tank is to be chlorinated at half term
- there has been one accident at Seevic requiring a RIDDOR report due to an accident at work by a member of the Estates team
- overall, the Lockdown practice had worked well. There were a number of learning points which will be incorporated into future practices.
- all Covid-19 restrictions are now lifted and cleaning regimes remain in place with additional cleaning measures implemented if extra action required following any significant increase in positive cases

Agreed

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

Murray Higgs left the meeting

FRC.06.23 Termly Human Resources Report

The DofHR presented a report to update members on the Human Resources activities for the period September to December 2022.

Members were advised that:

- the overall decreasing trend of leavers in both Curriculum and Business and Learning Support continued in this period from 2021/22 and 2020/21
- starters in these areas are consistent with previous years
- 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

- although the AoC comparison is not aligned to this period, the College's overall absence rates are below the AoC's latest annual survey results, which show an overall absence rate of 4.4 days per employee against the College's of 4 days
- 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 2022 and closed in January 2023. An analysis of the results will be provided at the next meeting

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:

- long term sickness levels were 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
- there was an increase in the response rate for the staff survey from the previous year. Consideration is being given to ways to incentivise staff to complete the survey for next year
- staff recruitment remains a key concern, with reliance on agency staff to fill vacancies. There are measures in place to address the issues, and it was pleasing to note that the immersive technology at the College is playing a large part in helping to reduce the level of staff

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.07.23 Financial Reporting – Management Accounts to 31 January 2023

The DofF presented the management accounts to 31 January 2023.

Members were advised that:

- the College is currently showing a YTD underlying operating surplus before exceptional items of £162k (budgeted deficit £33k) and an overall YTD surplus of £86k including exceptional items (budgeted deficit £104k)
- the current forecast outturn is monitored against the revised forecast following the November 2022 budget review
- the current forecast outturn remains as a surplus of £47k as reported to the Board in December 2022. However, some budget lines have been updated to reflect changes that have occurred since the budget review

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

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

- the key changes to income represent a net reduction of £174k and the forecast reduction will be confirmed as part of the February 2023 budget review, but indications are that the College will be able to mitigate this drop in income by utilising the general contingency (£93k), savings over and above expectations from staffing (£30k), expected reductions to energy costs (£43k) and other identified net saving against non-pay (£8k)
- the current staffing contingency (£295k) remains unutilised at this time
- the cash position at the end of January 2023 is £2,025k
- the cashflow forecast has been updated to include the additional capital funding awarded to the College for energy efficiency (£240k) and College condition improvements (£602k)
- the current financial health is currently forecasting 'good' for 2022/23

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

FRC.08.23 Financial Reporting – Financial update for February 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:

- ONS Borrowing Consent
- Bank position update
- Capital bids
- Xtend Collaboration agreement
- Land Sale

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

- following the announcement that colleges are to be reclassified as public sector, the College has engaged with the ESFA to obtain consent to continue with negotiations with the bank to agree a capital repayment holiday on its current commercial borrowings

- the outcome of the borrowing consent has been successful and negotiations recommenced with the bank who have reopened their offer of a capital loan repayment holiday and the outcome is awaited from their credit team. No issues are envisaged and, as the current loan term matures at the end of April 2024, the payment holiday will need to be in place by April 2023
- the college will match fund the T level projects due to be completed by August 2023; project tenders are current being collated and construction expected to commence in June 2023; updates to the delivery programme have been made but do not expect these to impact the project
- the medical & sports science building project will commence in October 2023; the designs are currently being revised with updates expected. A formal change request will need to be made to the DfE as there are concerns regarding escalating costs due to increases in inflation, although approval of the capital loan repayment holiday will ease these concerns
- there has been a significant delay in the collaboration agreement being signed with Diverse Interactive due to them being taken over by Wellset Repro Ltd. The takeover is now finalised and Wellset will now replace Diverse as the collaboration partner. The agreement will form part of the legal completion pack for the takeover and will be signed simultaneously with all other legal documents
- the option agreement with Persimmon Homes is expected to be signed over the next week, at which point the payment is expected to be received

In discussion, members commented on whether there would be adequate capacity (whether matched financing, staffing or physical logistics) within the College to deliver all of the capital projects in the specified timescales. The Principal and CFO acknowledged that this would be a challenge and would be kept under close review.

Members raised their frustration with Persimmon on the continued delay with the signing of the Option Agreement. The Committee agreed that the CFO should arrange for Persimmon to come into College as soon as possible in order to meet with the Chair of the Committee to explain the delay and to confirm when the agreement would be signed. It would be indicated that if this is not forthcoming then the College would look to other alternatives for the land sale.

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

The Finance and Resources Committee agreed to:

- receive and note the
 - management accounts to January 2023
 - financial update for February 2023
- arrange for Persimmon to meet with the Chair of the Committee as soon as possible

FRC.09.23 February 2023 Budget Review

The CFO presented a report which provided an overview of the outcome of the February 2023 budget review for 2022/23.

The Committee was reminded that:

- the College carried out a high level budget review for 2022/23 in November 2022 to ascertain whether the budget was on track
- the outcome indicated there had been improvement to the budget with the forecast outturn changing from breakeven to a small surplus of £48k

- the budget had been presented to this Committee and to the Board for information rather than approval as the overall forecast outturn had not shown a material change
- the budget presented in December included a staffing contingency which was held for a 3% staff award and the Board agreed to defer making this pay award until the planned full budget review for February 2023 has been completed

Members were advised that:

- the revised budget together with the proposed staff pay award have been reviewed and agreed by the Executive and Senior Management Teams and are recommended for approval
- when carrying out the review, all areas of the budget were reviewed to identify the key changes that have occurred since the November 2022 review and to establish whether the budget is able to accommodate a staff pay award

The Committee reviewed the detail of the key changes since the November review, noting the changes to income and expenditure, the summary of the 'best case', 'likely case' and 'worst case' budget, the analysis of the risks and uncertainties and key changes identified during the November budget review.

Members discussed the issues raised, specifically, the recommendation for a pay award to be made of 4% from April 2023 (rather than the original proposal of a 3% award from January 2023). It was appreciated that making such an award would have the most impact for staff and convey a good message during a difficult financial time. It was noted that the calculation for a 4% pay award to be paid in April 2023 at c £177k was affordable from the contingency within the proposed budget for 2022/23. The question was then around next year (2023/24) and whether the full year cost of c £550k was sustainable. At this stage, it was too early to be clear on the likely surplus or deficit for 2023/24. However, the CFO confirmed that this cost had been included in the two-year cash flow schedule within the management accounts and, as such, was affordable – acknowledging that this was assisted to a large extent by the receipt of various capital grants.

The Committee agreed the 'likely case' budget of a surplus of £54k, noting that the current cash forecast to the end of financial year is now £2.2m and has improved by £300k on the original cash flow forecast due mainly to new capital grants becoming available.

Resolved

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

- a revised 'likely case' budget of a surplus of £54k for 2022/23
- a 4% staff pay award to be paid in April 2023

FRC.10.23 Overview of curriculum and support area performance

The CFO presented an overview of Curriculum and Support area performance within the management accounts.

Members were advised 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 is being undertaken. The aim will be to have a new method of monitoring financial performance and contribution in place for the new financial year. A report will be presented to the Committee on the outcome of this review and the approach to future reporting.

Agreed

The Finance and Resources Committee were pleased to receive this update and welcomed the new approach to calculating the contribution and look forward to receiving the new report

FRC.11.23 Progress on the Xtend Business Plan

The Principal gave a verbal update on the progress of the business plan for Xtend.

Members were advised that this is currently in a draft form, which has been shared with the Chair of the Corporation. There is still work to be done on the plan, particularly in the light of the recent ONS reclassification of FE Colleges into the public sector. Once this has been completed, the business plan will be shared with the Committee.

FRC.12.23 Finance Executive Group

The Committee received for information the draft minutes of the meeting of the Finance Executive Group held on 1 February 2023.

FRC.13.23 T Levels Wave 5 Funding Bid and Pension Deficit Payment update

The CFO presented a report which provided an update on the progress of the T Level Wave 5 Funding and the negotiations around the pension deficit payments.

Members were advised that following the recent meeting of the Finance Executive Group, the T Levels Wave 5 Funding Bids had been submitted by the February 2023 deadline. One bid was for the Palmers Campus relating to Digital, Healthcare & Early Years and the other for the Seevic Campus relating to Engineering. The outcome of the bids is expected by July 2023 with the target completion date, if successful, being August 2024. The Committee asked to be kept informed when the outcome is known.

Following the meeting of the Finance Executive Group, the following proposal was agreed and subsequently sent to the Essex Pension Fund for consideration:

- Employer rate changes to the new rate 21.3%
- Cessation payment £12k in years 1 and 2
- Lump sum settlement in 2025/26 if land sale takes place or if affordable - £197k

Members were advised that confirmation has been received that the proposal is accepted.

The Committee agreed that this was a good outcome.

FRC.14.23 Any Other Business

There were no items of any other business.

FRC.15.23 Dates of scheduled meetings of the Finance and Resources Committee 2022/23

Tuesday 27 June 2023, commencing at 4pm.

SIGNED AS A CORRECT RECORD:



DATE: 27 June 2023