



**USP College Corporation
Finance and Resources Committee**

**Minutes of the Meeting held on Tuesday 23 June 2020
Meeting held via Microsoft Teams
Meeting commenced: 16.00hrs
Meeting ended: 18.25hrs**

Present

Phillip Lennon	Independent Member	Chair
Gordon Haines	Independent Member	
Ralph Henderson	Independent Member	
Dan Pearson	Principal & Chief Executive	

Apologies for absence

John Baker	Independent Member
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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) (item 6 only)
Murray Higgs	Head of Estates & Facilities (HofE&F) (item 5 only)

Clerk

Sue Glover	Clerk to the Corporation
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FRC.13.20 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.

Ralph Henderson advised that he is a Director of Rugby at Thurrock Rugby Club, President of William Edwards' Alumni and a member of the William Edwards' Trust.

There were no other declarations of interest.

FRC.14.20 Apologies for absence

Apologies for absence were received from John Baker.

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

FRC.15.20 Unconfirmed minutes of the meeting held on 3 March 2020

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

FRC.16.20 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.

The VP P,F&BP advised that the sublease for HARP is currently being reviewed by the William Palmers Trust and would be presented to the Committee at the next meeting.

It was agreed that all actions had been satisfactorily completed and that there were no other matters arising from the minutes of the previous meeting.

FRC.17.20 Termly Health and Safety Report

The Head of Estates & Facilities (HofE&F) presented for consideration a report to update members on the current Health and Safety position and activities at the College.

Members were advised that the report was presented in two parts, giving the position and activities at the College before and after the Covid-19 lockdown.

Members reviewed the detail of the reports, noting:

- a total of five accidents have been reported through the College's internal reporting system up until the College closure
- the College remains adequately covered with first aid trained personnel, although more volunteers are still actively being recruited to train to ensure individuals are not overburdened with calls affecting their normal key operational functions
- the fire alarm installations and firefighting equipment function correctly and are tested and inspected regularly. There have been no fire drills during this report period due to the College closure
- water test results for both campuses are awaited, but as a precaution during College closure, some buildings were put out of use completely so that the water systems could be dosed and shut down to prevent any build-up of Legionella or other water pathogens
- the activities during the Covid-19 lockdown, included
 - reduced Estates team on site for three mornings per week at each campus
 - essential compliance and maintenance work continued
 - main building systems shut down to avoid wasted energy and ensure safety
 - IT services were present at times during each week to issue IT equipment and resolve any issues
- the primary activities related to Health, Safety and Welfare
- the activities to prepare the campuses for re-opening

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

- there are no significant building operations underway at the College
- there have been two RIDDOR reported accidents during the term
- there have been no accidents since the College closure

The Committee agreed that the health and safety and security measures put in place to safeguard the College, staff and students during the lockdown period and those in place to prepare for both campuses to reopen are appropriate. Members took the opportunity to thank the Head of Facilities and Estates for the excellent work done during this period and asked that thanks on behalf of the Committee and Board are passed on to his team.

The Principal advised that he had 'signed off' on the risk assessments carried out in preparation for the re-opening and it was agreed that this document would be shared with the Board to give reassurance of the measures in place.

Agreed

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

Murray Higgs left the meeting

FRC.18.20 Termly Human Resources Report

The DP C&SS presented for consideration a report to update members on the Human Resources activities for the period 6 January to 5 June 2020.

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, including by category
- Short and long term sickness absence

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

- the level of sickness shows a decrease in the percentage of the total absences per month, but an increase in Covid-19 and non Covid-19 related absences
- there were no employee ACAS Early Conciliation cases or Employment Tribunals for the period
- there was one formal pay related grievance raised, which has been resolved during this period
- one senior manager left the College in January 2020 and an interim post holder is in place until a permanent appointment is made
- due to Covid-19 resourcing issues the new HR System (Cintra) is delayed to July 2020
- the Seevic Storm consultation commenced in March 2020 but due to College closure the consultation has been paused and will restart once circumstances allow

Members reviewed the Covid-19 Strategy, noting the number of new initiatives and adapted processes put in place to support staff during campus closure, which included

- Safer recruitment
- Staff Bereavement Policy
- Wellbeing and Engagement
- HR support and platforms for staff
- Self-care one to one sessions
- Government Job Retention Scheme

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

- a review of agency staff took place post lockdown to minimise cost without any negative impact on students: the college currently has one agency staff member in place
- the HR team are supported through one to one sessions

The Committee commended the range of initiatives in place to support staff during the Covid-19 pandemic and the College closure.

Agreed

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

Clare White left the meeting

FRC.19.20 College Policies

The COO presented the following policies for approval

- Reserves Policy
- Fees & Refunds Policy

Members were advised that the

- Reserves Policy is a new policy and has been reviewed by the Chair of the Committee, but further feedback is requested by members
- the Fees & Refunds Policy has been updated following the release of the latest AEB Funding Rules by the ESFA and has been reviewed by the Policies and Procedures Committee

Members reviewed each of the documents and suggested that with regard to the Reserves Policy the range of dates and targets are looked at further, particularly in the light of the Covid-19 situation. It was agreed there were no further changes required to the Fees & Refunds Policy.

Resolved

The Finance and Resources Committee approves and commends to the Corporation Board for approval

- Reserves Policy
- Fees & Refunds Policy

FRC.20.20 Financial Reporting – Management Accounts to May 2020

The COO presented for consideration the management accounts to 31 May 2020.

Members were advised that

- the management accounts are now consolidated to include USP College and ITEC Learning Technologies
- the Group is currently showing a YTD operating deficit before exceptional items of £422k (compared to a budgeted surplus of £189k), and an overall historic deficit of £456k (budgeted historic surplus £196k)
- the current overall adverse variance is £260k and is largely due to the adverse impact of Covid-19 and the reduction to Apprenticeships and HE income
- the revised forecast agreed by the Finance Executive Group is an operating deficit of £489k
- the College has been able to obtain Covid-19 government funding relating to Job Retention Scheme (£177k) of which £58k was received during May and funding for ITEC (£39k) for the provider relief scheme, of which £6k has been received. These will be closely monitored and adjustments made as other financial support is identified during Covid-19

Members reviewed the detail of the report, noting in particular

- financial KPI dashboard
- financial performance summary
- Income & Expenditure account
- summarised consolidated rolling year cash flow
- Balance Sheet

- Cash flow reconciliation
- analysis of significant year to date variances
- Capital programme performance summary
- ITEC Apprenticeship Provision
- College financial health

It was noted the cash position at the end of May is £813k. Following the budget review in the light of Covid-19, the cash balance is now predicted to be £1,000k, a decrease of £298k against the revised position previously reported.

As previously indicated, members were advised that one of the bank loan covenants is predicted to be in breach and meetings have taken place with the bank regarding this and a waiver letter will be issued. The bank are satisfied that financial plans in future years are robust and remain supportive.

FRC.21.29 Financial Reporting – Financial Update June 2020

The COO presented for consideration a report detailing the updates to key financial matters in addition to the latest Management Accounts already presented and discussed.

Members were advised that:

- following the outbreak of Covid-19 and subsequent lockdown, the College was required to reforecast its financial position to ascertain the financial impact of the lockdown; this has been submitted to the ESFA and their response is awaited
- members were reminded that the budget reforecast presented previously forecast a deficit of £489k and this forecast has been included in the May management accounts
- ITEC is reporting a YTD loss of £22k against the YTD budgeted profit of £313k. This is £335k below expectations due to non-achievement of the Adult Tuition Fee targets and a reduction to Apprenticeship funding resulting from Covid-19. The forecast outturn for 2019/20 has been revised and now shows a loss of £16k; the impact of this means the service charge/gift aid will not be paid to the College as originally planned
- the College is currently providing cash support to ITEC and cash held at the end of May was £66k and funds owed to the College stands at £158k
- as previously reported, cash at end of May 2020 was £813k. Funds owed to Whitehall Finance were repaid as planned in May and the final payment due will be paid in June 2020
- the bank remain supportive and have considered financial support options of
 - longer term overdraft facility of £500k
 - refinance of all college loans into one loan
 - capital repayment holiday once loans have been refinanced
 - Business Support Loan
- the impact of Covid-19 has caused delays to the proposed sale of the land and the responses to the soft tender from land agents and property developers has been poor due mainly to the current lockdown
- the following tenders are still planned, but delays have occurred during lockdown
 - catering service
 - college insurance
 - cleaning contract

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

- following discussions, the bank remained supportive and are still giving consideration to the options previously reported. They have indicated they would like to establish what support is going to be available from the ESFA and would like to see the College's July financial forecast
- it was agreed that it may not be prudent at this time to proceed with Glennly making any recommendations to the Board with regard to the four responses received on the land sale tender. However, the COO was asked to review these more closely to identify whether they matched our criteria and to advise the Committee outside of the meeting so that a decision could be made whether to allow Glennly to present to the Board
- the proposal to redirect the funding from the SELEP (£900k) to refurbish the Canvey Skills Centre and reduce the level of funding provided by the College would be discussed further under a separate agenda item at this meeting

Agreed

The Finance and Resources Committee agreed to receive and note

- the May 2020 management accounts
- the financial update for June 2020

FRC.22.20 ESFA letter – USP College Financial Statements 2018 to 2019

Following a review of the College's financial plan submitted in July 2019 based on the forecast outturn, the College received a letter from the EFSA which confirmed that the assessment grade is Good.

As part of the review of the College's audited financial statements, financial statements management letter and the annual report of the audit committee, the following financial control issue was identified

'significant difference in the value of assets in the Fixed Asset Register compared to the net book value stated in the Financial Statements'

The ESFA have noted that the College has taken appropriate steps to address this issue and do not require any further information at this time.

FRC.23.20 Draft Budget and Capital Plan for 2020/21

The COO presented the draft budget and capital plan for 2020/21 for consideration and recommendation for approval to the Corporation Board.

Members were advised that the budget presented is deemed to be a provisional budget for 2020/21 until a full budget review is carried out in October/November following the new academic year recruitment process.

The budget presented is rated as high risk, in the light of

- uncertainty caused by Covid-19 and current and possible future lockdown
- uncertainty of apprenticeships (ITEC) resulting from Covid-19
- unconfirmed funding for Teachers Pension beyond March 2021
- impact on HE income following funding cap
- stretched target set for full cost income at ITEC
- Covid-19 impact on student numbers adversely effecting catering income
- lower gym numbers than planned due to Covid-19
- enforced staff restructuring due to sustained impact of Covid-19
- not achieving targeted savings against staff costs
- increased costs directly linked to Covid-19 not already budgeted

Members reviewed each of the appendices

- Appendix A – consolidated draft budget for 2020/21
- Appendix B – remaining budget actions to be completed before finalising the budget for 2020/21
- Appendix C - High risk budgets for close monitoring and review during 2020/21 as they may impact the forecast outturn and cash position
- Appendix D – consolidated budget together with the USP College and ITEC budgets

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

- the budget forecast for 2020/21 in February 2020 showed a surplus of £500k, which included a staff pay award and reasonable contingencies
- income has reduced by £389k compared to the February forecast due mainly to the impact on HE following the funding cap
- staffing costs have increased by £578k compared to the February forecast due largely to increased curriculum staff, which is currently under review. To achieve the staffing target ratio of <65%, a further £301k would need to be saved or additional income generated
- current staffing contingency £30k for academic increments
- no pay award considered at this time
- no redundancy budget held currently for 2020/21 but will be set as part of the budget review
- general contingency included to offset apprenticeship income and Canvey Skills Centre. No other contingency held at this time to cover unexpected financial challenges
- SMT decision made to carry forward non-pay budgets from 2019/20 to minimise further increases to the 2020/21 budget. Only critical increases to non-pay budgets included

It was noted that prior to Covid-19 the College was not required to submit a financial plan as this was completed in February 2020. However, in the light of Covid-19 the ESFA now require a summarised financial plan for 2019/20 and 2020/21. There is no requirement to seek Board approval, but it must be signed by the Accounting Officer and the COO advised that he plans to present this to the Board at the meeting in July for information.

Members commented that it was unfortunate there was no provision for a staff pay award and were advised this will be reviewed again in October as one had previously been planned.

The Committee noted that as a result of lockdown and the impact on planning and procurement, SMT have taken the decision to defer all capital bids for 2020/21 until the budget review in October and only critical bids will be accepted. The current bids are under review to identify if these are deemed critical and will be presented in detail to the Board meeting in July.

It was agreed that the COO would continue to refine the provisional budget and present this to the Corporation Board in July for final approval. The Finance Executive Group would continue to monitor the budget once approved outside of meetings of the Finance and Resources Committee to help spread the workload of the COO and the Principal.

RESOLVED

The Finance and Resources Committee approved and recommended for approval to the Corporation Board the draft budget and capital plan for 2020/21, which is subject to

- review in October/November 2020 and subsequent approval by the Corporation Board in December 2020
- continual review by the Finance Executive Group to monitor the risks and associated issues

FRC.24.20 Subcontracting arrangements for 2020/21

The VP P,F&BP presented details of the College's subcontracting arrangements for 2020/21.

Members were advised that the College currently has two active subcontract arrangements in 2019/20 and one rundown subcontract, which was novated over to ITEC for apprenticeships

- Apprenticeships (The Deanes School)
- Arts 1
- Docklands Academy (DAL)

It was noted that

- the Arts 1 provision will have 100% achievement for 2019/20
- due to the multiple cohorts over the year, the DAL continuation rate is not yet available for 2019/20
- the College's 16-19 applications are currently running at 1% higher than this time last year and current indications are that the 16-19 student number target (3,331) will be met without the need to subcontract

The Committee were advised that

- the College is proposing to grow its HE subcontracted provision in 2020/21 by engaging with a new partner, Oxford Business College (OBC), whilst maintaining its provision with DAL
- the Quality Committee at the meeting on 17 June approved the OBC due diligence and will be recommending this to the Board at the July meeting

Resolved

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

FRC.25.20 Canvey Skills Centre (CSS)

The Principal updated the committee on the Canvey Skills Centre.

Members were advised that

- there is the potential for the College to receive circa £50k from Essex County Council to assist with the transition
- the lease is currently being drafted
- the intention is for CSS to accommodate supported internship, CEDTIL, HE and Access and ITEC

The Committee was reminded that any proposed acquisition and subsequent lease for the building would require Board approval. It was agreed that a further update would be presented to the Board in July so that the Board could approve with a request for delegated Chair's action to be given in the event that this could not be finalised until after the Board meeting had taken place.

FRC.26.20 Terms of Reference and Annual Schedule of Business for the Finance and Resources Committee 2020/21

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 approves and recommends to the Corporation Board for approval the Terms of Reference and Annual Schedule of Business for the Finance and Resources Committee for 2020/21

FRC.27.20 Any Other Business

There were no items of any other business.

FRC.28.20 Dates of scheduled meetings of the Finance and Resources Committee 2020/21

Tuesday 13 October 2020
Tuesday 24 November 2020
Tuesday 2 March 2021
Tuesday 22 June 2021

All meetings commence at 4pm unless otherwise stated.

SIGNED AS A CORRECT RECORD:



DATE: 13 October 2020