

Finance Committee Minutes

Date	12 June 2018	Time	16.00
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Venue	Boardroom, Station Plaza, Hastings
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Chair	Pat Farmer
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Membership: Pat Farmer (Chair), Clive Cooke (CEO); Mark Fisher, Russell Higginbotham, Debbie Baldock-Apps, Jonathan Reid, Henry Ball

In attendance: Biram Desai (CFO), Dan Shelley (Executive Director – Strategic Partnerships and Engagement), Tim Hulme (Director of HR) (as required)

Apologies: Debbie Baldock-Apps; Jonathan Reid.

	Item	Action
1)	<p>Apologies and declarations of interest Apologies were received from Debbie Baldock-Apps and Jonathan Reid.</p> <p>Pat Farmer declared that he is a member of the Hastings and Rother Taskforce and a director of Plaza Trading.</p> <p>Mark Fisher is a member of Council of the University of Sussex. He is also treasurer of Age Concern Eastbourne and a director of Good Money, a community interest company.</p>	
2)	<p>Minutes of the last meeting AGREED: THE MINUTES OF THE MEETING OF 22 MAY 2018 WERE AGREED AS A TRUE RECORD. Proposed Henry Ball Seconded Pat Farmer Carried.</p> <p>Matters arising Meeting procedures – these have been added to the Board protocols and included in the Board induction presentations</p> <p>Summer works – the additional information will be included in the papers to the Board Meeting on 26th June 2018</p> <p>Plaza Trading – The advice received is that it is acceptable practice for one or two members of the main board to sit on subsidiaries. Prudent measures to avoid conflicts of interest and to ensure appropriate scrutiny will be put in place. It was agreed that the additional Director of Plaza Trading would not be a member of the finance board to allow for sound decision making. The Director of Governance will approach one or more governors from Eastbourne and Lewes to determine whether they would agree to become a Director of Plaza Trading.</p>	<p>Dir Gov</p> <p>ED - SPE</p>

	<p>It was agreed that the appointee would meet with Dan Shelley as part of their induction.</p> <p>Student support fund policy – the Executive Team reported that the monthly payment system which was designed to prepare students for the workplace has been found to be the most beneficial, therefore monthly payments will be phased in.</p> <p>Finance regulations – the amendments have been made and the internal auditors are reviewing them.</p> <p><i>Mark Fisher joined the meeting at 16.20</i></p>	
<p>3)</p>	<p>Management accounts</p> <p>Biram Desai explained that he made the decision not to issue April 2018 management accounts based on quality of information and data. He had discussed this with the Chair of Finance and the Chief accounting officer who had agreed that he should hold off until the May management accounts are ready.</p> <p>At SDC there had been two years with qualified audit opinions and the impact of this will take some time to rectify. All the finance posts at Tier 3 and 4 are still vacant and interims are in place but some are not FE finance experts.</p> <p>There will be one set of accounts for Sussex Downs College to the end of March 2018 and a full set of accounts for both colleges in the ESCG For the full year.</p> <p>When looking at legacy balances at SDC, the outgoing Finance Director interim had made estimates but these had been light on costs. The forecast outturn for SDC is likely to be materially worse. Biram Desai has identified costs which would mean that the forecast deficit has increased. This is driven to a large part by non-pay costs throughout SDC.</p> <p>The May management accounts will include these forecast outturns and will be as accurate as possible to avoid material adjustments being required to year-end.</p> <p>Biram Desai is focussing on 18/19 being a stable position with the correct workflows; a robust establishment cost and accurate income and expenditure monitoring all in place.</p> <p>The Committee discussed the experience and capacity of the finance team at Eastbourne. Biram Desai said that staff who do have experience are not working in the optimal way, there is a turnover of staff but this offers an opportunity to engage positive staff.</p> <p>Members asked if the Finance Team has enough resource to investigate the accounts. There are five core projects in scope:</p> <ul style="list-style-type: none"> • Closedown of SDC systems • Preparation of SDC statutory accounts • [confidential item] • Rollout of Agresso • Consolidation of management accounts. 	

	<p>The strategy is to achieve what is possible with the current team and to review capacity in the coming months.</p> <p>Members asked if Biram Desai has investigated reengaging Anna Fitch and if this would be beneficial. He has not done so and is mindful of costs and that the issue is one of capacity not of knowledge or experience. Members reiterated that they would support engaging whatever additional support might be necessary.</p> <p>Clive Cooke assured the meeting that the delay in the management accounts was not a reflection on the CFO. There are no financial constraints in investing in financial expertise and it is a matter of capacity of management to direct extra resource.</p> <p>AGREED: A SET OF MAY MANAGEMENT ACCOUNTS WILL BE PRESENTED TO THE JUNE BOARD MEETING.</p> <p>AGREED: THAT IF THE ACCOUNTS ARE NOT READY FOR THE JUNE BOARD MEETING AN EXTRAORDINARY FINANCE MEETING WILL BE HELD TO SCRUTINISE THE ACCOUNTS AND RECOMMEND THEM TO THE BOARD FOR ELECTRONIC RESOLUTION.</p> <p>The directors of governance will seek some dates for provisional meetings.</p>	<p>CFO</p> <p>CFO</p> <p>Dir Gov</p>
<p>3a)</p>	<p>Post-merger finance items including Transaction Unit terms and conditions</p> <p>Biram Desai and Tim Hulme had met with the Katie Tyson and Dean Ardron of the Transaction Unit last week. The tabled finance KPIs, together with a financial model will be discussed with the TU going forward.</p> <p>The following points were made:</p> <ul style="list-style-type: none"> • It was agreed that the item being called the prospectus is in fact an 'Education Case'. • The TU was complimentary about the level of detail given by ESCG. • The TU has asked for forecast 17/18 as the base point against which to judge the forecast for 18/19. • The Education EBITDA removes capital grants out of the income line. • Debt servicing capacity –the TU would prefer to see a ratio of the coverage of debt service. The numbers represent cash rather than a ratio but this will be corrected going forward. <p>The College has current borrowing and the estates strategy will include a financial case and outlines the affordability of any investment. Biram Desai will ensure that the College fully appreciates the CFADS which underpin such an estate strategy.</p>	

	Clive Cooke confirmed that TU also has curriculum and quality KPIs.	
4)	<p>Final budget 2018-19 Biram Desai thanked the May Finance Committee for their observations and contributions to this final budget.</p> <p>The represented budget has a more modest surplus of £240k. A sensitivity analysis has outlined the following material changes:</p> <ul style="list-style-type: none"> • 16-18 apprenticeships • Realism on agency pay • Non pay and systems, projects and other items • Revisited the balance between college delivery and subcontracting. <p>Governors asked if the Group is still targeting a surplus of £750k whilst forecasting prudently at £240k. Biram Desai said that it is ambitious to deliver a merged college in a stabilising year with a surplus of £240k and they are consistently monitoring pay and non-pay items. The Group is still working to maximise enrolment in September 2018 which has a cost but is key to the next academic year and the funding for the year after.</p> <p>Clive Cooke said that the College Group will not become complacent and recognises the cost of not targeting to exceed the £240k surplus but realistically there are necessary expenditures to support the Group strategy. One example is a need for additional school liaison posts which will put a strain on achieving the more ambitious £750k but will support enrolment and reputation.</p> <p>Members expressed concern that the current situation with delays in cost reporting may have an impact and affect the next academic year. Biram Desai responded that every effort will be made to ensure that this is not so.</p> <p>Members commented that the pension costs could have a material effect on the budget. This has been discussed with the auditors and appears to be secure.</p> <p>Table 5 – Bridge Procurement savings – members requested more detailed information on the £124k.</p> <p>Members asked if the items had been juxtaposed against the items in the risk register and if there might be different models of the budget therefore. Biram Desai explained that it is difficult to include such variances in a budget for unknown outcomes. He suggested a brief paper that looks at the sensitivity of the surplus against one or two items which would offer an optimistic and pessimistic model of outcomes as at SCCH in the past they had reviewed the assumptions of income which allowed timely intervention. It was agreed that this was a prudent way forward.</p> <p>[confidential] AGREED: THE FINANCE COMMITTEE WILL PROPOSE THE FINAL BUDGET FOR 18/19 TO THE MAIN BOARD AT ITS MEETING IN JUNE 2018.</p>	<p>CFO</p> <p>Chair of Finance</p>

	Proposed: Pat Farmer Seconded: Mark Fisher Carried	
5)	<p>Capital projects</p> <p>Tim Hulme reminded the Committee of the three strategic elements that the ESCG is focussed upon. To support these there is now an immediate need to produce a strategic plan, project harmony and the estate strategy. He presented the following three documents:</p> <p>Executive planning framework - This is driven by the requirement to deliver an estates strategy to the TU by 15 June 2019. It is a 26 weeks' work for a property case, therefore the work will have to begin in November 2018. It follows then that the education case will have to start in September 2018. The strategic plan is planned for the Board meeting of 8 October and will be underpinned by market needs and LMI analysis to inform these.</p> <p>[confidential item]</p> <p>Scaffold – This was produced to show the position of the Group at present. The next steps are to produce a strategic plan. The scaffold outlines four notional workflows which feed into the necessary areas and show accountabilities at the Executive Team Level.</p> <p>Education case – the most important element of the estates strategy is the education case. This is a three-phase process to look at all the factors involved in developing such a case.</p> <p>This work will be structured using the LSC process as a blueprint and checklist.</p> <p>It was agreed that the strategic framework that will go to the June Board for comments and approval will then be used to develop the more detailed Strategic Plan that will be presented to the October Board meeting. This plan will in turn go to staff and students for review.</p> <p>Members asked if the team is confident that there is enough resource to deliver this considerable piece of work. Clive Cooke said that the team is confident in its abilities but that there is definitely a resource issue. Tim Hulme has already appointed an excellent post holder to support him and is seeking to appoint someone to develop the education case.</p> <p>Members discussed the stretch that this new capital project will be putting upon the Executive team and questioned the prudence of investing both time and resource in a new building. Clive Cooke explained that the estates in both Eastbourne and Lewes are driving the need for this and Tim Hulme reminded the Committee it would be at least 2020 before capital project might begin. It was agreed that the Executive Team would request extra resource if, and when, they judge it is</p>	

	<p>required.</p> <p>AGREED: THE COMMITTEE APPROVED THE EXPENDITURE OF £50K FOR CO-FUNDING THE PROPERTY CASE WITH EBC/LDC.</p>	
6)	<p>Risk Management update</p> <p>Biram Desai presented the report and explained that going forward Tim Hulme will be developing the reporting of risk for the College Group. He is looking at the format of a consolidated heat map for presenting the top 10 strategic risks to the Board meeting on 26 June 2018.</p> <p>Governors asked that the Board receives assurance that risk management is embedded through the College Group.</p> <p>Members pointed out that 19 of the risks outlined are in the red which represents a significant cause for concern. Governors asked for significant progress to be made to reduce these risks by the next Finance meeting but will look at this in the context of the new risk heat map.</p> <p>Mark Fisher will investigate the possibility of University of Sussex risk officers meeting with the ESCG risk officers to explore best practice.</p>	
7)	<p>Any other business notified to the Clerk in advance of the meeting</p> <p>There was none.</p>	

The meeting closed at 17.45