

## Finance Committee MINUTES

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|------|-------------|------|-------|
| Date | 14 May 2019 | Time | 18.00 |
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| Venue | Corporation Room, Eastbourne |
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| Chair | Pat Farmer |
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**Membership:** Pat Farmer (Chair), Clive Cooke (CEO); Henry Ball; Mark Fisher, Russell Higginbotham, Madina Tash, Sue Walton  
**In attendance:** Biram Desai (CFO), Dan Shelley (Executive Director – Strategic Partnerships and Engagement), Tim Hulme (Director of HR) (as required)

**Apologies:** Madina Tash

|    | Item                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Action |
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| 1) | <p><b>Apologies and declarations of interest</b></p> <p><i>The meeting started at 18.10.</i></p> <p>Apologies have been received from Madina Tash, our new co-opted member as she had received the dates of meetings too late to adjust prior engagements. Pat Farmer will meet with Madina Tash and a CV will be sent to him in advance. Sue Walton did not attend.</p> <p>Mark Fisher declared that he has an interest as member of Council for the University of Sussex. He is also treasurer of Age Concern Eastbourne and a director of Good Money, a community interest company.</p> <p>Pat Farmer declared that he is a member of the Hastings and Rother Taskforce and a director of Plaza Trading.</p> |        |
| 2) | <p><b>Minutes of the last meeting held on the 20 March 2019</b></p> <p><b>AGREED: THE MINUTES OF THE MEETING HELD ON 20 MARCH 2019 WERE AGREED AS A TRUE AND ACCURATE RECORD.</b></p> <p><b>Proposed PF Seconded HB</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |        |
| 3) | <p><b>Matters arising</b></p> <p><b>Item 5</b> - Russell Higginbotham had asked if the Committee is clear what the expectations of TU KPIs are against benchmarks and how close the Group is to achieving them. Biram Desai said the Group has targets and that there are some national benchmarks in a number of areas. The Committee asked that where possible these benchmarks be included adjacent to the targets in the April report going forwards.</p>                                                                                                                                                                                                                                                   |        |

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|    | <p><b>Biram's response:</b><br/> <i>In terms of national benchmarks, the following financial targets are generally referred to in the sector –</i></p> <p><i>Pay costs % of income – 60% to 65%</i><br/> <i>Total borrowings as a % of income – under 40%</i><br/> <i>Average class size – 18</i><br/> <i>Achievement of Satisfactory Financial Health</i><br/> <i>(Linked to 3 performance measures set out in the management accounts).</i></p> <p><i>More specific benchmarks are very much specific to each College, but commercial organisations and consultants can offer a service that looks at benchmark data (e.g. a Tribal benchmarking review).</i></p> <p><i>Our use of a consultant (who also worked on FE Commissioner interventions) gave us access to some specific benchmarks from similar colleges in relation to the staffing size of certain areas.</i></p> <p><i>This was a really helpful guide for restructuring, the source data remaining confidential.</i></p> <p>There were no other matters arising</p> |  |
| 4) | <p><b>Report of KPIs relating to Finance</b><br/> <b>Transaction Unit KPIs relating to Finance – this item was taken as a confidential minute</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |
| 5) | <p><b>March 2019 Management Accounts – this item was taken as a confidential minute</b><br/> Pat Farmer said that these had been scrutinised in detail at the informal Finance meeting. There were no other questions but Mark Fisher said that it was comforting to see that the management accounts have stabilised.</p> <p>Henry Ball asked if all restructuring costs are included in this year's budget. It has accrued for all costs.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |  |
| 6) | <p><b>Draft Budget 19/20 – this item was taken as a confidential minute</b></p> <p><b>Subcontracting</b> – Governors asked if it was actually the case that partners are more efficient than the Group. Biram Desai explained that they are able to be more focussed, have less statutory demands upon them and have far less overheads. They do deliver high-quality learning and outcomes for students. Dan Shelley added that their achievement rates are also above those of the Group. Biram Desai said that it is part of the strategy to maximise the amount of subcontracting that can be done to a high standard. The Group's in-house provision is not sufficient to be viable.</p> <p>Mark Fisher said that set against this is an intention to encourage a more entrepreneurial culture. Dan Shelley said there has been a real push on delivering AEB in-house next year and the Group has learned a lot from its</p>                                                                                                   |  |

partners in this area.

**Contribution by college** – Governors asked why the contribution by College is different. The informal finance meeting had asked for more detail on this. Biram Desai explained that there are different reasons but for instance Lewes is delivering less contribution as A Level does not generate the same income as some occupational provision.

Mark Fisher asked what had driven the growth in international. Biram explained that there had been some in increased Tier 4 and some from EFL.

Governors asked if it would be possible to have a high-level cashflow projection for further years. Biram Desai explained that the ESFA template for next year will go through to 20/21 and include a cashflow. He and Tim Hulme think that this might additionally be modelled with 10 year financial forecasts in July 2019 this year.

Henry Ball commented that if the premises costs of running Lewes are disproportionately high in comparison to others, is this a case for accelerating the consolidating provision onto one site? Biram Desai responded that there might be an opportunity to mothball the Southover site soon. Pat Farmer asked if this might be achieved in 19/20. Tim Hulme explained that this might be possible but there may not be a material saving in that year. Pat Farmer stated that it should be a premise of the Education Case that all three colleges are sustainable in their own right.

Pat Farmer commented that the biggest issue of the risk assessment is around risk to cost control which outlines a reduction of agency costs of £1.58m and he does not consider this realistic. There are many teaching vacancies in Hastings for instance and if HR cannot recruit to these, the savings in agency costs will not be achieved. He asked Biram Desai to ensure that the costs be RAG rated in the same way as the income with an impact analysis for June 2019. He also asked that any non-recurring costs from 2018/19 could be highlighted. Biram Desai responded that agency costs are set for next year at £50k per month and there are some illustrations of how this can be achieved. It is also a standing item on the SLT agenda. The Group is timetabling cover for teachers next year which should contribute to efficiencies. Dan Shelley reminded the Committee that there had been exceptional agency costs this year caused by exceptional requirements in the Finance Team but that excellent recruitment has now addressed this area. Dan Shelley said that there has been funding from the Hastings Opportunity Area to look at skills within the Group, identify skills gaps and provide training to fill the gaps. Tim Hulme added that the HR department is becoming more skilled at managing sickness and at recruitment. Pat Farmer reminded the Team that retaining staff is as important as recruitment.

**Subcontract sensitivity** – Originally the forecast was for £7m but this has grown to £10m with an ambition to grow AEB provision in-house. There was a discussion about the variance.

Biram Desai said that there was a small increase of £162k in predicted AEB

growth as shown on page 32. The Group needs to be very careful not to be overly optimistic and then use subcontracting in year to 'plug the gap'. Governors commented that this was a very modest increase and asked what is planned to accelerate this. Dan Shelley explained that currently the marketing department is focussed on bringing in 16-18 year olds. Once this is secured in September each year this funding is protected. There is more of an issue with adult learning that it is 'roll-on, roll-off' throughout the year and is therefore harder to predict and to secure. Dan Shelley added that to address this in terms of the structure for next year, there is a Head of Adult provision tasked with increasing income across the three campuses. Whilst 6% does not sound ambitious it is more than the Group has grown previously and the SLT considers that the forecast number is a prudent one. Pat Farmer suggested there are targets set to include this growth. Biram Desai said that there is a challenge for curriculum areas being asked to deliver many targets and experience shows that managers will deliver the top three on a list.

Apprenticeships – Governors asked how Private Training Providers (PTPs) manage to pay the Group 20% and still make a profit. Dan Shelley explained that PTPs are able to be more efficient and that for the Group, the burden of bureaucracy increases month-on-month. The Group is discussing reducing the number of standards and frameworks it delivers to reduce overheads, but it is not just about overhead, but serving the communities of the College. BD said that, additionally, it is difficult to gauge how many assessors to engage for each framework which can increase costs and that it is possible that PTPs may be able to do this more efficiently.

Governors asked how the SLT reached the figure of £500k for supporting the estates programme. Pat Farmer said that he could appreciate the need to develop the estates programme and get to a position by the end of July to submit to the TU. However he is concerned that the Group does not spend £500k for an enabling plan which it does not have the ability to fund eventually. It was agreed that it is the role of CIC to ensure that this is not the case. Tim Hulme responded that once the strategy is approved in July, the ten year curriculum plan must then be modelled and costed to inform the forecast project budget and give an idea of affordability. The fees on enabling works are intended to move all sports provision to the Sports Park and Catering to Eastbourne Borough Council. This will, in turn, release estates for other purposes. At the next stage the LEP will be approached with a funding request.

There is a contingency of £778k in the 19/20 budget to cover some of these risk aspects which offers a degree of comfort. Mark Fisher asked if the £500k is capped or if the Executive team would be able to increase the limit. The Finance Committee asked that any use of the contingency be formally reported to the Committee and agreed monthly informal meetings will continue.

Governors asked why the current adjusted ratio gets worse for 19/20. Biram Desai explained that the enabling works have an impact. Biram Desai said that it is vital that the Group is clear about expenditure on operational spends and enabling works.

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| <p>Pat Farmer said for the full budget, the Group is asking for:</p> <ul style="list-style-type: none"> <li>• Sensitive around costs</li> <li>• An explanation of agency costs – particularly non-recurring.</li> <li>• No other changes to the bottom line.</li> </ul> <p>The Committee will revisit in June 2019.</p> <p>Henry Ball thanked the management team in a difficult and abnormal year. In the future, there will be more settled years behind us upon which to base budgeting assumptions.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |  |
| <p>7) <b>Subcontracting</b></p> <p>1. <b>Update on overall subcontractor landscape 2018/19</b><br/> Dan Shelley provides an update on the funding procured this year – overall not much movement but a change in suppliers. All partners signed contracts on, or before, 1 August 2018. All funding streams were tendered via the new Dynamic Purchasing Systems to ensure compliance with public procurement (2015) regulations.</p> <p>2. <b>Approval of proposed changes to some contracts:</b></p> <ul style="list-style-type: none"> <li>• This item is to recommend to ESCG Board. Dan Shelley outlined the proposed changes to some contracts and additional partners.</li> <li>• Volumes and bidding will begin at the end of May 2019.</li> <li>• Increased study programmes which will generate another 100 learners and others remain the same.</li> <li>• There is a total reduction in revised contract values of £65k.</li> </ul> <p>Pat Farmer asked why the Platform had gone into administration before delivery commenced and why nothing was identified by due diligence (DD) . Dan Shelley explained that nothing had been identified by DD but a clawback had put the company out of business.</p> <p><b>AGREED: THE FINANCE COMMITTEE AGREED THE AMENDMENTS OUTLINED TO THE CONTRACTS AND ADDITIONAL PARTNERS AND WILL RECOMMEND THEM TO THE BOARD IN JUNE 2019.</b><br/> <b>Proposed PF Seconded MF</b></p> <p>3. <b>Overview of proposed process for allocating 2019/20 volumes</b><br/> Partners will be invited via the DPS to work within the outlined funding streams. These tenders will provide the Group with information to score against criteria and select partners. The new procurement process enables existing and new partners to tender for activity following completion of detailed curriculum planning.<br/> The Group will continue to work with East Sussex County Council to agree priorities for commissioning AEB funding to ensure that provision meets local and County priorities.</p> <p>4. <b>Subcontracting Fees and Charging Policy.</b><br/> This year’s subcontractor fees and charging policy was discussed. There were</p> |  |

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|     | <p>minor changes to reflect 19/20 funding rules. The Committee agreed to approve this policy.</p> <p><b>AGREED: THE FINANCE COMMITTEE AGREED THE 2019/20 BIDDING PROCESS AND SUBCONTRACTOR FEES AND CHARGING POLICY.</b><br/> <b>Proposed PF Seconded MF</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |  |
| 8)  | <p><b>Policies</b></p> <ul style="list-style-type: none"> <li>• <b>Student support funds policy</b></li> </ul> <p>Biram Desai has worked with the student support team and there are no legislative changes so this document includes updates for practical process issues and job titles. This is an important function of the Group to support learners and the community.</p> <p>It was agreed that there would be a tracked changed version in the future.</p> <p><b>AGREED: THE FINANCE COMMITTEE AGREED THE STUDENT SUPPORT FUNDS POLICY.</b><br/> <b>Proposed MF Seconded PF</b></p> <ul style="list-style-type: none"> <li>• <b>Financial regulations</b></li> </ul> <p><b>AGREED: THE FINANCE COMMITTEE AGREED TO RECOMMEND THE FINANCE REGS TO THE Board on June 2019.</b><br/> <b>Proposed HB Approved PF</b></p> |  |
| 9)  | <p><b>Estates Strategy – this item was taken as a confidential minute</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |
| 10) | <p><b>Variation to the College Group’s joint user agreement for the use of Eastbourne Sports Park.</b></p> <p>This item had been dealt with by the CIC Committee and recommended to the Extraordinary Board on 7 May.</p> <p><b>The meeting closed at 19.55.</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |
| 11) | <p><b>Any other business notified to the Director of Governance in advance of the meeting</b></p> <p>There was none.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |  |