**Finance Committee**

**Minutes**

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| Date | 17 March | Time | 3pm |
| Venue | Zoom | | |
| Chair | Mark Fisher | | |
| **Standing membership** Mark Fisher (Chair), David Smith (EO), Rebecca Conroy (EO), Madina Tash, Tom Sanderson, Graham Cook  In attendance - Martin Penny, Dan Shelley, Tim Hulme (as required), Mia Bryden | | | |

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|  | Item | Action |
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|  | **Apologies**  Apologies were received from Madina Tash and Mark Fisher.  Graham Cook chaired the meeting. |  |
|  | **Declarations of Interest**  No declarations of interest were made. |  |
|  | **Minutes of the previous meeting – 23/11/20**  THE MINUTES OF THE LAST MEETING WERE AGREED AS A TRUE AND ACCURATE RECORD**.** |  |
|  | **Matters Arising**  The matters arising were noted as per the cover paper.  CFO to provide a short briefing for all Governors and co-opts on pension changes for all staff, including Plaza Trading – CFO advised this is ongoing redacted  The CFO has now included more detail about apprenticeship performance in the management accounts with further breakdown on 16-18 and adults added. More work on those who are out of funding and breaks in learning will be included. The CFO said it would be useful to have more of a steer of what further information would be required.  The DoG advised that the Chair of HR and Chair of Curriculum and Standards Committee have met with the EDSPE and requested a Board briefing session on ESCG’s role as provider of apprentices and as an employer after Easter. This will be linked to the newly drafted Apprenticeship Strategy. |  |
|  | **IFMC Submission Q1 FY21**  **FY20 Finance Record**  **Feedback from PMO**  The Committee received the IFMC, Finance Record and associated documents.  Due to the delayed sign off of the financial statements for FY20 it was agreed with the PMO that the monitoring return (31 December 2020) submission date could be extended from 31 January to 15 February 2021. This date was met and further information/ clarification provided at the PMO’s request. The FY20 finance record was finalised along with the FY20 financial statements and submitted to the ESFA to meet the ESFA’s extended deadline of 28 February 2021. There were delays in signing off by Auditors. The CFO will be providing a fuller update on reasons for delay to ARaC on 25 March 2021. The issue was the unexpected absence of the lead auditor who had worked with the College on the statements.  The Committee were advised that the IFMC has been prepared based on actual performance to date in FY21 and includes known in-year impacts in the forecast to the end of the financial year.  For Q3 the PMO requires a fully completed IFMC as at 30 April 2021 with any new information included with a return deadline of 31 May 2021 for the Q3 return. The return does not require Board sign off.  It was noted that cash flow has been matched back to the actual cash flow of the College. Loans have been updated to present the actual position and the forecast updated to include scheduled changes to repayment profiles.  There was a question about the low cash point (£824k) and how it was tied in with the cash flow statement. The CFO advised that the reporting of the low point was in-month whereas the PMO cashflow required month-end figures. This will be shown in more detail in the February management accounts.  David advised he was speaking with the FEC Commissioner next week and would want to be fully briefed on cash flow ahead of this discussion.  The Committee were advised that financial health improves to ‘Requires improvement’ in FY21, but the College need to continue its rigorous focus on financial controls. The model forecasts that the College will not require additional support with liquidity. |  |
|  | **Monitoring FY21 KPIs relating to finance & FEC revised financial benchmarking**  The FE Commissioner wrote to Colleges on 22 February 2021 with a set of revised financial benchmark and is likely these will be adopted for future colleges in intervention.  The Committee compared the College’s current performance against the FEC KPI’s compared to the new KPI’s. The new benchmarks will be taken into account when setting budgets and financial objectives.  The revised benchmark for adjusted operating surplus has eased from 3-5% to >1% and the College is forecast to be above the new benchmark (1.13%) for FY21.  The College is not forecast to meet the revised benchmark debt service cover (DSC) ratio. The CFO said that 1.1 is actually the ratio used by the banks and PMO to monitor DSC and not 2:1; and Tom felt the new metric was challenging. It moves the College from a green position to a red. However the CFO advised that the College would not present any inaccurate data in the balance sheet to simply meet the new ratios.  The CFO said the two cash-related measures (cash days in hand and adjusted current ratio) have been made more aspirational. The College can meet the measure for 10 out of 12 months for cash in hand days, but is not forecast to meet the new measure for adjusted current ratio (<65% / 61/21%).  The Chair said there was a plethora of KPIs/data and asked for these to be focused down for Governors.  **Action: CFO to produce a single table - reporting performance against FEC and ESFA KPI's as a separate report. Other KPI's will be contained in the management accounts monthly.**  The CFO suggested this could also be added to the Executive Team report to Board with arrows to demonstrate movement.  David said the fact that the College is not forecast to require access to additional funds is a positive position, compared to previous fears. The CFO agreed, also adding that the College has not needed to access RFC and overdraft facilitates either.  Mark, via email, has asked where RAG ratings are used to also add letters, as well as colours, (for colour blind Governors). He also asked if it would be possible to estimate, within the Green areas, a margin of safety. **Action for CFO** | Martin  Martin |
|  | **Financial planning**   * **January Management Accounts** * **Update on February Management Accounts** * **Budget 21-22 Initial Assumptions**   The CFO took the Committee through the January management accounts, the Committee acknowledged the format of the accounts has changed to include more management data.  The College continues to maintain good cash reserves and it was confirmed that it will not require any additional support during the cash low points in March/April 2021. The financial health score remains as ‘Requires Improvement’.  The annual budget approved by the Board in July 2020 forecasted an EBITDA of +£5.45m and total comprehensive income of £1.5m. The revised forecast shows the EBITDA figure is currently running in line with the budgeted figure.  Due to an opening cash balance higher than forecast and the receipt of the FECA funding during September the overall cash position continues £4m ahead of budget.  **Action: The CFO said he would seek to find a better way of showing additional money received, e.g. FECA funding, catch up funding and the £150k of invoiced funding for the works at Station Plaza in advanced of expenditure.**  The Chair asked why non-pay expenditure was over budget. The CFO said the non-pay shows as over the original budget level, but is mostly because of the extra costs associated with new income streams. He said that if new income streams were extracted and the matching increases in expenditure at the end of January 2021 the overall impact was an in-year reduction of incomes of £2.9m mitigated by £1.2m of staff cost savings and £1.77m of non-pay costs.  **Initial assumptions for the budget for FY22**  The CFO said the College is moving into business planning cycle. The EDPSE is setting up budget packs with all budget holders and curriculum areas, and this is starting to take shape.  16-19 allocation and impacts on reduction in funding is known. The ESFA have yet to confirm AEB allocations.  The CFO advised that this month is Covid period 12 which will make for some interesting comparators. This will be taken into account as planning continues.  A first draft of the budget will come to the May Finance Committee.  David wanted the Committee to fully understand the gravity of the 16-18 position and subsequent impacts on lagged funding next year. He said the College would need an absolute focus on recruitment to mitigate impacts.  The ESPSE talked about full-term learners being more financially beneficial, whilst being fewer in head count. He said that if the additional tuition funds and pension support income were taken out, the College would not be that far off next year to this current year because of some of the changes to calculations. He felt the position was better for next year than this year than had been initially anticipated. He said the use of the RO6 February numbers, rather than November numbers, have given helpful boost.  The CEO said that 16-18 recruitment remains high priority and a red area of focus. She said that schools were behind but the College is starting to get a lot of traction as they reopen. The College is planning for a reduced number of students but are focused on making sure the offer is right, building a bigger programme and retaining students. She talked of the importance of reputation building and ensuring the college is well positioned.  The CFO said the impacts of Covid and teacher assessed grades had no doubt impacted, with learners either choosing to remain at school or attending university, when they may not have received the grades if they had undertaken exams. He advised that impacts are likely to continue until the usual programme of exams return and this will be factored into thinking when planning numbers. | Martin |
|  | **Plaza Trading options appraisal**  Redacted |  |
|  | **Update from Transformation Committee**  The EDROD briefed the Committee on headlines, key outputs and financial risks discussed at the Transformation Committee on 3 March 2021.  The Board will be discussing in March 2021 the creation of a new Capital Development Board. This will be a time-limited Committee. Currently the lawyers are reviewing TOR to ensure they are in keeping with the I&As and Financial Regs.  David said there will be a review of membership on this Committee, as well as the Transformation Committee, as a result of proposals.  The EDROD said that the College has received £1.82m of FECA grant that was being deployed to carry out an initial phase of refurbishment works at Lewes and Eastbourne. Five tenders have been received, of which two are compliant in terms of the budget. A tender analysis is being undertaken (a co-opted Member of the Transformation Committee is providing additional scrutiny on this) and a full recommendation on the appointment of a contractor will be made to Board in March 2021.  Tom asked if this is part of the wider estates project or if this was a separate project; and would there be any clawback if there were aborted works later on. It was confirmed that this was separate funding and would not be clawed back.  The EDROD confirmed that following Board approval in December 2020, the sale of 22 South Terrace has been completed and the sale of the Chalk Pit is on-going. The combined sum of c£1.45m is expected from sales.  The Committee were reminded that the PMO has approved the use of asset disposals.  It was noted that the £250k Town Fund bid has supported re-configuration of the group floor at Station Plaza to a co-located/ partner space, which includes a number of other public sector partners.  Redacted  Re market slow down there are no current signs of distressed sales. |  |
|  | **Subcontracting Report**  The EDSPE provided the Committee with an update on the 2020/21 subcontracting activity and confirmed the contracts in place for the academic year.  The EDROD advised on the Maximum Contract Values (MCVs). There was minus £25,583 difference noted in Apprenticeship 19+ non-levy and £250,000 in Adult Education Budget.  Levy work was noted. Total levy contracts for March 202/21 MCV were £494,046  Subcontracting remains an important part of the College’s finances (17-18% margin at present), although there is a commitment from the Board to reduce reliance on it as it presents reputational risks to the organisation and the FEC and ESFA have specifically recommended a reduction as part of their intervention regime. Subcontracting was discussed at length in a focused item at the Curriculum and Standards Committee this week. |  |
|  | **Income generation report**  The EDSPE gave the Committee an overview of key income generation opportunities across nine income streams.The Committee were advised a more detailed income generation strategy would be developed but that this update was to start the conversation. It was noted that the vast majority of College income is drawn from the main recurrent funding available in the post 16 education and skills sector.  Tom urged caution about capacity needed to deliver a commercial strategy and that there is a long history of FE colleges trying to chase money for commercial reasons. The EDPSE advised the commercial work is about sweating assets or furthering some of the work already in train.  David said the strategy was less about income generation and more about fulfilling the founding vision for an integrated East Sussex College as a prime skills investor. He said it was important for the Exec Team to consider that whilst some initiatives will be taken by the College alone, there will be opportunities for income generation initiatives to be taken in partnership, across the county.  The EDSPE said that at the core of income generation is the provision, or enabling of, education, skills and training.  **Action: An Income Generation Strategy will be discussed at the ESCG Strategic half-day on 28 June 2021.** | Dan & Rebecca |
|  | **Senior Post Holder and Governor expenses**  There were no material issues to note with the senior post holder and governor expenses. The year has been spent in lockdown.  The CFO said he was included in the report for transparency, but is not currently a SPH. |  |
|  | **Live committee evaluation**   |  |  |  |  | | --- | --- | --- | --- | |  |  | **Yes** | **No** | | 1. | Did the agenda and papers arrive seven days in advance? | Y |  | | 2. | Were the agenda papers written with clarity? | Y – KPIs point picked up |  | | 3. | Were the issues considered at the meeting appropriate? | Y |  | | 4. | Did you have all the information you needed to fully participate in the discussion and decision? | Y – in report and response from exec |  | | 5. | Was sufficient time available for thorough debate? | Y |  | | 6. | Were you satisfied that the decisions were arrived at in a proper manner? | Y |  | | 7. | Were you able to express your views? | Y |  | | 8. | Was the meeting chaired effectively? | Y |  | |  |
|  | **Any urgent matters**  There was none. |  |

Meeting ended 16.28