

## Finance Committee Minutes

Date	20 November 2018	Time	10.30
Venue	Corporation Room, Eastbourne		
Chair	Pat Farmer		

**Membership:** Pat Farmer (Chair), Clive Cooke (CEO); Henry Ball; Mark Fisher, Russell Higginbotham, Sue Walton

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

**Apologies:** Tim Hulme, Sue Walton, Russell Higginbotham.

**This meeting was held jointly with the Audit Committee for the first hour and discussed items 2 and 3 before Audit members departed.**

	Item	Action
1)	<p><b>Apologies and declarations of interest</b></p> <p>Apologies were received from Tim Hulme, Sue Walton and Russell Higginbotham. Clive Cooke attended the meeting by dialling in.</p> <p>Pat Farmer welcomed the auditors; Nicola Wakefield from Mazars and Tim Lo and Mark Crowter from RSM.</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><b>College year-end audited accounts 2017-18 including financial statements and regularity auditor's management letter.</b></p> <p>The Chair asked Nicola Wakefield from Mazars to report. Key points raised included:</p> <ul style="list-style-type: none"> <li>• There are a large number of outstanding items in the management letter</li> <li>• Mazars started work later than planned because management needed more time to get ready. They were on site until last Friday completing work, hence report only being available since Monday. There is a lot of outstanding work to do but the documents provide an update of where work is to date and it will be reissued when work is completed. By the 4 December governors need to be comfortable for the accounts to be signed off. Because of the volume of work the accounts may need to be tidied up after the 4 December with no material adjustments and a clear version</li> </ul>	

issued at a later date in December

- The Director of Governance noted that the item would require full board sign off if there were outstanding matters to report. This can be done by electronic resolution if necessary
- The Chair reported that auditors are not normally in attendance at the Board meeting but in the current circumstance this may be an option. The CFO noted that this would be up to the Committee and the auditors to decide. He noted that the status of the accounts will be coming to the informal Finance meeting next Wednesday and by this point matters will be significantly advanced. Both Nicola Wakefield and Mark Crowter agreed to produce an update report for the meeting and agreed to attend on the 4 December if assurance is required at this meeting. The CFO noted that he strongly felt that the deadline should be met and he was hopeful to be on target to achieve sign off. The Chair asked the Chair of Audit for his views and it was agreed to consider at the end of the joint meeting once the detail has been looked at

The Chair asked for specific areas of concern from Mazars and Nicola Wakefield reported as follows:

- Executive summary – there is a lot of work left to be completed. The information required was received late last week. There is work to complete around accruals and income, ESFA funding and clawbacks, work around Going Concern, and the regularity issue. A number of other areas are around auditing disclosures
- Tom Sanderson questioned whether there is the resource to complete the actions in the timeframe. The CFO reported that there is good interim support, one accountant is focused solely on the work and he is confident that it will be resolved in the timescale. The Committee noted that one of the issues alluded to was the loss of knowledge from the Finance Team in relation to SDC and asked whether this was a concern. The CFO reported that there are enough staff to cover this and he is monitoring the progress daily. A more advanced set of accounts will be tabled next Wednesday
- Nicola Wakefield reported that they will get there with the financial statements. The Regularity Audit however is causing some concerns about whether it will be unqualified
- BD reported that in a normal year the Chair and Accounting Officer will sign off a regularity audit questionnaire (the SAQ). The CFO noted that he had raised a concern about the 8 months period and commissioned a report which has addressed the concerns he had. He is now comfortable to recommend that the SAQ is signed off. Nicola Wakefield noted that she was pleased with this development that there are no underlying issues which would be open to external challenge around signing off the Regularity Audit.
- The Committees noted that they still had concerns around timescale and capacity of the Finance Team. The Chair of Finance noted that there are a number of issues outstanding but it is not yet clear what the position will be on the 4 December. The priorities are that the numbers are materially correct, and that Going Concern, covenants and disclosures are all finalised
- The CEO asked what the barriers are and whether it is to do with Finance Team capacity or auditors requirements. The CFO noted that it is a bit of

both. Nicola Wakefield noted that her only concern is the time left and the ability of the Team to deliver the volume of information required in a timeframe that allows it to be turned around quickly. She noted that the field team spent a lot of time on site and haven't been able to tackle all the issues required

- The Chair of Audit asked if there can be challenge to the accounts. The CFO noted that there is no right of challenge. The auditors noted that they will be published on the Group website and subject to their being evidence for a clear challenge this would not be possible

**AGREED: IT WAS AGREED THAT THE FINANCE AND AUDIT COMMITTEE DO NOT HAVE THE NECESSARY INFORMATION TO KNOW WHETHER THEY WILL REQUIRE THE AUDITORS TO ATTEND THE BOARD MEETING ON THE 4 DECEMBER TO PROVIDE ASSURANCE ON THE YEAR-END AUDITED ACCOUNTS 2017-18 (INCLUDING FINANCIAL STATEMENTS AND REGULARITY AUDITOR'S MANAGEMENT LETTER). IT WAS AGREED TO REVIEW PROGRESS AT NEXT WEDNESDAY'S INFORMAL FINANCE MEETING AND MAKE A DECISION. MAZARS AND RSM WILL PROVIDE AN UPDATE FOR THE INFORMAL MEETING**

Mazars  
/RSM

- Roger Dennard questioned whether the signing off of SAQ would provide the necessary information to provide an unqualified audit report and asked whether there could there still be disclosures in there to qualify. Nicola Wakefield reported that if the Chair and accounting officer feel able to sign off and evidence is in place to support the outcomes of the SAQ that would constitute an unqualified opinion
- The Committee noted that a highlight of the significant findings would be helpful for understanding.
- Nicole Wakfield reported on areas that Mazars are not yet comfortable with. Lack of reconciliations has come up as a control issue, these haven't been done monthly and numerous adjustments have been made to the accounts. The Audit Committee noted that the RSM report also raises the issue of lack of reconciliations. The implementation date is July next year which was noted as a concern. The CFO noted that the Finance Team is in catch up mode at the moment and it will be a priority dependent on the recruitment of staff. He noted that it is about getting all reconciliations in a check list, getting staff knowing what they need to do and finalising them and if it can be done quicker it will be. It is however dependent on attracting and retaining good staff. The Committees noted that bank recs are not being done regularly and questioned what safety net is in place. The CFO explained that he is looking at the cash flow every day and a number of ad hoc checks are carried out when time allows. It does all need to get up to date but it is not a significant risk with a significant material transaction that will affect the sign off
- The Committees noted that it is a wider issue than signing off the statements. The Chair of Finance reported that there are a large and wide range list of issues and some are high priority but the issue of resources in Finance is critical. People are trying but there are concerns and despite the good endeavours of staff key issues are not being dealt with in a timely manner and this is a critical issue. He reported to the CEO that neither the Finance or the Audit committee is comfortable with the situation. The CEO

noted the issue, thanked the Committees for their support, and agreed to ensure additional resources would be provided to the Finance department to enable the internal and external audit findings to be addressed in a timely manner.

- Mark Fisher noted that there had been a lot of discussion about issues of process and control at SDC and he asked if there had been any issues at SCCH. The CFO noted that there had been substantial assurances issued to SCCH in March 2018.
- The Chair of Audit asked the CFO what the Committees could do to help him through this process. The CFO noted that if the Committees have concerns about the speed in which the Group can return to substantial assurance a ring-fenced pot of money to focus on interim support will ensure that this can be done more quickly. He noted that this would not have been budgeted and would add to the Group's deficit. The Committees agreed that it was difficult to make decisions about increasing the deficit alongside current pay savings but lack of control in the Finance Team is a greater risk to the Group. It was agreed that resource would need to ensure that permanent solutions are sought for the Finance Team, and that the CFO would ensure that processes are up to date much more quickly. The CEO noted that he allocated a sum of money in year called "no regrets" which is allocated to minimise risk around the Group's three priorities – standards, income and cost. He agreed that there was a need to run a slightly bigger deficit to put funding into controls support
- Henry Ball noted that he was pleased that there is a process to review resource for financial management at the College. He was reassured by the last contribution from the CEO that he is concerned to control costs (particularly staffing) to ensure they have impact. He asked whether there are other areas that are as profound in terms of outputs for the success of the Group that are in difficulty. The CEO noted that it is not so much that the Finance Team lacks people, it is that it lacks the knowhow. The expertise is needed and the Team are losing interims as quickly as they are finding them
- Nicola Wakefield ran through a number of further work was required including final disclosures of pensions, redundancy accruals, claw back of funding, income recognition, key significant adjustments and how they have affected liabilities (bank loans and CPO provision moved into current liability), an additional £340k in purchases resulting in a £1.3m increase in current liabilities. These are all within the current liabilities in the Transaction Unit (TU) loan. Creditors is for completion but there is assurance that there are no material adjustments to include
- Detailed control recommendations – there are a number of recommendations including a level 1 (significant delay) relating to invoicing back log. There are some level 2 and 3 recommendations (see report)

**The legacy SDC accounts** – Mark Crowter provided an overview as follows:

- The accounts will not be lodged. The majority of points covered are the same as those reported by Mazars
- Recognition of income and expenditure – this requires further work notably around exceptional financial support which was held on the balance sheet but as it was a grant of funds to the College to support the merger process it will be moved in the accounts in line with this.

- Pension scheme liabilities show nothing unusual
- Work on management override of internal controls has been reviewed and given assurance which is important with the significant changes in staff in the Finance Team who will be doing a lot more work on manual entries . Journal entries to SDC accounting records have nothing to report. Section 3 adequacy of bad debt provision. The CFO noted that the Group is still hoping to recover debt in view of the significance and the size the CFO has met with an external company next week to take forward
- The Directors of Governance noted that the auditors had received SPH settlement agreements and noted that they had no concerns around Value for Money. The auditors have received the relevant board and Remuneration Committee minutes and Mark Crowter confirmed that these had been received and the document will be updated to reflect this
- Henry Ball asked about the legal issue of signing off SDC accounts. The auditors confirmed that it is it an inherited duty of the ESCG and the wording on the management letter will be updated to reflect this.

**AGREED: THE AUDIT AND FINANCE AGREED TO RECOMMEND TO APPROVE THE LEGACY SDC COLLEGE AUDITED ACCOUNTS 2017-18 COVERING THE PERIOD PRIOR TO MERGER (INCLUDING FINANCIAL STATEMENTS AND REGULARITY AUDITORS' MANAGEMENT LETTER) SUBJECT TO ADJUSTMENTS TO BOTH SETS OF ACCOUNTS.**

**Proposed: Vic Kempner; Seconded: Mark Fisher**

3) **Risk management, risk management policy and strategic risk register**

**Audit of internal audit financial controls pre and post-merger**

The Committees noted that the resource issue in the Finance Team is a risk for the Finance as well as the HR Committee and asked that this is reviewed. The Committees considered when an operational risk becomes strategic and Tom Sanderson noted that it is when the risk has been going on for too long and it was agreed that this the case for resource issues in the Finance Team.

The Executive Director for Strategic Partnerships and Engagement Dan Shelley covered the item in the absence of the Executive Director Resources and Organisational Development Tim Hulme.

He reported as follows:

- The Board has oversight of 7 risks (see paper for full details)
- Relevant committees receive reports where appropriate on risks relating to their delegated authority
- Each risk has a lead Exec Officer managing it
- The Exec has been working with RSM on their risk management tool 4Risk to produce a risk register and board assurance framework
- The Group is currently operating under the former SCCH Risk Management Policy which was reviewed in June 2017
- The risk register sits alongside the Strategic Plan and informs the business planning cycle

The Committee noted the update.

**RESOLVED: The Committees recognised that there are concerns about the**

	<p>resource in the Finance Team and noted that the CEO had agreed that resource would be put in place to mitigate this risk. The Finance Committee will leave Audit to monitor the progress on this.</p> <p><i>(Audit Committee and auditors depart - 12.09)</i></p>	
4)	<p><b>Minutes of the last meeting held on the 30 July 2018</b></p> <p><b>AGREED: THE FINANCE COMMITTEE AGREED THAT THE MINUTES WERE AN ACCURATE RECORD OF THE MEETING ON 30 JULY 2018.</b></p> <p><b>Proposed Pat Farmer Seconded Henry Ball</b></p>	
5)	<p><b>Matters arising</b></p> <p>Pat Farmer informed the Committee that the monthly Finance catch-up meetings, to which all Committee members are invited, will continue whilst the College is in a challenging financial position until at least March 2019 when the position will be reviewed. Biram Desai produces a short, one-page summary of these which is distributed to all members after the meeting.</p>	
6)	<p><b>Report of KPIs relating to Finance</b></p> <p><b>Transaction Unit KPIs relating to Finance</b></p> <p>These were not ready for this meeting so Biram Desai agreed to circulate them on 27 November 2018 in order that they may be discussed at the informal meeting the next day.</p>	CFO
7)	<p><b>7.1 September 2018 Management Accounts.</b></p> <p><b>7.2 Oct 2018 Management Accounts</b></p> <p><b>7.3 ESFA Finance Dashboard October 2018.</b></p> <p><b>October management accounts</b></p> <p>Biram Desai presented the October management accounts and explained that the formula error in October accounts will be corrected in time for November management accounts.</p> <p>[Confidential item]</p>	
8)	<p><b>Estates Strategy</b></p> <p><b>8.1 - Estates Strategy (Accession Agreement with Clear Futures)</b></p> <p>The Committee discussed the details of the paper and agreed that the financial amounts involved at £50k were well within the powers of the CEO allowed by the financial regulations. The issue of Board approval centred on the use of the Corporation seal to affirm the Board's commitment to the agreement. The Committee agreed that this was prudent and that they would instruct the Director of Governance to circulate a resolution electronically to expedite matters.</p> <p><b>AGREED: THE FINANCE COMMITTEE AGREED TO RECOMMEND THE APPLICATION OF THE SEAL TO THIS ACCESSION AGREEMENT WITH CLEAR FUTURES TO THE BOARD. Proposed Pat Farmer; Seconded Henry</b></p>	Dir Gov

	<p><b>Ball</b></p> <p><b>8.2 - Estates Strategy (Committee oversight)</b> The Committee discussed the proposal that a Capital Infrastructure Committee be recommended to the Full Board.</p> <p><b>AGREED: THE FINANCE COMMITTEE WILL RECOMMEND TO THE FULL BOARD THE CREATION OF A CAPITAL AND INFRASTRUCTURE COMMITTEE</b> <b>Proposed Pat Farmer Seconded Clive Cooke</b></p> <p><b>Link between finance issues and the estates strategy</b> [confidential item]</p> <p>Members discussed that it would be prudent that the Capital and Infrastructure Committee (CIC) should have significant representation from the Finance Committee to ensure ongoing synergies between the two groups.</p>	Pat Farmer
9)	<p><b>Student Union accounts at 31 July 2018</b> The Committee noted the accounts for Hastings. Members expressed concern that the Group does not have precise information for the former Sussex Downs Student Union accounts.</p> <p>Biram Desai explained that everyone on the mandate for the SDC student union accounts has left the Group. Lloyds Bank is reticent to add new signatories but a recent bank statement shows there is £5k in the account. The Finance Team is working to resolve this issue.</p> <p>Members asked that this situation be clarified as soon as possible – Clive Cooke undertook to report back to the Committee.</p>	Clive Cooke
10)	<p><b>Senior Post Holder and Governor expenses</b> The Committee noted the report.</p>	
11)	<p><b>Solar Panels at Ore Valley</b> Biram Desai explained that the Group has been approached by Energise Sussex Coast, a local community benefit co-operative, set up to accelerate the transition to a low-carbon future through the development of community-owned renewable energy generation projects, and energy efficiency schemes. They proposed an opportunity to reduce electricity costs for ESCG at Ore Valley whilst helping with the aims of Energise Sussex Coast to address fuel poverty in the Ore Valley. It also offers students the benefit of learning about renewable energy. He further explained that the savings from the project would be split equally between Energise Sussex Coast and the Group.</p> <p><b>AGREED: THE COMMITTEE AGREED THE DEAL WITH THE SOLAR PANEL COMPANY.</b></p>	
12)	<p><b>Any other business notified to the Director of Governance in advance of the meeting</b></p>	

	<p>Correction: The Finance Committee will also meet on 14 May 2019 in Eastbourne.</p> <p>Meetings will now take place between 18.00 and 20.00 to reflect the wishes of the members. It was agreed that appropriate refreshments will be provided for the members.</p> <p>Henry Ball has discussed with Clive the transition to CIC from Strategic Advisory Board which includes external stakeholders who hold significant roles in local bodies. In the new Committee there is the potential for executive membership rather than political. He has further asked Clive Cooke to consider how the political individuals can be kept on board going forward.</p> <p><b><i>The meeting closed at 13.20</i></b></p>	Clive Cooke
13	<p><b>Date of the next meeting</b> An informal finance meeting will take place on 28 November in Hastings.</p> <p>The next Finance Committee meeting was scheduled for 19 March at 18.00 at Station Plaza, Hastings but two members would not be able to attend on this date. It was agreed that the Directors of Governance would run a poll for to see which date during the week beginning 18 March was most convenient for members.</p>	Dir Gov