**Finance Committee**

**Minutes**

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| Date | 6 December 2021 | Time | 11.00-13.00 |
| Venue | By Zoom | | |
| Chair | Mark Fisher | | |
| **Membership:** Mark Fisher (Chair), David Smith (EO), Rebecca Conroy (EO), Tom Sanderson, Ian Mehrtens, Priscilla Kendal  In attendance - Martin Penny (Chief Finance Officer), Dan Shelley (Exec Director Strategic Partnerships and Engagement), Tim Hulme (Executive Director Resources and Organisational Development) (as required), Melissa Drayson (interim governance advisor) -minutes | | | |
| **Apologies** | | | |

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|  | Item |
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|  | **Welcome and apologies**  The Chair welcomed all to the meeting. A joint meeting had been planned, after the meeting, with the Audit and Risk Committee to consider the report of the financial statements and regularity audit, and the Annual Report and Financial Statements in order to recommend the latter for Board approval. For reasons explained in email correspondence, this had been deferred to the New Year.  It was noted that no apologies for absence had been received.  The Chief Executive and Executive Director Strategic Partnerships and Engagement would be joining the meeting late.  The new Student Governor had sent apologies. It was understood that she had been invited to observe the meeting but would not be a member of the committee. |
|  | **Declarations of Interest**  No new declarations of interests were made. |
|  | **Minutes of the previous meeting held on 21 September 2021**  The Chair asked other Committee members to verify that the minutes were an accurate record as he had not been at the meeting. Comment was made on the length of the minutes.  **The Minutes were duly APPROVED** |
|  | **Matters Arising**  The actions that were completed or included on the agenda were noted. An update was provided on the following.  **Action 3 – Deceased will and trust settlement.** The CFO and EDORD proposed that the bequest should be invested in the relocation of Hair and Beauty on Eastbourne campus. The new facilities would be named ‘Harlow Hair’ in recognition. The Trustees were receptive to the idea and more information had been shared. The Committee asked that a formal record should be kept to ensure that the reason for the naming was not forgotten.  **Action 5** – The **HE fees policy** would come to the Committee in March 2022  Two actions had been referred to the Committee from the last Capital Development Board meeting:   * Delay to sale of Chalk pit – an update would be provided under item 5 * A revised Five-year plan was in development and would be shared with the Finance Committee.   Governors reminded management about the request for more graphical data in the financial reports. The CFO responded that this would be presented in reports to the Spring Term meeting. There was, however, concern about the Management Accounts becoming too unwieldy, so a conversation would be held with governors about what, if anything, might be removed. **ACTION 1** |
|  | **Finance Update Paper – Nov 21**  *Supporting paper by the Chief Finance Officer*   * The paper consolidated and summarised reports on the following. * 21/22 Position Update * Update on Capital Projects Overspends * Updated Cash Flow * 22/23 Position Update   The Committee welcomed the report as a helpful summary of key financial issues. Headlines were discussed as follows.  2021-22 position update:  16-18 numbers were 600 below target. This would impact on 2022-23 income because of the lagged funding methodology. It was agreed that the Board needed to review the situation closely and form a view about the trajectory of future numbers and the implications for the estate, staffing and curriculum. It was accepted that a range of factors were at play. There was a historic downward trend in numbers over last few years in this age group, exacerbated by poor reputation in Eastbourne and Lewes. On top of these were a number of extraordinary factors this year relating to Covid-19. It was hoped that the positive Ofsted result would help to improve the reputation. The Key Stage 3 review currently underway would help to identify any scope for curriculum growth, diversification and discontinuation. More work was needed to improve internal systems for identifying and supporting students at risk of dropping out.  HE student numbers were below target for both in-house and partner-led delivery. One partner had informed the college that they were not recruiting to first year cohort. The impact would follow through to 2022-23 as there would be lower progression to Year 2. The overall impact on income was £1.4m, offset by £855k savings through removal of subcontracting costs. Governors questioned the short notice with which the partner had pulled out of their agreement. It was confirmed that they were in breach of contract and legal advice was being sought. Longer term solutions included broadening the base of HE partners to spread the risk, or moving more delivery in-house as part of a review of HE and Subcontracting.  Apprenticeships numbers were holding up well.  International student numbers were holding up but there was a risk around new impact of the new variant.  Adult Education Budget subcontracting arrangements remained robust, although cost savings in staffing were being sought.  Underutilised staff were being redeployed for 16-18 delivery through use of the 16-18 skills funding.  The revised budget position showed an impact on cash, although this remained within this year’s revenue costs. The revised year-end financial health score was predicted as Requires Improvement.  Governors commented that the review and production of a five year plan was a major piece of work and sought assurance that this would link to the new college strategy. Some governors noted concern in relation to the proposal that consideration should be given to what level of income from asset sales should be retained to underpin revenue activities. These funds should ideally be retained for investment purposes rather then revenue support.  Financial Year 2023 update:  The quantum of the impact of 16-18 under-recruitment on the following year’s income was estimated at £2.4 -2.7m. More testing and review would be undertaken after Christmas, including:   * Opportunities for staff cost savings. Vacancy management was already in place and the need for restructuring would be evaluated. * The potential to expand other income streams * Opportunities to support revenue through the sale or lease of assets, recognising that sale was an action that could only be undertaken once and should therefore be a last resort.   It was recognised that there was a need to protect the ability to invest in growth, but difficult decisions and choices would be needed. The CEO reported that she had been very open with managers about the challenges ahead and measures that might need to be taken  Governors asked if savings from mothballing parts of the estate had been factored into projections for the new year. It was confirmed that this was a complex piece of work but would form part of the thinking.  The Committee agreed that the draft five-year plan should present an integrated picture of capital, finance and curriculum needs and requested that it should be shared simultaneously with Finance Committee and the Capital Development Board.  **ACTION 2: Draft five year plan to be brought to the Finance Committee and CDB meetings in March (CEO/CFO)**  Update on capital project overspends  The different elements of overspend were noted and discussed. Post project reports would be provided the following Monday. These would identify the sums involved, whether authorisations had been in line with the Financial Regulations, improvements required to controls and other lessons learned. The CEO reported that it was highly likely that the Internal Auditors would be engaged to undertake a review of how the overspend occurred.  The Committee noted that the matter had been discussed at length at the Capital Projects Board. The difference between the sets of figures reported were question. It was explained that this was due to a timing issue and that the figures in the report were now confirmed expenditure. There was concern that governance had not been sufficiently robust to identify the issue at an earlier stage. It was agreed that the matter crossed the remits of the Finance Committee, Audit and Risk Committee and Capital Projects Board and it was proposed that the internal audit report should be brought to a joint meeting of the three groups.  A paper would be brought to the Board on the Station Plaza adjudication outcome. There had already been an overspend on legal fees the matter was now with the other side for response. A decision might be needed on the balance between any potential gains and incurring further fees.  **ACTION 3: Internal Audit report on capital project overspends to be brought to the joint meeting of the Finance and Audit and Risk Committees, with members of Capital Projects Board attending by invitation.**  Updated cashflows  The updated cashflow built in all confirmed income and expenditure in the light of student numbers. A business case had been put in to retain the Adult Education Budget underspend and it had been agreed that the college could keep £318k. This had been taken out of the cashflow.  The overall impact of the delayed sale of Chalkpit would exacerbate a dip in cash in March. Overall cash would be £290k down on the forecast position at his point but, providing the situation was monitored closely and income was maximised in the first 3 months of 2022, the revolving credit facility or overdraft should not be needed.  Fee expenditure  It was reported that the Capital Development Board had requested the release of £100k further cash for contractor fees to take the project to the next stage. The quote from Willmott Dixon was £180k but not all of this would be needed at this stage. Clarification would be sought whether the Board had already approved the full fees provision. Subject to this, the Committee:  **RESOLVED: That £100k capital fee expenditure be recommended for approval.** |
|  | **October 2021 Management Accounts**  *Report by the Chief Finance Officer*  The Committee noted that many of the key messages from the management accounts had been discussed under item 5. Headlines included:   * The revised budget position following enrolment. This showed a deterioration in performance, but that the college remained within comfortable parameters. * The key strategic KPIs and underlying financial indicators, RAG rated according to performance. * The Capital expenditure report, showing high level income and expenditure against budget * There had been a significant change to the pensions deficit provision following an actuarial review that had resulted in a deficit reduction.   In response to further questions, it was confirmed that debtors currently included international fees, which were considered to be low risk. Debtors were monitored methodically to reduce the bad debt provision.  Feedback on the presentation and content was sought, recognising the action agreed under item 4. to include further graphical information and review other contents. Generally governors were happy with the content although some of the smaller text was difficult to read. It was suggested that contribution levels might be included in the management accounts as these would be helpful in terms of informing future investments. |
|  | **Student Union accounts and budget setting**  *Report by the Chief Finance Officer*  It was noted that, due to the impact of Covid, there was a significant underspend on the SU budget. It was proposed that this should be rolled forward with no further increase in the budget. The Committee requested that the SU should be encouraged to spend the budget to enhance the student experience.  **RESOLVED: That the Student Union accounts and recommendation to roll forward the 2021-22 underspend be APPROVED**  ***The CEO left the meeting.*** |
|  | **Monitoring KPIs relating to finance**  *Report by the Chief Finance Officer*  The KPIs had been approved at the October Board meeting. An anomaly between the self-assessment of financial health as Requires Improvement and the automated calculation of Good was explained. It was confirmed that the ESFA supported the moderated opinion of Requires Improvement.  In response to further questions, an explanation would be provided by email of the difference between the current ratio and adjusted current ratio calculation used by the FE Commissioner. **ACTION 4 (CFO).**  The Committee were pleased to see the current green RAG ratings, but recognised that these might dip to amber later in the financial year when the impact of under-enrolment on cash materialised. |
|  | **Pay award for staff update**  *Report by the CEO and CFO*  The item was deferred for full discussion when further work had been undertaken on the budget reforecast. It was confirmed that incremental pay increases had been factored into the budget but no cost-of-living award. It was agreed that consideration should include the recent Ofsted outcome and the national picture. The College was feeding into the AOC’s pay review. Assurance was provided that it would not be bound by any national recommendations, as pay award decisions remained the responsibility of the Board. |
|  | **AOB**  No items of AOB had been raised in advance.  The CFO reported that the Executive had considered a recommendation to work with a new partner (Om) on Eastbourne Academy. If approved, delivery would start after the end of March.  **ACTION 5: Business Case for new partnership proposal to be circulated to Committee and CDB members before seeking Board approval. The paper should include detail of the selection process followed.** |
|  | **Date of next meetings:**  The deferred Joint meeting with the Audit, Risk and Compliance Committee would be rescheduled before 31st January  1 March 2022, 14.00-16.00  23 June 2022, 0900-11.00 |
|  | **Live committee self-assessment**    **Were papers written with clarity?**  The CFO’s paper for item 5 summarised all issues extremely clearly. Other members of the executive contributed to a greater understanding of the financial situation. The action to review the management accounts to make them more accessible for non-finance governors was welcomed.  **Were the issues considered at the meeting appropriate?:** Yes  **Did you have the information needed to participate:** Yes  **Was there sufficient time for thorough debate:** Yes - most time spent on the most substantive item  **Were you satisfied that decisions arrived at in proper manner:** Yes  **Were you able to express your views:** Yes  **Was the meeting chaired effectively?** Yes – thanks to Mark |