**Finance Committee**

**Minutes**

|  |  |  |  |
| --- | --- | --- | --- |
| Date | 21 September 2021 | Time | 2pm |
| Venue | Online | | |
| Chair | Graham Cook | | |
| **Usual Membership** Mark Fisher (Chair), David Smith (EO), Rebecca Conroy (EO), Andy Vincent, Tom Sanderson, Graham Cook, Priscilla Kendall  In attendance - Martin Penny, Dan Shelley, Tim Hulme (as required), Mia Bryden | | | |

|  |  |  |
| --- | --- | --- |
|  | **Item** | **Action** |
|  |  |  |
|  | **Apologies**  Apologies were received from Priscilla Kendall, Andy Vincent and Mark Fisher.  Graham Cook chaired the meeting. |  |
|  | **Declarations of Interest**  There were no declarations of interest. |  |
|  | **Minutes of the previous meeting**  THE MINUTES OF THE LAST MEETING WERE APPROVED AS A TRUE AND ACCURATE RECORD. |  |
|  | **Matters Arising**  Matters arising were noted as by the cover paper. |  |
|  | **Enrolment, Budget FY22, and CFFR update**  ***Enrolment***  The Board received an enrolment update at the Strategic Session on 16 September.  Exec and SMT are clear on the future income impact if enrolment target short by 5% - Circa £1.2m income hit and the College would need to make associated savings in anticipation of that.  David said that of all things Governors are asked to monitor, 16-18 enrolment and 16-18 results are the two most important ones. He asked if the baseline measure of attracting 42% of the available year 11 learners in East Sussex is still being pursued. The CEO and EDSPE said that there are a range of measures that should be used in conjunction with this measure, and that the % is pending at this point in the year.  David said expectations around this measure may need to be understood by the PMO and ESFA. The EDSPE said the College had advised that the 42% was the aim by the end of the Recovery Plan, which has now been superseded by the Strategic Plan 2021-24.  Tom said that the numbers discussed at the meeting were different to the paper circulated and asked what mitigations were in place. It was confirmed there had been movement on recruitment since the papers were circulated. The CEO described mitigations and the importance of understanding the financial impact next academic year. The CFO talked about flexible resourcing, e.g all staffing vacancies are being agreed on a case-by-case basis to ensure no unnecessary recruitment takes place until the picture is clearer on enrolment. Some vacancies have already been frozen.  475 full-time adults enrolled now, looking positive, adult part-time enrolment is ongoing.  HE 77% of target but a shortfall is anticipated. For the October Board there will be a clearer picture available.    Apprenticeship position at this time of year is positive with several trades proving popular.  Full-time international students numbers have gone up slightly from last year.  David urged caution about approaching learners at other Colleges, and this potentially going against the Strategic Plan principals of partnership and collaborative working. The CEO said there has been careful and sensitive handling of this.  ***Budget for FY22***  The CFO advised that at October half term the Executive Team will revisit the budget to match resources to the final enrolment position and identify areas for savings if we are still under target for numbers.  The College has been notified that we will receive a further £499,880 for FY22 from the ESFA for 16 to 19 tuition funding. This will be added to the £250,000 brought forward from FY21. The £499k was not included in the original budget for the year as it was only announced in late July and notification given to the College on 01 September. Revenue and capital funding opportunities are being explored  As previously reported, the FETCF bid was not successful and therefore the College is revisiting the need to find additional resources to invest in PPM and other capital projects that were planned as part of the FETCF programme.  **A confidential item was then briefly discussed.**  ***FY21 CFFR***  The deadline has been extended to 24 September 2021 due to PMO resourcing issues.  The College will use the CFFR model, as was used for the central return by 31 July 2021, but updated for:   * Full actuals to 31 July 2021. * Updated forecasts for FY22 / FY23, where applicable. * The monthly cash balances in the CFFR should match the direct cash flow submission   The return will be uploaded to a shared area for internal review before final submission. This will be shared with Committee members and then a summary paper prepared for the next Finance Committee that will also contain any feedback on the submission from the PMO.  *FY22 monitoring return timetable*  The Committee noted the timetable. There will be 3 returns during FY22 and these will slot into the relevant Finance Committees. |  |
|  | **Monitoring KPIs relating to finance**  It was noted that in addition to the monthly KPI’s included in the management accounts the College also monitors and reports on 3 separate sets of KPI financial data:   1. ESFA Financial Health Grade data 2. FEC Financial Benchmark data 3. PMO Financial KPI data   The CFO highlighted:   * The College remains on track for a ESFA financial health score of at least ‘Requires Improvement’ * The FEC Benchmarks show an improvement from the FY20 benchmarks from 1 Green and 5 Red to 3 Green, 3 Amber and 0 Red. * The PMO date is consistent with the management accounts and will be reported as part of the PMO Sept 2021 return.   Further to the ESCG Strategic Session the Committee were asked to consider the Finance Strategic Intentions KPIs and provide feedback.  Each set of data uses slightly different calculations but are all based on the same source data from the management accounts. All this data is captured by the College, but the Committee were asked which ones they thought were key indicators to be included in the management accounts.   * Financial Health Grade * EBITDA % * Staff costs as a % of income * Borrowing as a % of income * Subcontracting as a % of total generated income   Priscilla, via email feedback: that the KPIs could be both a bit more specific (e.g. how much more local procurement and training) and expanded further.  David felt the FEC Financial Benchmark data is essential. He suggested this might be a useful discussion to have jointly with the Chairs of Finance and ARaC, e.g. to include a KPI on the operating surplus.  The CEO suggested the Chair of Curriculum and Standards should also be consulted.  Tom felt more context is required, the KPIs are good baselines, but miss benchmarks for comparison.  **Action: the CFO will put together a proposal to go to Chair of ARaC, Chair of Finance and Chair of Curriculum and Standards and Finance Committee.** | **Martin** |
|  | **Estates and Digital update from CDB (including expenditure)**  The EDROD updated the Committee on general matters relating to the Estates Strategy.   1. **Chalk Pit sale** is progressing well and the Deed of Surrender from ESCC has been received. Final drafts of Section 106/278 under development 2. **FECA Phase 1**- some delays noted and all works will be completed by October half term. 3. **Eastbourne Sports Park**- (refurbished co-facility for Sports curriculum to co-locate with Wave Leisure) for completion by October half term. The new gym equipment by Technogym being procured via a 5 year lease 4. **Devonshire Park-** (proposal to establish a catering training facility within the Gold Room in the Wintergarden). Stage 2 report completed. 5. **Appointment of a strategic development partner-** proposal to appoint Wilmott Dixon under a pre-construction services agreement 6. **Digital Strategy**- delivery and implementation plan underway 7. **Sustainability/Salix project**- appointment of MCD under a design and build project. On programme to complete all installations by the end of March 2022 8. **Green Centre of Excellence-Ore Valley**- Appointment of Mott Macdonald to assist the College with the production of a Green Book business case. 9. **Defects Liability-Station Plaza**- College proceeding to adjudication following advice from Irwin Mitchell. This has prompted a more constructive response from Laing O Rourke.   Following the Strategic Session on 16 September Governors were asked to complete a written resolution to approve the appointment of Willmott Construction under a pre-construction services agreement (PCSA), to assist the College with the design, development strategy, delivery plan and cost plan for the re-development of Eastbourne and Lewes campuses. It was re-confirmed, as it was at the Strategic Session, that in appointing Wilmott Dixon to assist the College with this phase of works, it does not constitute a formal contract or letter of intent. The EDROD confirmed that a full Capital Strategy including business plan will come to Board in December 2021 recommended by the Capital Development Board in October and November  Tom asked about SP Defects. The EDROD explained that the facility was constructed in 2011 and under the Latent Defects Act there is a 10 year period which allows an action to be bought. When the senior team arrived at merger, there were issues that needed resolving and these are being responded to by Laing O Rourke (LOR). The College engaged an expert witness and the matter is currently proceeding to adjudication. The likely sums involved are c £300-350k and LOR has admitted some liability. Because the action has been brought before the end of the defects liability period, the action cant time out.  Tom asked about Hastings Direct. The Chair advised Tom of the outcome of discussions held at the Strategic Session on 16 September 2021. |  |
|  | **Management accounts**  The Management Accounts for 1 August 2020 to 3 July 2021 were presented to the Committee. The CFO said the College had been prudent in some areas in the June forecast. The outrun in July provides a better position than in June. There is an overall £93k deficit which might still result in a surplus position. The apprenticeship position is better than forecast. There are staffing costs savings against originally the budgeted figure and non-pay costs had reduced as funding was released against staff costs.  The CFO described a successful year around meeting KPI targets except on 16-18 recruitment.  The CFO said the outcome technically indicates a category of Good, but that this is a one off due to retained funding and safety nets over the year, e.g. no clawback of bursary fund, and there has been some leeway around some of the funding. Whilst the College is in a good position, it does not yet have sustainable ‘good’ financial health.  Tom asked about the timeline for submitting to auditors. This was confirmed as 8 October. Tom asked about Pensions costs. The CFO said he is waiting for the actuaries report which last year was circulated in November. Tom asked if the College were expecting a smooth close out of accounts. This was confirmed.  The CFO said the apprenticeship levy is being better employed with an increased number of apprenticeships at the college.  Tom asked for an explanation of the staff costs and savings figures in the accounts. The CFO confirmed that the figures were correct. |  |
|  | **Sector Management Accounts Guide and Exemplars**  The CFO advised that the Further Education Commissioner along with the AOC have launched a ‘Good Practise Guide’ for management accounts for the sector, to support the FE sector improve the consistency, quality and effectiveness of in-year reporting of financial performance. Their intention is not to impose prescriptive requirements.  The purpose and content of the guide was discussed by the Committee and they considered changes/additions for adoption.  Input from Priscilla via email –Priscilla felt that when presenting financial data both PowerPoint presentation and graphical representations should be incorporated to support those without financial expertise.  David said that there are a lot of new Governors and thinks that this approach will better support their understanding of the management accounts. He said he would support anything that supports the narrative that the College needs to control, rather than grow, its way out of the recovery financial situation.  Tom and Graham said the exemplar was excellent.  The CFO will take on board feedback. **Action for CFO**. | **Martin** |
|  | **Insurance Update**  The CFO advised that the Exec Team reports to ARaC on the current insurance cover in place for the College. The only area that the College did not insure at the last renewal was for Terrorism cover as this was deemed to be low risk.  The Committee noted that the College is in a long-term arrangement for the provision of insurance through its new brokerage service. Cover is reviewed on an annual basis The new policy year commenced on 01 August 2021.  The Committee were advised there are currently there are no open claims in process. |  |
|  | **Barclays Bank Loans – Letters of variation: LIBOR Transition**  The CFO advised LIBOR will cease. The CFO has attended sessions where this has been discussed at length. The CFO confirmed there is no change in the loan agreement or covenant, just how interest is calculated.  The Committee considered the following recommendations:   1. That the terms and conditions (including the Amendments, the related transition away from LIBOR and, where relevant, the security representations) set out in the Letter of Variation are in the interests of and for the benefit of the College and are most likely to promote the success of the College for the benefit of the members as a whole and that such terms and conditions of the Letter of Variation be and are approved and accepted. 2. That the College has considered whether it needs to obtain independent professional advice (legal, financial or otherwise), prior to resolving to enter into the Letter of Variation and (whether on the basis of such advice or otherwise) it has made its own independent decision to enter into the Letter of Variation and understands the terms, conditions and risks involved. 3. That Rebecca Conroy and Mark Fisher are authorised to sign the Letter of Variation on behalf of the College to indicate acceptance of the terms and conditions. 4. That the Bank is authorised to act in all matters concerning the Facility as amended by the Letter of Variation upon instruction from the College signed in accordance with the Bank's mandate for any of the accounts of the College held with the Bank current from time to time. 5. That, if applicable, any Security provided by the College and any other Security Providers will continue to guarantee and/or secure the Facility Document(s) as amended by the Amendments.   Tom asked what the other options were.  **Resolution**  The Committee will recommend the above approvals to Board in October 2021. **Action for DoG.** | **Mia** |
|  | **Mrs F J L Harlow deceased Will Trust and the Dorrie Harlow Settlement**  In 2003/4 Mrs Harlow left a gift to the college in her Will to be used for a planned capital project designed to enhance the College's provision in memory of her late husband. The gift was matched by a government grant.  In addition to the immediate gift made in her Will, Mrs Harlow set up two separate Trusts. Mrs Harlow's daughter was entitled to receive all the income from both Trusts for her life but after her death she wanted the capital monies of both Trusts to be used in the same way as the legacy in her Will.  Mrs Harlow's daughter died on 18th June 2019 but the trustees were only advised of her death almost a year later. Since then various taxation and accounting matters had to be dealt with, all delayed by problems as a result of Covid.  The solicitors wrote to the College on 04 August 2021 to advise that everything is now up to date and there is a combined Trust Fund in excess of £350,000 available to distribute.  **Resolution**  The Committee agreed to recommend to the Board that the College accepts this generous bequest. **Action for DoG to forward plan for Board approval.**  The CFO and EDORD will discuss further and will work with the trustees to identify a suitable project to ensure that the bequest can be invested for the future of the College in Eastbourne and provide a permanent memorial to Mrs Harlow and her late husband. | **Mia** |
|  | **Staff & Governors Expenses Policy**  The Committee noted a total of £150 claimed for expenses in 2020/2021 (2019/2020 - £3,340). 2020-21 was a unique year due to the pandemic.  The Staff and Governors Expenses Policy has been reviewed and contains 2 small updates to ensure that it matches the College Financial Regulations. The only changes to the Policy are a clarification of the signing of the CEO’s expenses so that it mirrors the wording in the Financial Regulations.  **Resolution**  The Committee recommended to approve the updated Expenses Policy. **Action for DoG.** | **Mia** |
|  | **Live Committee Self-Assessment**   |  |  |  |  | | --- | --- | --- | --- | |  |  | **Yes** | **No** | | 1. | Did the agenda and papers arrive seven days in advance? | Y – 1 followed |  | | 2. | Were the agenda papers written with clarity? | Yes – clear but not concise (important to have the background, but still too lengthy). |  | | 3. | Were the issues considered at the meeting appropriate? | Yes |  | | 4. | Did you have all the information you needed to fully participate in the discussion and decision? | Yes |  | | 5. | Was sufficient time available for thorough debate? | Yes |  | | 6. | Were you satisfied that the decisions were arrived at in a proper manner? | Yes |  | | 7. | Were you able to express your views? | Yes |  | | 8. | Was the meeting chaired effectively? | Yes |  | |  |
| **14)** | **Any Urgent Matters**  **Higher Education 2022/23 fee proposal, Sept 21.**  The EDSPE said the College has not raised the fees prescribed students (on courses verified by University of Brighton or Pearson) since merger and a fee expectation for first year students and top up students need to be submitted to OfS by the 30 September:  cid:image002.png@01D7AEE7.923CDE60  EDSPE has been working with the Head of MIS to review the fees charged and are proposing the following changes and rationale for these, including some local comparators.  The current annual fee is £7500 and the proposed fee for full-time is £7995 and for part time £4000 for a BA/BSc year 1 and top ups. This figure is below comparator colleges.  The Board approved the Tuition Fee’s Policy in July 2021. An update will come back to the Committee in the spring as part of next years Tuition Fees Policy review due for Board approval in March 2022. |  |