

Finance Committee MINUTES

Date	5 th December 2022	Time	09:30-10:30
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Venue	Virtual Meeting – MS Teams
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Chair	Mark Fisher
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Membership – Mark Fisher (Committee Chair), Priscilla Kendall (Committee Vice Chair), Rebecca Conroy (CEO & Principal), Ian Mehrtens, Tom Sanderson

In Attendance – Hannah Caldwell (Chief Operating Officer), Martin Penny (Chief Financial Officer), Mark Wardle Deputy (CEO & Principal), Nathan Haffenden (Director of Capital Projects), Sam Brasier (Executive Director – Finance), Belle Howard (Director of Governance – *minutes*)

Quorum: The meeting was quorate throughout.

Apologies: None

#	Item	Action												
1)	WELCOME & APOLOGIES 1.1 The Chair opened the meeting at 09:31 with a warm welcome to colleagues. 1.2 There were no apologies as all participants were in attendance.	09:31												
2)	DECLARATIONS OF INTEREST 2.1 There were no declarations of interest received.	09:32												
3)	MINUTES OF LAST MEETING & MATTERS ARISING 3.1 Approval <ul style="list-style-type: none"> Governors considered the minutes from the meeting on 13th October 2022. RESOLUTION: Governors agreed that the minutes were a true and accurate record of what was discussed. 3.2 Matters Arising <ul style="list-style-type: none"> 13th October 2022: <table border="1" data-bbox="175 1915 1364 2139"> <thead> <tr> <th>Item</th> <th>Owner</th> <th>Action</th> <th>Due Date</th> </tr> </thead> <tbody> <tr> <td>3.1.1</td> <td>BH</td> <td>Correct the identified typo in the meeting minutes of 23rd June 2022.</td> <td>Complete</td> </tr> <tr> <td>3.4.1</td> <td>RC/MP/HC</td> <td>Draft a paper on lessons learned related to FECA Project overspends, with a view for this to be shared at the Full Board meeting on 19th December 2022.</td> <td>12th December 2022</td> </tr> </tbody> </table>	Item	Owner	Action	Due Date	3.1.1	BH	Correct the identified typo in the meeting minutes of 23 rd June 2022.	Complete	3.4.1	RC/MP/HC	Draft a paper on lessons learned related to FECA Project overspends, with a view for this to be shared at the Full Board meeting on 19 th December 2022.	12 th December 2022	09:33
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3.1.1	BH	Correct the identified typo in the meeting minutes of 23 rd June 2022.	Complete											
3.4.1	RC/MP/HC	Draft a paper on lessons learned related to FECA Project overspends, with a view for this to be shared at the Full Board meeting on 19 th December 2022.	12 th December 2022											

Item	Owner	Action	Due Date
3.6.1	BH	Include the 'ESCG Finance Team – Capacity & Capability Report' as a paper at the forthcoming People & Culture Committee meeting.	Complete
4.2.1	BH	Invite Nathan Haffenden to attend the next Finance Committee meeting, with a view to provide an update on the financial projections related to the Estates Strategy Project.	Complete
5.2.1	MP/HC	Investigate the cause of the significant decline in the forecasted debt service cover ratio (down from 2.18 to 0.32).	Complete – typo, should have read 1.32. Needs to be updated in new CFFR to reflect revised budget.
5.2.2	MP/HC	Revisit the targets detailed in the 'PMO Finance KPIs' section of the Financial KPIs Report, with a view to provide assurance that these had been appropriately set.	Complete – Targets were set from the original agreed budget figures.
5.3.1	MP	Update the SPH & Governor Expenses Report to include expenses for the Director of Governance and prepaid travel expenses for the CEO & Principal, with a view to share this at the next meeting.	Complete
5.6.1	MP/HC/ RC	Draft a progress update paper on the five-year financial plan, with a view to share this at the next Finance Committee meeting.	Complete – Item 3.3 of the agenda

- **24th March 2022:**

Item	Owner	Action	Due Date
9.2.1	RC	Draft a partnerships strategy proposal that balances financial and educational value with the needs of the local community.	Complete – Item 3.4 of the agenda

3.2 Senior Post Holder & Governor Expenses Report

- The CFO advised that subsequent to the last meeting, the SPH & Governor Expenses Report had been updated to include expenses for the DoG and travel expenses booked via the Clarity system for the CEO & Principal.
- Governors noted the report.

3.2 Five Year Plan – Progress Update

- The CEO & Principal shared the following update:
 - The associated paper outlined the planned approach for developing a five-year plan and summarised some of the priority focus areas that would likely be incorporated.
 - The Five Year Plan would be presented at the next Finance Committee in the Spring Term and would take into consideration the latest market information, as well as outline key areas of potential growth.

- Moving forward, the plan would be regularly reviewed by the COO and newly appointed Executive Director of Finance (EDoF).
- The following discussion then occurred:
 - **The Co-opted Member asked – can you clarify the basis used to apply RAG ratings to the income streams detailed in the ‘Five Year Plan – Progress Update’ paper?** The CEO & Principal advised that the RAG ratings had been applied to provide an indicator of initial thinking on opportunities and risks. This would be refined as the five-year plan was developed.
 - **The Co-opted Member asked – what would constitute an ‘amber’ rating at this stage?** The CEO & Principal advised that an ‘amber’ RAG rating typically denoted an area of concern or a limited opportunity for growth.
 - A Governor noted that there were several acronyms in the paper and requested that definitions be provided for future updates. The CEO & Principal committed to address this in future iterations.
 - The Committee Chair noted that it had been important to complete the onboarding process for the COO and EDF before significant work could progress in developing the five-year plan. That said, it would be important to close this long-standing item at the next Finance Committee meeting. [Governors agreed.](#)
 - **The Co-opted Member asked – can you share more details on the college’s approach to developing its international learning provision?** The CEO & Principal explained that the international learning provision was a key strand of the college’s offer and had been for many years. The college worked closely with the British Council and various locations across the world to attract a steady stream of international students to the college. Additionally, the college’s international learning provision provided a unique opportunity to enrich the cultural diversity for local students. Further details on this important revenue stream would therefore be outlined in the plan.
 - **The Co-opted Member asked – does the international provision provide a higher margin of income to the college?** The CEO & Principal confirmed that the international revenue stream provided a full cost income to the college. Indeed the college was very experienced at delivering an international programme within the college’s existing provision.
 - **The Chair of the Board asked – did the college have a specific strategy in place for the international learning provision?** The CEO & Principal advised that plans were already in place for the international learning provision, but reflected that a more detailed strategy would be outlined for the committee to consider at its next meeting.
 - **Action 3.2.1 – Draft a paper outlining the college’s strategy for the international learning provision, with a view to share an update at the next meeting.**
 - **Action 3.2.2 – Include ‘Five Year Plan’ on the agenda for the next meeting.**

RC

BH

3.3 Partnership Strategy – Environmental, Social & Governance Statement

- The CEO & Principal shared the following update:
 - The ‘Environmental, Social & Governance Statement (ES&G)’ provided further details on how the college would manage its local partnership arrangements in the context of the local community that it served.
 - The statement outlined how the college would operate in managing its relationships with local suppliers, with a particular emphasis on supporting the local economy.
 - An action plan would then be produced, with a view for the Executive Team to report back to the Board on an annual basis.
 - The ES&G would be shared as a paper at the forthcoming full Board meeting on 19th December 2022, with a view to invite feedback from Governors.

- The following discussion then occurred:
 - **The Co-opted Member asked – what would be the timeframe for producing an action plan associated with the ES&G statement?** The CEO & Principal advised that the next step would be to define key priorities, with a view to draft an initial plan by the end of the current academic year and finalise this ahead of the start of the Autumn Term 2023. This would outline the college’s approach for managing its relationships with local vs national suppliers, in the context of broader partnerships that the college had in place.
 - **The Co-opted Member asked – should the ES&G Statement be an annexe to the Five-Year Plan, rather than a standalone document?** The Chair of the Board reflected that the ES&G Statement had a broader and more far-reaching remit than the Five-Year Plan. As such, the statement should be a Board owned document, used as an important guide to inform decision making.
 - The Chair of the Board reflected that the ES&G Statement should also be shared with each of the other committees for scrutiny and discussion. Additionally, further consideration would need to be given to the statement ‘*prioritise local procurement and investment*’. This would need to be balanced against best value for the college.
 - The Committee Chair clarified that the ES&G Statement paper had been produced following an action for the Executive Team to clarify the substantive financial costs that had arisen from the college’s contracting arrangements, but this had been amalgamated into a broader area of focus. To close this action, a more specific breakdown of the financial implications related to subcontracting was needed.
 - **Action 3.3.1 – Provide further details on the substantive financial costs and associated processes for managing the college’s subcontracting partnership arrangements.**
 - **Action 3.3.2 – Environmental, Social & Governance Statement to be shared with all committees, prior to consideration by the Board in the Spring Term.**

RC/HC

RC/BH

	<ul style="list-style-type: none"> The COO reflected on the college’s partnership arrangements, noting that there was a clear link with the accountability agreements that the college would be required to put in place. As such, there would be a duty on the Corporation to assess the extent to which the provision was meeting local needs through its partnership relationships. 	
4)	<p>FINANCE UPDATE – NOVEMBER 2022</p> <p style="text-align: right;">09:47</p> <p><i>4.1 October Management Accounts & Budget Review</i></p> <ul style="list-style-type: none"> The CFO shared the following update: <ul style="list-style-type: none"> The report included a review of the financial performance YTD and a forecast for the year ahead. 16-19 recruitment levels were in line with targets for 2022-23, positioning the college well for the lag funding it would receive in the next academic year. There had been underperformance against the apprenticeship, higher education, adult education and advanced learner funding lines. However, these results were consistent with other colleges of a similar size and driven primarily by a range of complex economic pressures, including a reduced appetite for advanced learner loans. In particular, there had been underachievement against in-house recruitment for adult education and apprenticeships. Work was therefore ongoing with key partners in order to address this issue. Consequently, there had been overall impact of £2m, as compared to the original forecast for income. As a key mitigation, the college had already taken steps to reduce resourcing costs by freezing recruitment on existing vacancies in these areas and removing any unallocated resources. Additionally, a freeze on the use of agency staff had been approved by the Executive Team, following a significant increase in agency staffing costs recently. These measures had resulted in savings totalling £1.4m, but further savings of £0.25m in resourcing costs had still to be identified by year end. Non-Pay: <ul style="list-style-type: none"> The utility market remained volatile and the impact of savings from the Government cap on utilities had still yet to be determined, pending further information on the calculation methodology. However, the maximum level of exposure had been factored into the budget, based upon the level of cost that the market would otherwise be charging the college through to the end of the year. Costs were expected to be notably less, and this would be monitored on a monthly basis moving forward. Cashflow: <ul style="list-style-type: none"> The bank covenant required the college to meet both debt repayments and associated interest. Moving forward, there would need to be close oversight of the college’s capital expenditure programme. 	

- The following discussion then occurred:
 - **The Co-opted Member asked – were the issues related to student recruitment driven by local issues or demographic issues? Were students being lost to other colleges?** The CEO & Principal advised that for 16-18 year old students, there were moderate levels of movement in and out of the college. The financial impact would not be felt until 2023-24, due to lag funding. The adult education budget (AEB) provision had been impacted by the move away from previous levels of subcontracting, as such the college was working hard to deliver the full AEB in house. Relatively few students were being lost to other colleges. ESCG remained one of the largest adult education providers in East Sussex.

The CEO & Principal also explained that there had been significant focus on developing high demand learning programmes for the local community, though swift changes had been made to discontinue less popular courses as needed. There had been significant development and growth in the English as a second language (ESOL) provision. Overall, the college was in a stronger position compared to the prior year, though a range of complex challenges remained, given the current climate.

- **The Chair of the Board asked – was the college now seeing the benefit of the recently installed ground source heat pumps, in terms of a reduction in utility usage (as opposed to cost)?** The CFO advised that the first set of data would not be available until the New Year, so an update would be shared at the next meeting.

- **Action 4.1.1 – Share an update on the impact to utility usage (and associated cost savings) as a result of the recent implementation of the ground source heat pumps.**

- **The Chair of the Board asked – had utility cost savings been incorporated into the budget for 2022-23?** The CFO advised that the college had conservatively forecast a utility cost reduction, based upon 50% of the amount specified in the energy survey received as output of the project.

- The CFO explained that Section 2.7 of the ‘Management Accounts’ Report included the following table, which detailed potential RAG rated forecasts against those income streams of particular concern for the college:

	Current Position	Green FC Position	Amber FC Position	Red FC Position
	No forecast starts included	Current enrolments and forecast flagged as confident	Current enrolments and forecast flagged as confident and small risk	Current enrolments and forecast flagged as confident, small risk and large risk
AEB				
Delivery	£2,376,159	£4,131,759	£4,333,091	£4,822,185
Shortfall	-£2,848,841	-£1,093,241	-£891,909	-£402,815
Apps				
Delivery	£2,134,487	£2,204,487	£2,244,487	£2,620,478
Shortfall	-£790,513	-£720,513	-£680,513	-£304,522
ALL				
Delivery	£959,229	£959,229	£1,123,682	£1,123,682
Shortfall	-£517,177	-£517,177	-£352,724	-£352,724

HC

- **The Co-opted Member asked – had the ‘amber’ position been assumed in the outturn forecast?** The CFO confirmed that the outturn forecast had primarily been based upon the ‘amber’ position.
- **The Committee Chair reflected on the Higher Education (HE) provision, noted that there had been a significant change in the figures and asked – are you able to share further details on this?** The CEO & Principal explained that there had recently been a need to consolidate the HE offer. A new validating partner relationship was being established with the University of East Anglia, which would create a range of new opportunities for the college. Several courses had been identified as having relatively low levels of enrolment, overlapped with other courses and therefore had limited potential. Moving forward, business planning for the HE provision would instead focus on a range of opportunities that arose from the new validation partner relationship. Additionally, some of the costs associated with the HE provision had since been removed, but further work would be needed to develop the development pathways on offer.

The D(CEO&P) clarified that approximately 50 full-time learners had been impacted by the recent changes to the college’s HE provision. However, a larger proportion of learners who were currently accessing subcontracted HE courses had also been impacted.

- The Chair of the Board reflected on the need to reinvigorate the HE provision and noted plans to remove £100K from the college’s marketing budget. **The Chair of the Board asked – what was the rationale for this cost reduction, given the new validating partner relationship and the need to relaunch the HR provision?** The CEO & Principal confirmed that it would be important to invest in promoting the HE provision moving forward. However, the marketing budget could be used more effectively, particularly in light of recent overspend on printing. That said, it would be important to ensure that the HE provision had a clearly defined identity and communication approach.
- The Committee Chair reflected that it may be counterintuitive, given that the college was not currently meeting its income targets and yet was making cuts to marketing spend. There had been a £3m drop in income over the last two years and given rising levels of inflation, this would likely present additional challenges for the college. The CEO & Principal confirmed that this continued to be a priority area of focus for the college.
- **The Co-opted Member asked – can you share further details on the risks associated with making reductions in capital expenditure?** The CFO explained that the bank covenant required the college to generate sufficient cash to cover any loan repayments and associated interest. A mapping exercise was therefore underway to assess the new level of provision delivery against required levels of cash generation, with a view to reassess the capital expenditure programme. It may be therefore necessary to cut back on levels of capital expenditure to ensure that the requirements of the bank covenant were met. It would also be important to prevent impact to areas that would directly affect provision delivery to students. A further update would be shared at the next meeting.

	<ul style="list-style-type: none"> The CFO explained that one of the key items included in the cashflow was the clawback from under-delivery against AEB and some loans/bursaries for 2021-22. Confirmation statements had since been received from the Education & Skills Funding Agency (ESFA) and these were in line with existing year-end accruals and cashflow projections. RESOLUTION – The Finance Committee agreed to recommend the revised budget to the Board for approval. 	
5)	<p>STUDENT UNION ACCOUNTS & BUDGET SETTING</p> <p>5.1 The CFO shared the following update:</p> <ul style="list-style-type: none"> As per the prior year, the Student Union had not generated any spend in the 2021-22 academic year. As such, no further additions were needed to the current Student Union budget. The Vice Principal – Student Experience was now working proactively with the Student Union to address this, with a view to encourage active use of these funds. <p>5.2 The following discussion then occurred:</p> <ul style="list-style-type: none"> The Co-opted Member asked – were there any restrictions on how the Student Union budget was spent? The CFO explained that use of this budget was detailed in the Student Union Constitution document, though noted that there was a relatively broad remit for the use of these funds, e.g. the creation of a Student Union notice board. RESOLUTION – The Finance Committee agreed to approve the Student Union Accounts & Budget. 	10:12
6)	<p>NEWHAVEN MARINE WORKSHOPS PROPOSAL</p> <p>A confidential discussion then occurred.</p>	10:15
7)	<p>ANY OTHER BUSINESS</p> <p>7.1 Revolving Credit Facility & Overdraft Update</p> <ul style="list-style-type: none"> The CEO & Principal shared the following update: <ul style="list-style-type: none"> The Office of National Statistics had recently reclassified colleges into the public sector. There would be immediate implications for the college’s borrowing arrangements. Further clarity was awaited on whether the college would be able to retain any surpluses. The Committee Chair reflected that it was important for Committee members to understand the associated implications of this change and requested a more detailed update be shared at the next meeting. <ul style="list-style-type: none"> Action 7.1.1 – Draft a report outlining the potential financial implications to the college, following the recent ONS reclassification of FE colleges. 	10:28
		RC/HC

	<ul style="list-style-type: none"> The Chair of the Board noted the £150m capital formula driven allocation in the Spring Term, which may assist the college's cashflow moving forward, particularly with regards to major capital projects. <p>7.2 ESFA Governing Body Financial Dashboard Link</p> <ul style="list-style-type: none"> Governors noted the above link, which enabled Governors to access college specific financial dashboard information. 																												
8)	<p>DATE OF NEXT MEETING</p> <p>8.1 Governors noted that the next meeting was scheduled for 9th March 2023, 10:00-12:00.</p>	10:31																											
9)	<p>LIVE COMMITTEE SELF-ASSESSMENT</p> <p>16.1 Survey responses were received from Governors, live via a Google Form:</p> <table border="1"> <thead> <tr> <th>#</th> <th>ASSESSMENT QUESTION</th> <th>RESULT</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Did the agenda and papers arrive seven days in advance?</td> <td>67%</td> </tr> <tr> <td>2.</td> <td>Were the agenda and papers written with clarity?</td> <td>100%</td> </tr> <tr> <td>3.</td> <td>Were the issues considered at the meeting appropriate?</td> <td>100%</td> </tr> <tr> <td>4.</td> <td>Did you have all the information you needed to fully participate in the discussion and decision?</td> <td>100%</td> </tr> <tr> <td>5.</td> <td>Was sufficient time available for thorough debate?</td> <td>67%</td> </tr> <tr> <td>6.</td> <td>Were you satisfied that the decisions were arrived at in a proper manner?</td> <td>100%</td> </tr> <tr> <td>7.</td> <td>Were you able to express your views?</td> <td>100%</td> </tr> <tr> <td>8.</td> <td>Was the meeting chaired effectively?</td> <td>100%</td> </tr> </tbody> </table>	#	ASSESSMENT QUESTION	RESULT	1.	Did the agenda and papers arrive seven days in advance?	67%	2.	Were the agenda and papers written with clarity?	100%	3.	Were the issues considered at the meeting appropriate?	100%	4.	Did you have all the information you needed to fully participate in the discussion and decision?	100%	5.	Was sufficient time available for thorough debate?	67%	6.	Were you satisfied that the decisions were arrived at in a proper manner?	100%	7.	Were you able to express your views?	100%	8.	Was the meeting chaired effectively?	100%	10:32
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10)	<p>CLOSE</p> <p>10.1 Noting that this was his final meeting, the Committee Chair thanked the CFO for his significant contribution to the Finance Committee and wished him a successful retirement.</p> <p>10.2 The meeting closed at 10:33.</p>	10:33																											

Action Summary

Item	Owner	Action	Due Date
3.2.1	RC	Draft a paper outlining the college's strategy for the international learning provision, with a view to share an update at the next meeting.	9 th March 2023
3.2.2	BH	Include 'Five Year Plan' on the agenda for the next meeting.	9 th March 2023
3.3.1	RC/HC	Provide further details on the substantive financial costs and associated processes for managing the college's subcontracting partnership arrangements.	9 th March 2023
3.3.2	RC/BH	Environmental, Social & Governance Statement to be shared with all committees, prior to consideration by the Board in the Spring Term.	27 th March 2023
4.1.1	HC	Share an update on the impact to utility usage (and associated cost savings) as a result of the recent implementation of the ground source heat pumps.	9 th March 2023
7.1.1	RC/HC	Draft a report outlining the potential financial implications to the college, following the recent ONS reclassification of FE colleges.	9 th March 2023