**Finance Committee**

**Notes**

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| Date | Friday 14th February 2020 | Time | 4pm |
| Venue | Corporation Room, Eastbourne | | |
| Chair | Mark Fisher | | |
| **Membership** Mark Fisher (Chair), Pat Farmer (Vice Chair), Henry Ball (EO), Clive Cooke (EO), , Madina Tash, Tom Sanderson, David Smith    In attendance- Biram Desai, Dan Shelley, Fay McCarren – PA to Mia Bryden and note taker for today’s meeting. | | | |
| **Apologies:** Tim Hulme (As required), Mia Bryden, Sue Walton | | | |

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|  | Item | Action |
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| 1) | **Apologies and declarations of interest**  Apologies were noted from Tim Hulme (As required), Mia Bryden, Sue Walton |  |
| 2) | **Declarations of Interest**    There were no declarations of interest |  |
| 3) | **Minutes of the last meeting**  **THE MINUTES FROM THE MEETING OF 29 NOVEMBER 2019 WERE AGREED AS A TRUE AND ACCURATE RECORD.** |  |
| 4) | **Matters arising**  Matters arising were discussed all matters addressed or forward planned for March 2020. |  |
| 5) | **Review of the Integrated Financial Model for Colleges (IFMC) and recommend for approval to Corporation on 26th February – submission deadline 28th February**    Items 5 and 6 on today’s agenda should be read in conjunction with one another.    Biram Desai updated the committee on discussions held at the Capital and Infrastructure earlier in the day regarding funding for professional fees.    Biram Desai introduced the new Integrated Financial Model for Colleges (IFMC) model – version 5- as a revised method of financial reporting, considered to be more accurate than its predecessor models. Concerns were expressed regarding the accuracy of the model and its resource heavy approach. It was noted to not be very user friendly and it was thought the level of detail does not accurately reflect college expenditure.  Biram Desai presented the completed IFMC return, and advised this was an as accurate picture as feasible and provides up to date financial information for FY19 to FY22. He advised that the model generates error messages where rounding differences under £1k exist, but does not indicate where these rounding differences are. He said this was no cause for concern. He bought the Committees attention to the fact that there is a £60k difference in opening balances for 2018-19 compared to the audited Financial Statements, which cannot be addressed by the college, but that the ESFA are aware of this issue. Henry Ball asked for confirmation about how this £60k discrepancy will be addressed. Biram Desai advised version 6 of the model is in development which is hoped to reduce inaccurate reporting.    Pat Farmer asked for confirmation about what the Finance Committee was being asked to sign off. Biram Desai advised the statement is a sensible assumption and estimate at this point in the year, for FY21 and FY22 with FY19 being aligned to audited financial statements and FY20 being aligned to latest management accounts. It was noted that from 2021, the return date will revert to the 31st January on an annual basis, with additional returns required for ESCG.    Biram Desai reminded the committee about the 8% EBITDA aspiration- with 6% minimum. He advised that the EBITDA will increase from 6.74 % in FY19 to 8.11% in FY22. He advised that borrowing as a percentage of income reduces by 3.9% from FY19 to FY22.    He said the model indicates that the ESCG’s financial health changes from Inadequate in FY19 to Requires Improvement in FY20 to Good in FY21 and FY22. He advised the model demonstrates that no further long-term borrowing is required and that ESCG has a sustainable future - dependent on material savings realised in both pay and non-pay as income reduces.    Mark Fisher said a written submission to the board from the Finance Committee demystifying the return would be useful.  **Action: Mark Fisher and Biram Desai**    **Redacted for publication**    Pat Farmer raised the issue of limited capacity for planned operational and enabling capital investment. It was noted that the Estates strategy is still being developed but will be reliant on the sale receipts of surplus land. The strategy is to ring-fence such exceptional receipts to re-invest in the College estate. Any Estates Strategy and related implications need reflecting into financial modelling.    Pat Farmer challenged sustainability going forwards. Biram Desai said the modelled assumptions can be achieved though a detailed plan is needed. He said the assumptions support the Corporation’s strategic objectives.    It was noted that for modelling purposes (at this stage) for FY21 a pay increase will be awarded at 2% with additional costs anticipated for incremental drift at 1.5%, (£0.41m). Tom Sanderson questioned the incremental drift. A discussion was held on the pros and cons of reviewing increments and the need for a wider debate including HR input.    Pat Farmer said implementing model will require HR support and challenged how reliable and accurate financial reporting has been to date.    Biram Desai advised that NLFE support believes projections are achievable. Henry Ball said that numbers forecasted for current year is 120-130 points, and next year 160-180 points which whilst a significant improvement is not outside the realms of possibility. Pat Framer said there is no time to validate projections. Henry Ball discussed the importance of gaining trust and confidence from external agencies regarding the college’s financial health.    Mark Fisher said that the Committee needs clear guidance on what is needed to improve the financial position. He said the issues seems to stem from a lack of clarity, different messages from different people, and a model that doesn't seem to be smartly designed. Pat Farmer said that the financial health has not been looking positive for some time and questioned plans to reduce dependency on subcontracting.    Biram Desai advised he was not asked to produce reconciliations but will include reconciliations in version 6.    Mark Fisher asked if reconciliations excluded the clawback, Biram Detail said this was included in more prudent way. Mark Fisher suggested the revisions be more cautious. Biram Desai felt that 8% was not prudent and for the committee to be mindful of producing a credible plan, it was agreed to produce more prudent/realistic forecasts for FY21 and FY22.    Biram Desai advised of more growth than previous model with £550k for next 2 years which has been discussed with the ESFA. David Smith advised that there has been no confirmation that the allocation has been amended.      There was a discussion about how feasible it was at this time to recommend to approve the IFMC return to the extraordinary meeting on 26 February. It was agreed that corporation papers one the IFMC would be issued by Friday 21st February at the latest  **Action: Biram Desai and Mark Fisher to liaise outside of the meeting to produce a paper for Board.** | MF and BD  BD and MF |
| 6) | **Confirmation of key top level parameters for budget 2020-21 and 2021-22 (e.g. including EBITDA%, capital expenditure, level of cash to be retained to improve current ratio, target financial health grade)**    The key top level parameters are discussed in the IFMC return above. Biram Desai said the IMFC model and the parameters assume that the allocation process for 16-19 is not adversely impacted by the Full Funding Audit issues experienced at R14. Biram Desai was confident that a sustainable financial model is achievable without recourse to changes in the borrowings of the Group and that enhancing cash balances and achieving Good Financial Health will move the College away from the current intervention status |  |
| 7) | **Any other business** There was none. |  |