

East Coast College Finance and General Purposes Meeting

9th July at 5.00pm

Present:	David Hill – by conference call (DH) Mick Castle (MC) Jane Fermor (JF) Alan Debenham (AD) Stuart Rimmer (CEO/Principal)	
In attendance:	Wendy Stanger (Director of Governance) Simon Eaton (Deputy Chief Executive Vicky Beck (Director of Business Development and Communications) Clint Holland (Management Accountant) and Urmila Rasan – by conference call (Interim Deputy Chief Executive).	
F/18/07/1	Apologies and membership	Action
<p>Apologies were received from Saul Humphrey (SH).</p> <p>It was agreed that as the Chair was joining the meeting by conference call that AD would Chair the meeting.</p> <p>The meeting was an additional one to consider the budget only.</p>		
F/18/07/2	Declarations of Interest	
<p>SE declared an interest in Lowestoft Sixth Form College.</p> <p>The Committee agreed that this didn't preclude him from full participation in the meeting.</p>		
F/18/07/3	Budget Papers	
<p>The Principal presented the proposed budget and advised that further work had indicated that it did not meet all covenants and he was therefore not in a position to be able to recommend the budget. There is a need to generate a surplus of at least £50k to meet all the covenants and currently we are showing a deficit of £305k.</p> <p>The Deputy Chief Executive tabled a report that detailed the covenants based on the current proposed budget. This showed that the leverage covenant was 7.24 when the target was 5.60. It was proposed that the budget would be reduced by a cut in non-pay budgets of £400k which equated to a 7% cut if a straight across the board cut. This will then give a surplus of £94k.</p> <p>Governors challenged if the non-pay saving was achievable. The Principal advised that this cut was on top of the current year's cut to non-pay which was made to achieve the required outturn for 17/18. It would require tight managing to make sure it was achieved. Overall with this year's cut it was a £600k cut to non-pay.</p> <p>The Deputy Chief Executive advised that the non-pay for areas where spend was directly related to income would not be cut, for example projects. This would therefore mean that some departments would have a 10% cut to ensure that the necessary saving was achieved.</p> <p>The Interim Deputy Chief Executive advised that if growth was achieved some of the reduction could be reinstated.</p> <p>Governors challenged how non-pay budget was to be profiled. The Management Accountant advised that discussions would be held with managers regarding a suitable profiling of expenditure.</p>		

Governors challenged if any income areas were a risk. The Principal advised that apprenticeship income had grown this year against sector norm and there was therefore a question mark over the sustainability of this increase. Maritime income was the biggest risk due to the Ofsted report, loss of Tier 4 and pattern of reduction in enrolments and there was a risk that the needed HE growth would not be achieved.

The Director of Business Development and Communications advised that 16-18 sensitivity was around demographics and market share. The current year had seen a 4% reduction so a 5% reduction should be modelled.

Governors challenged if the capital projects expenditure has met all requests and whether it was affordable. The Deputy Chief Executive advised about 25% of requests had been rejected. He suggested that the expenditure be phased and only the full budget released once actual recruitment was known. Governors agreed that this was appropriate and that the expenditure should be prioritised and released in tranches.

Governors challenged if the Lound sale was secure. The Deputy Chief Executive advised that the sale proceeds were built into the CFADS model and the timing of the sale would affect cash in year. The purchaser was currently waiting for planning permission on their current land before proceeding. The Principal advised that discussions were ongoing with Lloyds on how the receipt should be treated and it was being suggested that it was held as a cash holding.

Governors challenged if the Energy Centre affected cash flow. The Deputy Chief Executive advised that it was cash neutral as the LEP paid in the month claimed.

The Principal advised that an ESFA clawback of £1/2m for Lowestoft College had not been fully accounted for in the statutory accounts and our external auditors Scrutton Bland will have to make a decision whether it is dealt with as a prior year adjustment or a deficit in the 17/18 income and expenditure account. The DD reports have also identified issues with the balance sheet in relation to how the TU funding and grant had been accounted for and these need resolving in this year's statutory accounts.

The Principal advised that if the merger with L6FC completes on 1 8 18 the 3 Year financial model will need to be reviewed to reflect this.

Governors concluded that the budget was not in a position to be recommended to Corporation as there were too many outstanding issues. The direction of travel to produce a budget that met all covenants was supported.

Governors agreed the following actions:

- **Budget to meet all covenants and financial health**
- **All budget headings to be reviewed prior to the Budget report being recommended to Corporation**
- **Budget report to include a commentary and details of cuts made**
- **Target income and budget income to be set**
- **Sensitivity analysis to be carried out on budget**
- **12 month cash flow to be produced**
- **CFADs model to be updated to reflect the budget**
- **Capital expenditure to be phased based on prioritisation**
- **Contribution rates below 50% to be explained**

<ul style="list-style-type: none"> • Progress report on Lound sale to be included in budget report 		
F/18/07/4	Review of Meeting	
<ol style="list-style-type: none"> 1. Confidential Items: Budget figures until approved 2. Risk Management: Financial risks need updating in relation to the proposed cuts to non-pay and the phasing of the capital spend. 3. Health and Safety: No new areas. 4. Equality and Diversity: None 5. Media: None 6. How did the meeting go: Good 		
	Date of Next Meeting	
TBC		