

## East Coast College Finance and General Purposes Meeting

10<sup>th</sup> June 2019 at 5.00pm Great Yarmouth Board Room

Present:	Chair - David Hill (DH) Stuart Rimmer (CEO/Principal) Mike Dowdall (MD) Alan Debenham (AD) and Jane Fermor (JF)	
In attendance:	Wendy Stanger (Director of Governance) Urmila Rasan (Deputy Chief Executive)	
<b>F/19/06/1</b>	<b>Apologies and membership</b>	<b>Action</b>
Apologies were received from Richard Durrant (RD) and Saul Humphrey (SH)		
<b>F/19/06/2</b>	<b>Declarations of Interest</b>	
MD declared an interest in the Energy Centre and the Offshore Wind Centre. It was agreed that these declarations didn't preclude his full participation in the meeting.		
<b>F/19/06/3</b>	<b>To approve the Minutes of the meeting of the 30 April 2019 and any other matters raised previously not otherwise included in the Agenda</b>	
The minutes were agreed as a true record.		
<b>F/19/06/4</b>	<b>To review the post-meeting action log</b>	
<p>The action log was reviewed and noted where the item was covered on the agenda.</p> <p>F18/11/5 – it was clarified that this OFS registration was for the HE cadet programme which would be delivered in 2 years' time. The provision provided by the University of Suffolk was under the UOS's OFS registration.</p> <p>F18/11/10 – meeting with Sentinel scheduled for 1/7.</p> <p>F19/02/06 – update included at agenda item 5.</p> <p>F19/04/9.2 – Governors commented that we needed to include energy efficiency as a reason for investment.</p>		
<b>F/19/06/5</b>	<b>Commercial Income</b>	
<p>The Director of Governance advised that the Director of Curriculum Development and Partnerships was unable to attend and therefore the Principal and Deputy Chief Executive would take this item.</p> <p>Governors challenged why the commercial income target had yet again been reduced and why previous assurances that had not been met. The Principal advised that the Commercial paper had been reviewed by himself and the Deputy Chief Executive and the figures were now robust. Previously there had been inflated budget lines and the effect of the loss of the Tier 4 license underestimated. The online booking system had not been implemented and the CRM system was not up to date and not fully used and this had also had a detrimental effect on income. To meet the income shortfall cuts are being made.</p>		

Governors challenged if the Tier 4 income would increase following the partnership with the University of Suffolk. The Principal advised that as we would be operating under the University banner and their Tier 4 licence recruitment should increase to that previously lost as we would be using the university brand and tier 4.

Governors commented that it was critical that the College had a robust CRM system used by all to avoid duplication and to ensure a systematic professional approach. The College needed to both grow and retain its employers and a professional approach to this was key. The Principal advised that we needed to improve marketing, sales and business development and our administrative processes.

Governors commented that we were 'losing our market' rather than winning it. This needed to be addressed to ensure that the College's recovery continued and the financial rating of good maintained. The Principal commented that there was a need for detailed governance oversight on the strategic aim of winning our market and the Governance Remuneration and Search Committee were being asked to recommend to Corporation the setting up of a Winning our Market and Growth Committee. This Committee would look at a root and branch review of marketing and sales, market assessment, competitive analysis and consider each income line to ensure that there was a suitable growth plan for each.

Governors agreed that a Winning our Market Committee was required and that this would need to review each income line. Fundamentally though the College needed someone to come in and fix the mess. The Principal advised that he was looking at some quick fixes but also at some fundamental changes in business development and marketing.

Governors noted that there was a lack of forensic analysis in the Commercial report. The College needed to ensure that curriculum and business planning was based on robust forecasting. The Commercial report showed that the forecasting had not been robust with a fall from £2.1 to £1.7m at a stage in the year when there wasn't time to rectify the issue.

Governors challenged that didn't seem to be anyone driving the commercial business and this needs to be rectified. The Principal commented that the business was led by the Director of Curriculum Development and Partnerships. There was a need for some improvements within that team to ensure that the structure was fit for purpose. Most of the commercial delivery was through the College's subsidiary, LOWES, and this needed to be re-constituted so that there was a commercially minded Board that ensured there was a solid programme of delivery.

Governors challenged why all of the Commercial's income lines were down. The Principal advised that fundamentally there had not been enough sales activities, not enough activities planned and the rigour of the plan was poor. We needed to review how we were selling to businesses.

The Deputy Chief Executive commented that there needed to be accurate income target setting, robust targets and detailed monitoring.

Governors challenged that the return on investment for the Energy Centre did not look acceptable and this needed to be reviewed so that we could justify the £10m investment.

**Governors agreed that due to the concerns raised and the poor performance that the following actions and reports were required for July's Committee:**

- **Actions in the Commercial report to be translated into a recovery plan**
- **A detailed commercial curriculum plan with a risk analysis**

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<ul style="list-style-type: none"> <li>• An in-depth analysis of income by line including trend data</li> <li>• A report on the CRM system and how this was to be utilised to drive growth</li> <li>• An analysis of the return on investment for the Energy Centre.</li> </ul> <p>The Committee agreed to recommend to the GRS Committee that the Winning our Market and Growth Committee be established.</p>		<p>VR</p> <p>VR</p> <p>VR</p> <p>WS</p>
<p><b>F/19/06/6</b></p>	<p><b>Management Accounts</b></p>	
<p>The Deputy Chief Executive presented April's management accounts which were part of the TU quarter 3 review. Pay and non-pay was below plan but no savings had been released. The College is on target to meet all the requirements of our external bodies and achieve a financial rating of good. The Principal commented that we were having to work harder for this than expected due to the previously discussed issues with commercial income.</p> <p>Governors noted that a full dataset was required for winning our market as the management accounts were looking at what had happened and therefore at too late a stage to make changes.</p>		
<p><b>F/19/06/7</b></p>	<p><b>Draft Budget</b></p>	
<p><b>F/19/06/7.1</b></p>	<p><b>3 Year Financial Forecast</b></p>	
<p><b>F/19/06/7.2</b></p>	<p><b>Curriculum Plan</b></p>	
<p><b>F/19/06/7.3</b></p>	<p><b>Capital Investment</b></p>	
<p>The Deputy Chief Executive presented the draft budget which included the 3 year financial forecast, curriculum plan, capital investment, assumptions used and a 5 year income analysis. As Governors were aware there had been no bids for the catering contract and Norse had agreed at the Lowestoft Campus to continue for 1 year on a cost plus basis. As this affected the budget the draft agreement was included.</p> <p>Governors commentated that they would not feel comfortable setting a budget at this stage due to the concerns raised with income forecasting. More assurance was required for each income line with a best and worst case analysis, evidence regarding the forecast and the plan of action if the forecast is not met.</p> <p>The Director of Governance advised that the Governors needed to be mindful of the insolvency regime and their duty to ensure good financial management.</p> <p>Governors challenged that the 3 year financial forecast assumptions included no pay rise. This was not a comfortable position to be in and would affect retention and recruitment. The College needed to consider linking a pay award to growth and performance but recognise that an award couldn't be made if in doing so our financial health rating became requires improvement. The Principal commented that if a pay award is not included in the assumptions and therefore the 3YFF it won't happen. The Deputy Chief Executive advised that the College would need an additional £350/400k of income to afford a pay award and the College would need to consider how this growth could be achieved.</p> <p>Governors commented that the College needed business development skills to grow the College as it was clear from the discussions that wining our market was</p>		

<p>key to the College's success and currently this was the risk area of the strategic plan.</p> <p>Governors discussed the financial health rating and noted that the good rating was vulnerable to small changes and therefore it was even more important that the forecasts were accurate and the budget met. The Deputy Chief Executive advised that a change of £50k would mean that the College's financial health rating would become requires improvement. We also needed to generate cash to be able to invest as our gearing is high. This gearing will start to reduce from July 19 when the TU debt starts to be paid. The Principal advised that the targets for each income line needed to be higher than that budgeted, with the budget being the minimum.</p> <p>The Director of Governance advised that a financial health rating of requires improvement would mean that the College would be subject to the new College Oversight: Support and Intervention regime.</p> <p><b>Governors noted the progress with the budget, that income was the key risk, that income growth was required and agreed the following actions:</b></p> <p><b>For each income line at the July Committee an analysis of</b></p> <ul style="list-style-type: none"> <li>• <b>Activities planned for 19/20</b></li> <li>• <b>Performance in 18/19 and 17/18 if available</b></li> <li>• <b>Best Case / Worst Place</b></li> <li>• <b>Forecast</b></li> <li>• <b>Plan if forecast not achieved</b></li> <li>• <b>Effect of best/worse/forecast on EBITA and financial rating</b></li> <li>• <b>Effect of making a pay award during the 3 year financial forecast and the options for making an award, with The People Committee to consider prior to the Finance and General Purposes Committee.</b></li> </ul>		<b>UR/SR</b>
<b>F/19/06/8</b>	<b>Agenda Planning</b>	
<p>The Committee agreed that the July meeting would concentrate on the commercial reports requested, the budget and 3 year financial plan including commentary.</p>		
<b>F/19/06/9</b>	<b>Review of Meeting</b>	
<ol style="list-style-type: none"> <li>1. Confidential Items: Budget until approved</li> <li>2. Risk Management: None</li> <li>3. Health and Safety: None</li> <li>4. Equality and Diversity: None</li> <li>5. Media: None</li> <li>6. How did the meeting go: Good detailed discussions</li> </ol>		
	<b>Date of Next Meeting</b>	
23 7 2019		