

East Coast College Finance and General Purposes Meeting

20th November at 5.00pm

Present:	David Hill (DH) for items 6,7, 9, 10 and 13-15 Mick Castle (MC) Alan Debenham (AD) Stuart Rimmer (CEO/Principal)	
In attendance:	Wendy Stanger (Director of Governance) Urmila Rasan (Interim Deputy Chief Executive Vicky Beck (Director of Business Development and Communications) for items 1 – 5, 8, 11 and 12)	
F/18/11/1	Apologies and membership	Action
Apologies were received from Saul Humphrey (SH) and Richard Durrant (RD) And David Hill who would join the meeting late. It was agreed that Alan Debenham would Chair in the meantime and that items 1 – 5 and 8, 11 and 12 would be taken first.		
F/18/11/2	Declarations of Interest	
There were no declarations of interest.		
F/18/11/3	To approve the Minutes of the meeting of the 9 October 2018 and any other matters raised previously not otherwise included in the Agenda	
The minutes of 9/10/18 were agreed as a true record.		
F/18/11/4	To review the post-meeting action log	
The action log was reviewed and noted where the item was covered on the agenda. F/18/10/4 – Revised management account format included at agenda item 6 for Governors to review. It was agreed that this action could be closed. F/18/10/8 – A verbal update of progress would be given at item 8		
F/18/11/5	Finance Risk Register	
The Director of Governance advised that the risk register format was being reviewed at November's Audit Committee and once agreed all risks would be re-worked. Governors commented that they were concerned by the amount of red risks. C&I1 Risk or reduction in commercial overseas income – The Director of Business Development and Communications advised that income was lower than planned due to both the loss of the Tier 4 license and the move of the examination centre to Colchester (previously it had been Norwich.) The centre had been moved as they had reduced the number of examination centres for efficiency savings. Governors challenged what action was being taken. The Director of Business Development and Communications advised that the Tier 4 License could not be re-applied for until we were assessed Good by OFSTED. The College was seeking		

agreement for a Surveyor to hold examinations at the College. This had been agreed for another College so there was precedent. The overall shortfall in the income, recruitment and profile was being reviewed and actions being taken to increase recruitment and to make efficiency savings. The Principal commented that we should be looking for growth through developing our commercial income, there was a need to bring on new provision. Maritime Cadets was commencing at the Energy Centre in October.

The Principal advised that the full cost commercial income was partly served through LOWES. The LOWES Board needed strengthening with clarity of what was offered through LOWES.

Governors challenged if changes could be made to the design of the maritime courses. The Director of Business Development and Communications advised that there was a strict programme that had to be followed for the qualifications. The Chief Mate had been revised to be 3 months India and 6 Months at the College and the Officer of the Watch 6 months and 6 months.

The Director of Governance asked if HE provision not through the University of Suffolk needed to be registered with the Office for Students and it was agreed that this would be checked.

FE01 – reduction in 16-18 numbers. The Principal advised that we had under recruited and the 3 year financial forecast reflected this. The curriculum plan for 19/20 would need to be reviewed to reflect this and group reductions would be required.

FE02 – Adult education budget. The Principal advised that there was a risk that the ESFA would re-profile in year due to underspend and clawback funding.

Governors agreed following action:

- **The Director of Business Development and Communications to consider the re-profile of commercial income within the areas overall strategy.**
- **Short course commercial provision to be increased to help generate income.**
- **Invoicing issues to be rectified and brought up to date.**
- **Office for Students registration to be checked to see if required for HE provision not through the University of Suffolk.**

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F/18/11/6

Management Accounts

The Chair advised that he was now meeting the Interim Deputy Chief Executive in preparation for the Committee this will help him have a better understanding of the finances and thus allow him to thoroughly challenge the reports.

The Interim Deputy Chief Executive explained the revised format of the management accounts. The ESFA format had been used so all figures now align. The control sheet at the end was to demonstrate that the controls had all been completed. The cash graph showed cash excluding and including the Energy Centre. The College had agreed with the LEP for payment on invoice so that cash flow was not detrimentally affected.

The Committee agreed that this management accounts format would be used for future accounts with the addition of year-end figures on the income and expenditure

account, the addition of financial health to the KPIs and a date set for the KPI target.

The KPIs were discussed the Interim Deputy Chief Executive advised that these showed that the College was not generating enough cash to invest. The College was also showing a technical breach of covenants which the Bank were aware of. This was due to the profiling of the budgets and it had been agreed with the Bank that the covenants would be reset after the next due diligence work had been completed.

Governors challenged why pay costs were down. The Interim Deputy Executive advised that this was due to the number of vacancies. The Principal commented that the Learning Development and Wellbeing Committee needed to consider both recruitment and retention as shortage of staff could affect the quality of teaching and learning.

Governors challenged the level of capital spend and why that allocated had not been spent. The Principal commented that the capital spend should be around £750k for a College our size and that there was a backlog of investment required due to under investment, including at L6FC. This would all need to be considered as part of the planned Estate Strategy. The Interim Deputy Chief Executive advised that the under spend on the capital budget would be reviewed at the performance management meetings.

The departmental contribution rates were discussed. The Principal advised that the TU is looking for 50% and the FE Commissioner also considered this as they use it as a proxy measure on how well the College is managed. The Interim Deputy Chief Executive advised that the FE Commissioner is looking overall for 40% and we are currently at 40.63%.

Governors commented that we needed to be more efficient in delivery to increase contribution. This shouldn't be at the detriment to quality and that where there was cross subsidy this should be explained. The College contribution rate should be included in the KPIs. The Interim Deputy Chief Executive advised that the Curriculum Managers were aware of the contribution rates and that this would be assessed as part of the curriculum planning and budget process, with 50% being the aim for the first budget cut.

Governors challenged how quality could be related to the contribution rates. The Principal advised that quality achievement rates could be mapped against the contribution rates and during curriculum planning both would need to be looked at.

Governors challenged why they had been such a change in the income levels this month. The Interim Deputy Chief Executive advised that this was to do with profiling and lagging of income, the first full ILR had been paid at the start of October.

Governors challenged the level of creditors. The Interim Deputy Chief Executive advised that as much as possible had been cleared down at year end but an accrual was required to make provision for unknowns. She advised that the Brockenhurst v HMRC case had recently been reversed which meant that the VAT refund the College had received would have to be repaid.

Governors agreed the following actions:

- **Year End Budget and Year End Variance to be added to the Income and Expenditure account.**
- **Financial health to be included as a KPI.**
- **College contribution rate to be included as a KPI.**
- **KPIs target to have a target date.**

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F/18/11/7	Draft Year End Accounts	
<p>The Interim Deputy Chief Executive presented the accounts, these tie through to the 3 year financial plan.</p> <p>The Principal commented that we now have a clean set of audited accounts that give the College a good starting point for the 3 year financial plan and the quarter 1 review. The L6FC showed that the staff costs were high and the ECC ones contained no surprises. We were projecting good as the financial health rating and the timeliness of the accounts production was testament to the financial team's hard work.</p> <p>The Committee resolved to recommend the annual accounts for L6FC and ECC to the Corporation and to thank the Finance team for their hard work.</p>		
F/18/11/8	Apprenticeship - Re-Profile of Income	
<p>The Director of Business Development and Communications advised that the recruitment had been re-profiled and that MIS were now to turning this into a monetary profile. Recruitment was currently on plan, though there had been a delay with sign up at the start of the year.</p> <p>Governors agreed the following action:</p> <ul style="list-style-type: none"> • Apprenticeship - Re-Profile of Income to be circulated to the Committee. 		
F/18/11/9	Quarter one draft figures and financial model	UR /VB
<p>The Interim Deputy Chief Executive updated the Committee on the quarter 1 review. The model would be based on the October management accounts and the 3 year financial forecast. The additional due diligence work that was due to start this month would be based on the quarter 1 model. The quarter 1 papers would be reported to the Corporation.</p>		
F/18/11/10	3 year revised financial forecast and commentary I	
<p>The Principal advised that the ESFA will review our performance at this quarter and make a decision on whether we should be removed from financial intervention, we are showing in the 3 year financial forecast that we are a borderline good. The Principal advised that we needed to secure the Colleges financial health by increasing contributions and growth this could include new markets, acquisitions and mergers.</p> <p>Governors discussed the proposed pay rise that was to be considered by the Learning Development and Wellbeing Committee. The Principal advised that this was recommending a 2% pay rise as of January for all staff at all campuses. The Interim Deputy Chief Executive advised that in the 3 year financial forecast a pay rise of 1% for the first 2 years had been allowed for and the proposed pay rise would therefore not disrupt the budget. The Director of Governance advised that the report addressed that the pay rise was only being proposed due to the College's improved performance. The Principal advised that we needed to improve pay rates to retain and recruit staff.</p> <p>The Interim Deputy Chief Executive advised that the forecast had been subject to sensitivity this included SFA income, Fee income and other income and staffing</p>		

	<p>and other costs. A reduction of circa £1.3m in EBITA would make the College inadequate.</p> <p>Governors noted that there was a risk to income if the HE fee review recommended a reduction in fees. The Interim Deputy Principal advised that this hadn't been built into the sensitivity analysis as the outcome was unknown.</p> <p>Governors discussed the need to generate cash and the Interim Deputy Chief Executive advised that the budget process could commence with the amount of cash to be generated and build the budget around that.</p> <p>The Principal commented that in planning we need to recognise that the Insolvency Regime was being introduced and it was not yet clear how this would operate.</p> <p>The Committee agreed the following actions:</p> <ul style="list-style-type: none"> • The Governance strategic away day to include consideration of how the College is going to grow and how it is going to generate cash. • Budget process to consider cash generation <p>The Committee agreed that the pay rise was affordable.</p> <p>The Committee resolved to recommend the revised 3 year financial forecast to the Corporation for submission to the ESFA.</p>	<p>SR</p> <p>UR</p>
<p>F/18/11/11</p>	<p>Health, Safety and Wellbeing Policy</p>	
	<p>The Director of Business Development and Communications presented the policy which was a review of the previous one and reflected the addition of L6FC. There was an issue with staff not completing the online training and it was agreed that a future Learning Development and Wellbeing Committee would receive an update on this. The Governor Lead for Health and Safety commented that the Health and Safety Committee also received an update on compliance with training.</p> <p>The Committee resolved to recommend the Health Safety and Wellbeing Policy to Corporation for adoption.</p>	
<p>F/18/11/12.1</p>	<p>Catering Outsourcing</p>	
	<p>The Director of Business Development and Communications presented the report. The aim was to standardise provision across the campuses. Consultation has taken place with staff and unions and it has been agreed to test an in-house option at the same time as market testing.</p> <p>Governors noted that the in-house catering at GY campus was currently making a loss and challenged what action was being taken. The Director advised that some operational changes had been made to ensure that it broke even by year end. It had also made a loss in 17/18 and a small surplus in 16/17.</p> <p>Governors discussed if the catering could be provided by the catering students to provide work experience and whether the Ambitions restaurant could be better utilised.</p> <p>Governors agreed the following action:</p> <ul style="list-style-type: none"> • A Governor to be a member of the evaluation panel. <p>The Committee resolved to recommend to Corporation that an Options Appraisal on the provision of catering services at ECC be carried out and its recommendations reported to Corporation.</p>	

F/18/11/12.2	Cleaning Outsourcing	
<p>The Director of Business Development and Communications presented the report. The aim was to standardise the cleaning services across the campuses. All were outsourced apart from Lowestoft Campus. The staff and Unions have been consulted on the proposal. SLG commissioned iClean to test the market for a suitable contractor to provide cleaning services at Lowestoft Campus and five companies have been selected from the PQQ process.</p> <p>Governors agreed the following action:</p> <ul style="list-style-type: none"> • A Governor to be a member of the evaluation panel. <p>The Committee resolved to recommend to Corporation that SLG continue to the next stage of procurement for the outsourcing of cleaning services at Lowestoft Campus.</p>		
F/18/11/13	VAT - as referred from Estates Committee	
<p>The Chair advised that the Estates Committee had considered the report and had agreed that the VAT Group registration recommendation should be explored further. The Committee would not consider any scheme that could be seen as VAT avoidance.</p> <p>The Proposals would allow overspend on the capital project to be funded and with LEP approval additional monies could be re-invested. The Principal advised that there was a risk that HRMC would claw monies back in the future and therefore provision would have to be made for this.</p>		
F/18/11/14	Agenda Planning	
No additional reports required.		
F/18/11/15	Review of Meeting	
<ol style="list-style-type: none"> 1. Confidential Items: none 2. Risk Management: Risk register is under review and revised format to November Audit Committee. 3. Health and Safety: None. 4. Equality and Diversity: None 5. Media: None 6. How did the meeting go: Full and comprehensive meeting with robust discussions 		
	Date of Next Meeting	
5 th February 2019		