

East Coast College Finance and General Purposes Meeting

23rd July 2019 at 5.00pm Lowestoft Board Room

Present:	Chair - David Hill (DH) Mike Dowdall (MD) Alan Debenham (AD) Richard Durrant (RD) and Jane Fermor (JF)	
In attendance:	Wendy Stanger (Director of Governance) Urmila Rasan (Deputy Chief Executive)	
F/19/07/1	Apologies and membership	Action
<p>Apologies were received from Stuart Rimmer (CEO/Principal) and Saul Humphrey (SH)</p> <ul style="list-style-type: none"> CEO to review leadership capacity and arrangements under the Winning our Market strategic pillar to ensure going forward that it is fit for purpose and effective. 		SR
F/19/07/2	Declarations of Interest	
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.		
F/19/07/3	To approve the Minutes of the meeting of the 10 June 2019 and any other matters raised previously not otherwise included in the Agenda	
The minutes were agreed as a true record.		
F/19/07/4	To review the post-meeting action log	
<p>The action log was reviewed and noted where the item was covered on the agenda.</p> <p>F18/11/5 – Tier 4 provision to be provided by the University of Suffolk under the current collaboration agreement. The University's validation of the provision took place on 2/7/19.</p> <p>There is a risk that the cadet programme will not commence in September – risk register to be updated.</p> <p>F18/11/10 – negotiations with Sentinel ongoing and a report will be brought to the September meeting with a proposal to resolve. Sentinel have advised that they do not wish to use the MUGA and this will therefore remain closed.</p> <p>F19/02/06 – The Deputy Chief Executive advised that all invoices had now been raised and that a debt collection system was in place.</p> <p>F19/04/9.2 – ROI to be detailed once decision taken on investment programme.</p>		WS/TB

F19/06/05	It was noted that no progress had been made on any of the actions. The Committee noted their concern and disappointment at the lack of action in all of the areas. Progress was required by the October F&GP meeting.	
F/19/07/5	Finance Risk Register	
	<p>The Director of Governance advised that the Audit Committee were concerned about the number of red risks on the register and have asked that each Committee answers the following (where a yes the Audit Committee would like justification for this response and where a no details of the action being put in place):</p> <ol style="list-style-type: none"> 1. Has the risk register been reviewed 2. Is the Committee content that the risks are relevant and are being updated 3. Is the Committee content that the risks are being mitigated 4. Where a red risk is the Committee assured that appropriate action is being taken 5. Where does the Committee have significant concerns <p>The Deputy Chief Executive advised that she was reviewing the format of the risk register to include a grading for the column variance from appetite.</p> <p>The Committee considered the questions:</p> <ol style="list-style-type: none"> 1. Yes. The risks have remained consistent from that in the previous review and the items on the agenda address these risks. 2. Yes. 3. Mitigation is included but the Committee remain concerned around the winning our market and income generation risks especially in commercial. 4. Appropriate action is being taken within the limited resources that the College has. Concerned that the absence of a key player transfers the pressure to other staff and this reinforces the need for succession planning. 5. Significant concerns in the leadership and capacity of winning our market demonstrated by lack of progress in actions set. Absence of the Director of Curriculum Development and Partnerships and the added pressures this would mean for SLG. 	
F/19/07/6	Management Accounts	
	<p>The Deputy Chief Executive presented May's management accounts and highlighted that the key risk was the Commercial income. Savings have been made to cover the shortfall. June's management accounts were currently being closed.</p> <p>Governors noted their concern that the Commercial income was again down and that the report that had been requested had not been produced. There was a need for the Commercial sales team to go out and sell the course and a lot of work was required to turn around the situation.</p> <p>The Deputy Chief Executive advised that the College needed to grow so that it could progress and invest.</p>	

F/19/07/7	Subcontracting		
<p>The Deputy Chief Executive presented the report and the Committee discussed the proposals.</p> <p>The Committee resolved to recommend to the Corporation:</p> <ul style="list-style-type: none"> • Reassurance of current college due diligence processes and compliance with funding guidance • Approval of refreshed due diligence paperwork to be used in 19/20 • Agreement to the specific curriculum for subcontractors in 19/20 			
F/19/07/8	Commercial Update		
<p>In the absence of the report from the Director of Curriculum Development and Partnerships The Deputy Chief Executive gave a verbal update on the Commercial income and how this affected the management accounts and the 3 year financial forecast. She advised that no employer contributions towards the Offshore Wind Centre had been received.</p> <p>Governors commented that they were disappointed that the requested report had not been produced and that the actions set had not taken place. They reiterated that progress was required by the next meeting.</p> <p>Governors agreed the following actions:</p> <ul style="list-style-type: none"> • Deputy Chief Executive to investigate why no employer contributions received for the Offshore Wind Centre. 			UR
F/19/07/9	Bank Covenants		
<p>The Deputy Chief Executive gave a verbal update on her discussions with the Bank. The Bank's written response would be included in the Corporation papers.</p>			
F/19/07/10	3 Year Financial Forecast including cash flow and commentary		
<p>The Deputy Chief Executive presented the 3 year financial forecast and budget. This had been revised from the last meeting and now included growth to fund a 1% pay award in years 2 and 3. This award would only be affordable if the growth was achieved and the award sustainable. Year 1 included no allowance for a pay award. The Apprenticeship figure was dependant on the results being achieved, the AEB had been reduced due to under delivery in previous year, 16-18 based on the lagged funding, High Needs based on actuals and HE income stagnant. There was a need to grow in all areas to fund investment and the proposed pay increase.</p> <p>The Chair of the People Committee advised that the People Committee considered that to be a good employer a pay award needed to be made. It was up to this Committee to ensure that this was affordable.</p> <p>The Committee noted that a pay award could be also be awarded if there were delivery efficiencies and an increase in contribution rates.</p> <p>Governors noted that there may be additional pressure from staff for an award to be made given the recent announcement of a public sector pay increase and no award could have an effect on staff retention and recruitment. The Chair of the People Committee advised that the People Committee had agreed that posts</p>			

should be advertised with the total reward package and it was hoped that this would help with recruitment.

Governors challenged if there was any indication that there would be an increase in the funding rates. The Deputy Chief Executive advised that they had been held for the last 5 years and there was currently no indication that they would be increased and no increase had been allowed for in the 3YFF.

Governors challenged if performance related pay would assist in incentivising growth. The People Committee Chair advised that there would be contractual constraints to introducing performance related pay. Governors noted that it was important to firstly resolve the leadership and capacity issues within the winning our market area of the business.

Governors challenged how much annual increments cost the College. The Deputy Chief Executive advised that this was C£50k.

Governor's challenged if the funders were satisfied with the 3yff. The Deputy Chief Executive advised that the bank had reviewed it to ensure that the College was clearing its covenants. They had asked for a presentational change within the cash flow but were happy with the overall plan. The commentary is based on ESFA requirements and they set out what order it should be in.

Governors noted that the KPIs were not all being met. The Deputy Chief Executive advised that the pay costs as a % of income included the increased pension costs. The increase had been met for the first year but this payment was treated as income. It had been assumed within the 3YFF that the futures full years cost would be funded but future year's support would not be formally announced until the spending review. If it was not funded the College and the majority of other Colleges would be at risk of insolvency. The increase in pension cost resulted in a 7% on cost for any pay award.

The Deputy Chief Executive advised that the financial health rating was showing as good which is what the Corporation had set as a minimum target. The Director of Governance advised that the rating satisfactory was now known as requires improvement. The Deputy Chief Executive advised that the budget was tight and there was not therefore much margin for change to ensure that the good rating was maintained.

Governors challenged if the predicted increase in maritime was achievable. The Deputy Chief Executive advised that it was hoped that due to the curriculum being provided through the University of Suffolk and their Tier 4 that this was achievable. The partnership removed the tier 4 issues and had the advantage of being a University

Governors challenged how the growth in the Energy Skills Centre was going to be achieved given the issues with the commercial income and queried what marketing plan had been put in place for the new centre. The Director of Governance advised that the LOWES Board had not been convinced that the income forecasts were robust and that the Winning our Market and Growth Committee had asked for marketing campaigns and strategies for the College's various income lines.

The Deputy Chief Executive

Governors agreed the following actions:

- **Deputy Chief Executive to review the commercial income forecasts.**
- **Marketing plan for Energy Skills Centre to be produced.**

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The Committee resolved that:		
<ul style="list-style-type: none"> • They had reviewed the budget, 3 year financial forecast and commentary and recommended its approval to the Board, with the understanding that the pay award in year's 2 and 3 will only be made if affordable. • To fund the pay award growth should be used. 		
F/19/07/11	ESFA Financial Rating and Finance Dashboard	
The Committee noted the financial rating and dashboard.		
F/19/07/12	Policies for Recommendation to Corporation	
F/19/07/12.1	Fees policy	
F/19/07/12.2	Supply Chain fees and charges policy	
F/19/07/12	Bursary Policy and procedure	
<p>The Deputy Chief Executive presented the policies, all of which are reviewed and updated annually. For 2019/20 the ESFA has not made any funding changes but has mandated that College should detail how the management fees are spent in the delivery of the sub-contracting and part of the contract and this has been reflected in the Supply Chain Fees and Charges Policy. The only other change is to the Bursary and Fees policies which now includes a reference to Work Placement bursary.</p> <p>The Committee resolved to recommend approval to the Corporation of the Bursary Policy and procedure, Supply Chain fees and charges policy and Fees policy for 19/20.</p>		
F/19/07/13	VAT - Verbal Update	
The Deputy Chief Executive gave a verbal update. The College is group registered with its subsidiary and it is proposed to lease the Energy Skills Centre to the subsidiary and discussions are ongoing with the subsidiary's Board re the lease heads of terms. Work is now ongoing with the VAT reclaim, any return will be used to reinvest.		
F/19/07/14	Review of Meeting	
<ol style="list-style-type: none"> 1. Confidential Items: HR issues and Budget until approved 2. Risk Management: Staff absence 3. Health and Safety: Staff absence and effect on others workloads 4. Equality and Diversity: None 5. Media: None 6. How did the meeting go: Good detailed discussions 		
	Date of Next Meeting	
8/10/19		

