

East Coast College Finance and General Purposes Meeting

5th February 2019 at 5.00pm Lowestoft Board Room

Present:	Chair - David Hill (DH) Mick Castle (MC) Alan Debenham (AD) Saul Humphrey (SH) Stuart Rimmer (CEO/Principal)	
In attendance:	Wendy Stanger (Director of Governance) Urmila Rasan (Deputy Chief Executive Vicky Beck (Director of Business Development and Communications)	
F/19/02/1	Apologies and membership	Action
	Apologies were received from Richard Durrant (RD) Urmila Rasan was congratulated on her appointment as Deputy Chief Executive. Mick Castle was thanked for his contributions as it was his last meeting prior to him stepping down as a Governor. Mike Dowdall would be joining the Committee as of the next meeting.	
F/19/02/2	Declarations of Interest	
	There were no declarations of interest.	
F/19/02/3	To approve the Minutes of the meeting of the 20 November 2018 and any other matters raised previously not otherwise included in the Agenda	
	The minutes of 20/11/18 were agreed as a true record.	
F/19/02/4	To review the post-meeting action log	
	The action log was reviewed and noted where the item was covered on the agenda. F18/11/5 The Director of Business Development and Communications advised that the process to register with the Office for Students was to commence as it was required to reapply for the Tier 4 licence.	

F/19/02/5	Management Accounts - December 2018	
<p>The Deputy Chief Executive presented the accounts and explained where the income, pay and non-pay were currently. The data for Quarter 2 is due this month which will be the mid-year forecast. There was a risk to the College due to the 16-18 lagged funding and this would need to be addressed in the budget process.</p> <p>Governors commented that the KPI for cash generation was a concern given that we needed to generate enough cash to re-invest. The Deputy Chief Executive advised that the budget could be set on the basis of the target cash generation. To achieve this there would need to be additional income generation and efficiency savings.</p> <p>Governors challenged why the pay costs were under budget. The Deputy Chief Executive advised that this was due to carrying vacancies. Posts that were no longer needed were taken off the establishment. The Principal explained in some areas the College was struggling to recruit.</p> <p>The Deputy Chief Executive advised that the due diligence report had recommended that an integrated cash flow be produced and this was included in the pack. This will be reviewed at the quarter 2 review. It reconciles to the balance sheet and 3 year financial forecast and can be split weekly to yearly. The cladding project will have an effect on the cash flow as the ESFA will pay in arrears and this is demonstrated in its cash flow report.</p> <p>Governors commented that it was very good news regarding the cladding and noted the effect on the cash flow.</p> <p>The Deputy Chief Executive advised that the VAT Group Registration had been completed and there was a need to consider how the resultant VAT reclaim was used and invested. Governors noted that this needed to mitigate the risk to the College of any future reclaims.</p> <p>Governors agreed the following actions:</p> <ul style="list-style-type: none"> • People committee to review the effect of the staff vacancy rate. • Cash generation target and its effect on the 19/20 budget to be considered at the next meeting. 		<p>AD UR</p>
F/19/02/6	Financial performance mid-year report for Apprenticeships, Commercial, Maritime and Projects.	
<p>The Director of Business Development and Communications presented the report which provided a mid-year position statement with regards to the financial performance of Commercial and Maritime, Apprenticeships and Projects.</p> <p>Recruitment for apprenticeships was now tracking to plan but it was unlikely that the earlier shortfall would be recovered and efficiency savings were being looked into.</p> <p>The BBO project is under budget and efficiency savings are being identified to meet this shortfall. We have applied for BBO2 funding and have heard unofficially that we have been successful.</p> <p>The marine was still being adversely affected by the loss of Tier 4 and the move of the exam centre. The college is in discussions with the University of Suffolk to enter into a partnership to deliver through their tier 4. This would have a marketing benefit of the 'university' badge but would mean that the University would be paid a % fee. There is also the possibility of providing provision on behalf of Liverpool</p>		

college but this was subject to agreement and would be a one off increase in income.

Governors challenged that there was a need to look at other markets. The Principal advised that currently we rely on one international market and there was a need to widen this. This could be assisted if we go into partnership with the University of Suffolk.

Governors challenged if the reduction in recruitment due to the loss of tier 4 had a commensurate reduction in costs. The Director advised that it did not as there was a set delivery specification. Infilling onto short courses would help with efficiency.

Governors challenged that there was a need for realistic income targets as predictions had not been met and this had happened previously. The Director advised that the predictions were now more robust and that the offer and provision would be considered in detail in the curriculum planning process. The Principal advised that the curriculum plan and budget would allow the committee to test the income target predictions.

Governors challenged why there was uncollected fee income. The Director advised that the student did not receive their qualification until the fee was paid. The Deputy Chief Executive advised that she was reviewing the fee process. The uncollected fee income was invoices not raised and this income was therefore not reflected in the management accounts. Invoices would be raised shortly.

The committee discussed that there was a need for them to consider the provision's income and contribution rates and for the Standards Committee to consider quality and that the curriculum met the needs of the community. This may have to be considered by a joint committee if these aims conflicted. The Principal advised that this would need to include consideration of cross subsidy.

Governors commented that the new centre gave the College an opportunity to grow and this needed to be exploited.

Governors agreed the following actions:

- **Realistic targets to be set for both numbers and income.**
- **Income to be recorded correctly and timely with a debt chasing process to be put in place.**
- **Uncollected fee income invoices to be raised and an update provided to the next committee.**
- **Joint Committee to be held if required.**

VB
VB / UR
VB / UR
WS

F/19/02/7	Funding Increases to Teachers' Pension Contributions Consultation	
<p>The Deputy Chief Executive presented the report on the consultation on the TPS contributions. The current comprehensive spending review is only up to April 2020 and the Department can therefore only assure the Colleges any subsidy only until then. This increase has therefore been included in the sensitivity analysis.</p> <p>Governors commented that if the Government didn't fund the increase then alternatives would need to be considered as it would have a significant effect on the budget.</p> <p>Governors agreed the following action:</p> <ul style="list-style-type: none"> • TPS to be included in the sensitivity analysis and action plan for consideration at the next meeting. 		UR
F/19/02/8	Health and Safety Academic year 2018-2019 Term 1	
<p>The report was noted. AD, the Governor link for health and safety, advised that he attended the College's Health and Safety Committee and following that meeting had raised concerns with the Senior Team regarding knife control and completion of educational visits risk assessment. His concerns had been swiftly responded to.</p> <p>The Principal advised that the Assistant Principal and Head of Estates were inspecting on a regular basis regarding knives and additional information had been sent out regarding completion of risk assessments. This would be reviewed at the next Health and Safety Committee.</p> <p>Governors challenged where mental health was covered. The Principal advised that Standards Committee received a termly update on safeguarding which included mental health and the People Committee would receive updates in relation to staff.</p> <p>Governors agreed the following action:</p> <ul style="list-style-type: none"> • Smart Log training update to the next meeting. • The termly as well as the annual health and safety report to be received by F&GP. 		UR UR
F/19/02/9	Concontracting Out Update - Cleaning and Catering	
<p>The Director of Business Development and Communications presented the report.</p> <p>Confidential</p>		

F/19/02/10	Contracting Out - Payroll	
Confidential		
F/19/02/11	Subcontracting	
Confidential		
F/19/02/12	Merger Update	
Confidential		

--	--

F/19/02/13	Insolvency Regime
-------------------	--------------------------

The Deputy Chief Executive gave a presentation on the new College Insolvency regime. She advised that due to the College being under intervention and oversight by the TU and Bank we were well prepared for the insolvency regime. The legislation came into force on 31 January 2019. It is the duty of Governors not to trade into insolvency. Governors could be held liable if they were shown to have acted negligently.

The guidance sets out what action College's should take:

- *The board and executive should recognise that the monthly cashflow position is as important as the year-end position and that insolvency can develop quickly.*
- *The board should ensure that the college executive undertake robust and comprehensive monthly cashflow forecasting and, where appropriate, ensure this is reviewed externally/independently.*
- *The board should undertake regular monitoring and review of both cashflow and loan covenant compliance.*

EE Corporation receives a regular cashflow position and forecast. This was independently reviewed as part of the Due Diligence.

ECC loan covenant compliance is included in the management accounts

- *To ensure strong financial management, the board should ensure that its makeup includes good finance skills and that there is an effective finance committee. There should be a credible, professionally qualified finance director appointed with sufficient seniority within the college (preferably a senior post-holder).*

<p>ECC Corporation includes those with good financial skills and experience. The Finance and General Purposes and Audit Committee have been strengthened. Finance training has been provided as part of this year's governance development.</p> <p>The ECC Deputy Chief Executive acts as the finance director and is a senior post holder.</p> <ul style="list-style-type: none"> <i>The board should ensure that there is adequate risk assessment and sensitising of key cash variables, in particular capital receipts and Adult Education Budget clawback.</i> <p>Sensitivity analysis in the process of being completed and will be reported to the ECC Corporation.</p> <p>Risk is included within the ECC Board Assurance Framework that Audit Committee are recommending to the Corporation for adoption and a risk workshop has been arranged.</p> <ul style="list-style-type: none"> <i>The board should not rely solely on the Education and Skills Funding Agency (ESFA) or other review ratings to give an indication of solvency, which may either not fully reflect the college's true financial position or may not be up to date.</i> <p>The ECC Corporation receive an update as part of the quarterly reviews and monthly management accounts.</p> <p>Governors challenged if there was clear separation of duties. The Deputy Chief Executive advised that there was clear separation within the finance department. This was also set out in the Regularity Manual which the Audit Committee were recommending to Corporation for adoption. The finance system was under review and access would be further restricted. The next Audit plan would include a review of implementation and compliance with the Regularity Manual.</p>		
F/19/02/14	Agenda Planning	
No additional reports required.		
F/18/11/15	Review of Meeting	
<ol style="list-style-type: none"> Confidential Items: Items 9 - 12 Risk Management: Risk register is under review Health and Safety: None Equality and Diversity: None Media: None How did the meeting go: Good detailed discussion of the important issues 		
	Date of Next Meeting	
30 4 2019		
23 7 2019		