

# East Coast College Finance and General Purposes Meeting

9<sup>th</sup> October at 5.00pm

Present:	David Hill (DH) 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 6, 7, 8.6 and 8.14) Richard Durrant Governor	
<b>F/18/010/1</b>	<b>Apologies and membership</b>	<b>Action</b>
	Apologies were received from Saul Humphrey (SH).	
<b>F/18/10/2</b>	<b>Declarations of Interest</b>	
	SH's declaration of interest in the Energy Centre was noted.  The Principal advised that the contract had now been signed.	
<b>F/18/010/3</b>	<b>To approve the Minutes of the meeting of the 27 June and 9 July 2018 and any other matters raised previously not otherwise included in the Agenda</b>	
	The minutes of 27/6/18 and 9/7/18 were agreed as a true record.	
<b>F/18/010/4</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>It was clarified that action 17/10/7 referred to non-compliance with financial processes and it was agreed that this needed to be a specific comment of non-compliance with financial regulations in the management accounts.</p> <p>The Director of Governance advised that the format of the management accounts was currently being revised and would include additional triangulation information to enable Governor to have confidence in the data.</p> <p>Governors discussed item F/17/06/8 regarding the merger savings and whether this item was time limited.</p> <p><b>Governors agreed the following actions:</b></p> <p><b>Management accounts to include a commentary on any instances of non-compliance with financial regulations.</b></p> <p><b>Merger savings to be reviewed for 17/18 and compared to original merger plan. This to be split between pay and non-pay with detail by individual line. Report to be brought to February's meeting.</b></p>	<p><b>UR</b></p> <p><b>UR</b></p>

F/18/10/5	<b>Terms of Reference</b>	
<p>The Director of Governance advised that the terms of reference had been reviewed and the responsibility for people issues had been taken out as they were now with the Learning Development and Wellbeing Committee. General purpose items remaining in the terms of reference included Estates and Health and Safety. It was clarified that AD was the Governor link for Health and Safety and that he attended the College's Health and Safety Committee.</p> <p><b>Governors resolved to recommend to Corporation that the terms of reference be approved.</b></p>		<b>WS</b>
F/18/10/6	<b>Health and Safety Annual Report</b>	
<p>The Director of Business Development and Communications presented the annual report and was pleased to report that there had been a reduction in the number of health and safety accidents and incidents, down 31% against the previous year.</p> <p>Governors challenged if the reduction was due to an actual reduction or a change in reporting. The Director of Business Development and Communications confirmed that it was an actual reduction.</p> <p>Governors challenged if there were any issues outstanding with the Tower Block. The Director of Business Development and Communications advised that all work required by the fire officer was complete they were though still keeping a watching brief due to the cladding. The Principal advised that a bid to ESFA to re-clad the Tower had been made, this would only take place if there was 100% funding. If funding awarded the aim was for a March 19 completion.</p> <p><b>Governors resolved to note the Health and Safety Annual Report.</b></p>		
F/18/10/7	<b>Annual Partnership Report</b>	
<p>The Director of Business Development and Communications presented the annual report.</p> <p>Governors challenged what had caused the reduction in income. The Director of Business Development and Communications advised that this had been due to a late project start whilst expenditure was being incurred. Financial reporting had been improved to help ensure that this did not reoccur. The Interim Deputy Principal advised that the project assumptions had been built into the 3 year forecast.</p> <p>Governors challenged what the contribution rate was. The Director advised that for this financial year it was 10% and that the College was on plan to achieve this. The BBO project expenditure was due to complete by the end of 18/19 but income would continue into 19/20.</p> <p>Governors challenged if the end of the BBO project would have an effect on the staff establishment. The Director advised that the staff involved in the project, apart from the Project Manager, were employed on fixed term contracts for the life of the contract only. There is a possibility of a BBO2 project and the College is being encouraged to bid as the funders are happy with our performance.</p>		

Governors challenged what effect Brexit would have on funding. The Principal advised that this was not yet clear but the likelihood would be that there would still be projects to bid to due to the area's depreciation.

Governors challenged what projects were currently being bid for. The Director advised that we were pursuing the Sure Trust Project, subject to legal advice on TUPE. The College would withdraw if the TUPE implications are a risk to the college. The neighbourhood at work project continues into next year.

Governors commented that it would be useful to see a project breakdown in the management accounts.

**Governors resolved to note the Annual partnership Report.**

**F/18/10/8**

**Quarter 4 Review**

### **8.1 Strategic Progress Report**

The Director of Governance advised that the additional detailed financial information had been included in the meeting pack to enable Governors to triangulate the data and have assurance that the accounts information was now accurate. The Interim Deputy Executive advised that this information was also required for the quarterly review meetings with the funders. The quarter 4 review had now been signed off by the Transaction Unit (TU).

Governors challenged if consideration was being given to the additional loan from the TU. The principal advised that there was the potential to draw down the £2million facility but this would need to be in form of a grant as if taken as a loan the covenants would be broken. This would be further reviewed after quarter one when the forecast and financial health would be reviewed. Other options to be explored would be reducing the annual loan repayments by increasing the loan period.

The Principal advised that due to the issues identified in the Due Diligence reports the bank were to commission an additional due diligence review and report and this was likely to take place in January 19. This would look at the CFADs model, 3 year financial forecast, sensitivity analysis such as effect of capital spend, inflation, pensions and pay rises. This would be carried out by RSM and the report would include recommendations that will inform the College and the funders.

The Interim Deputy Principal advised that the due diligence would be carried out on the revised 3 year financial forecast that she was currently producing. It was due to be submitted to the ESFA by December.

### **8.2 Turnaround Consultant**

The report was noted.

### **8.3 Updated Estates Strategy**

The Principal advised this was a review of the previously agreed strategy and currently showed a reduction in square footage due to the disposal of the nurseries and demolition of the Tech Block. This would change with the addition of the new Energy Centre and the Sixth Form. The College has over capacity and inadequate building have been mothballed.

### **8.4 Quarterly update on financial and non-financial KPI's in the grant agreement.**

The Principal explained that these were the KPIs in the covenants. They were to be included in the College's KPI dashboard.

### **8.5 Programme Board Minutes**

The Principal advised that he Chairs the Programme Board and it considers different areas of the college each month. This Board identified the weaknesses in quality and commercial and action has been taken.

### **8.6 Apprenticeship Profile**

The Director of Business Development and Communications advised that the income profile needed updating as an unrealistic profile had been included in the curriculum plan. The curriculum plan was skewed as it had defaulted to all September start dates and had assumed that all would be on Standards whereas some were still on framework. An additional second cohort was currently being recruited for a January start.

Governors challenged why the Director thought the budget figure would be achieved. The Director advised that this was due to the budget being achieved in 17/18, that the apprenticeship levy was now more understood, she had a new team in place whose aim was to grow the provision and the development of the Energy Centre. The team had been set a target of £2.5m compared to the budget of £2.4m.

The Director of Business Development and Communications gave an update on the commercial income and advised that the College had been informed that the Tier 4 licence needed to be surrendered. The Principal advised that a Tier 4 licence required an Ofsted Good and to pass QAA, we would therefore not be able to re-apply for the licence until we had achieved an Ofsted good.

Governors challenged what the impact of surrendering the Tier 4 licence would be. The Director of Business Development and Communications advised that the impact on recruitment and finances had already been felt and reflected in the budget. We were currently working with the Tier 2 licence and a model of 3 months overseas and 6 months at the College.

The Director of Business Development and Communications advised that the development of the Energy Centre would mean growth in commercial income as there would be state of the art industry approved equipment. Marine Cadetship would be starting in September 19.

#### **Governors agreed the following actions:**

- **Apprenticeship re-profile to be considered at next meeting.**

**VB/UR**

### **8.7 Management Accounts**

The Interim Deputy Chief Executive advised that the management accounts included in the pack were Julys and were the starting point for the year end. They could now be triangulated back to the source documents and as Governors had requested these had been included with the papers. The profiling had been adjusted to a more accurate and realistic one rather than a straight line profile.

The Interim Deputy Chief Executive advised that as Governors were aware it was identified in the due diligence report that the lending had not been reflected in the accounts correctly with figures netted off and reconciliation to source not possible. This has now all been accounted correctly.

The Principal advised that the College was not generating enough cash and we either need to grow or reduce costs. Cash generation was one of the covenants, exceptional support funding would not be available in the future and cash was needed to re-invest. Demographics are not increasing so to grow need new provision and new opportunities. To reduce cost further would be difficult as we

have already cut costs by £6 million. We would need to look at areas such as increasing class sizes and this could have an impact on quality.

Governors commented that if quality was improved income would increase.

The Principal advised that we needed to hold people to account for the curriculum plan and that the contribution rates could be improved.

Governors discussed the pay award and whether this could be tied explicitly to the College meeting targets.

The Principal advised that we needed a clear set of targets that fed into the management accounts and a 3 year forecast.

**Governors agreed the following actions:**

- **Learning Development and Wellbeing Committee to consider pay award and connectivity with College targets.**

SR/WS

**8.8 Monthly Cash flow**

The monthly cash flow was noted

**8.9 Bank Reconciliations**

The Principal advised that these had been included as the bank reconciliations had identified the previous issues with the accounts.

Governors challenged if there was now processes in place to ensure that these were reconciled. The Interim Deputy Chief Executive advised that each month all journal and bank reconciliations would be produced prior to the production of a trial balance and management accounts with commentary. This would include reconciliation to the ILR.

The Interim Deputy Chief Executive advised that she was also producing a financial compliance manual and with the Director of Governance a Board Assurance Model.

Governors challenged how the systemic failure in financial systems had occurred. The Interim Deputy Chief Executive advised that there had been integration issues, the finance team had not been completing the monthly reconciliations, items were netted off and there was not a clear audit trail.

The Chair commented that he had, had a briefing with the Interim Deputy Chief Executive and was now assured that the previously identified technical accounting issues had been addressed and that there was now a full audit trail.

**Governors agreed the following actions:**

- **Chair to meet with the Interim Chief Executive twice a term.**

**8.10 Quarter 4 Model CFADS extracts**

The Interim Deputy Chief Executive advised that the quarter 4 model had now been signed off by the Transaction Unit. The next quarter review will be in January and it hoped that the additional due diligence work will have been completed by then.

**8.11 Fixed Assets Reconciliation**

The Principal advised that this had been included as it was an issue identified as needing resolving in the Due Diligence report as the fixed asset register had not been updated correctly. This needs to be resolved for the annual accounts.

**8.12 ESFA Loans and Grants**

The Principal advised that this had been included as it was an issue identified as needing resolving in the Due Diligence report and noted what action is required.

**8.13 Merger Costs**

The Principal advised that this set out the merger costs.

**8.14 Energy & Engineering Skills Centre - Project Cash Flow Projection**

The Interim Deputy Chief Executive presented the reports and tabled an updated project cash flow with the effect this would have on the College’s cash flow. The Project Team have negotiated an accelerated payment schedule with the contractor and this has been cleared with NALEP. NALEP have also agreed to pay grant on receipt of the contractor’s invoice to assist the College with cash flow.

Governors challenged if there was a risk to the college with this process. The Interim Deputy Chief Executive advised that vesting certificates will be issued by the contractor to transfer ownership of materials to East Coast College.

Governors challenged that if the additional funding for the Energy Centre was taken from the capital budget what effect this would have on the rest of the College. The Principal advised that as the College’s capital spend was small this would mean significant cut to the capital budget. The Interim Deputy Chief Executive advised that this would be reflected in the revised 3 year forecast. Investigation was also ongoing to see if there was any scope for reclaim of VAT.

**8.15 Quarter 4 Submission Actions**

The Interim Deputy Chief Executive advised that these set out the actions that were required for the quarter 4 submission

<b>F/18/10/9</b>	<b>Enrolment</b>	
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The Principal advised that there was an encouraging picture with recruitment. The final ILR should be run at the end of October. Targets had been set for curriculum higher than that had been budgeted for. HE recruitment had exceeded target and had improved retention which would mean additional funding.

Governors commented that they were pleased to see enrolment figures supported the financial plan for the year.

<b>F/18/10/10</b>	<b>Agenda Planning</b>	
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The Director of Governance advised that an additional meeting was proposed for Tuesday 20 November 5pm in order for the Committee to review the financial position.

The Interim Deputy Chief Executive advised that some of the papers would not be available within the normal pre-meeting 7 days. Governors agreed that this was acceptable as it was more important to have the up to date figures.

**Governors agreed the following actions:**

- **Additional meeting 20/11/18**
- **Agenda for November meeting to include**
  - 1) **quarter one draft figures and financial model**
  - 2) **3 year revised financial forecast and commentary**
  - 3) **draft audited accounts 17/18**
  - 4) **management accounts end September and October**

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<b>F/18/10/10</b>	<b>Review of Meeting</b>	
<ol style="list-style-type: none"> <li>1. Confidential Items: none</li> <li>2. Risk Management: Risk register is under review and revised format to November Audit Committee.</li> <li>3. Health and Safety: Annual report received and reduction in incidents noted.</li> <li>4. Equality and Diversity: None</li> <li>5. Media: Energy centre</li> <li>6. How did the meeting go:</li> </ol>		
	<b>Date of Next Meeting</b>	
20 11 18		