East Coast College Corporation Meeting 24th February 3pm Great Yarmouth Board Room

Present:	Mike Burrows (MB) Albert Cadmore (AC) Roger Cracknell (RC) Alan Debenham (AD) Rob Evans (RE) Mike Dowdall (MD) Debbie Pring (DP) Giles Kerkham (GK) Saul Humphrey (SH) Gemma Head (GH) David Hill (DH) Jane Fermor (JF) Stuart Rimmer (CEO/Principal) and partial attendance Roger Cracknell (RC) and Hayden Latore (HL)
In attendance:	Wendy Stanger (Director of Governance) Urmila Rasan (Deputy Chief Executive) Paul Padda (Vice Principal) for item 3

ECC/20/02/1 Apologies	**Action**
Apologies Apologies were received from Peter Lavender (PL) Tina Ellis (TE) and Abby Stranks **Membership** Alan Debenham (AD) Tina Ellis (TE) Rob Evans (RE) David Hill (DH) Mike Burrows (MB) Stuart Rimmer (CEO & Principal) Saul Humphrey (SH) Albert Cadmore (AC) Debbie Pring (DP) Jane Fermor (JF) Peter Lavender (PL) Roger Cracknell (RC) Andrew Timberlake (AT) Gemma Head (GH) Mike Dowdall (MC) Giles Kerkham (GK) and Abby Stranks (AS) Hayden Latore (HL) and Callum Fenn (CF)	
ECC/20/02/2 Declaration of Interests	
There were no declarations of interest pertinent to the business of the meeting.	
ECC/20/02/3 OFSTED - Verbal Update – Confidential until published	**Action**
The Vice Principal gave a verbal update on the Ofsted inspection. The inspection team commented that the College had been welcoming and professional and had provided all information requested. The proposed grades were: Overall grade – 2. • the quality of education - 2 • behaviour and attitudes - 2 • personal development - 2 • leadership and management – 2 • Education programmes for young people – 2 • Adult learning programmes – 2 • Apprenticeships – 3 • Provision for learners with high needs – 2 This was now subject to moderation and quality assurance and the draft report should be with the College for factual accuracy checks within 19 days of the inspection. More detailed feedback on the inspection will be provided to March's Standards Committee.	

The main curriculum areas looked at during the deep dives had been construction, sixth form, childcare, hairdressing, beauty, health and social care, sport and maths and English. The Chair commented that the team involved in the inspection had been brilliant and everyone raised their game to achieve this fantastic result. The support from the learners and staff had been crucial during the inspection. This would open opportunities for the College's development. The Corporation noted their thanks to all involved in the inspection and congratulated the College on the grade 2. The Corporation recognised the outstanding achievement from where we were to what we have now achieved. It demonstrated that the culture of the College is the provision of the best experience to the learner. It is hoped that this momentum will take us to outstanding. The Principal commented that the grade 2 would mean that the new Strategy would look and feel different with additional development and ambition. Governors challenged if it had been a strong 2. The Vice Principal commented it had been, based on the feedback received with all issues being able to be closed off. The only area that couldn't be was apprenticeships. **Governors agreed the following actions:** • **Communications plan to be produced. Communications to include what this means for the College's development and the community.** • **Celebration events to be held.** • **Thank you and congratulations letter to be sent to staff from the Chair on behalf of the Board.** • **Briefing with MPs to take place.**	**SLG** **SLG** **MB** **SR**
ECC/20/02/4 Integrated Financial Model - ECC Model	**Action**
ECC/20/02/4.1 College Financial Planning Handbook Nov 2019 (version 2)	
ECC/20/02/4.2 Integrated Finance Model Guidance for Colleges December 2019	
ECC/20/02/4.3 Common issues with the integrated financial model for colleges (IFMC) Updated 11 February 2020	
The Board noted the guidance that had been included in the pack. The Deputy Chief Executive advised that the model was a business turnaround model with the focus on cash flow as key for solvency. It would not match the year end audited accounts due to the audit conventions. The Principal commented that it had been brought in due to the number of high profile failures due to 'surprise' deficits that the Colleges and agencies were not aware of. The model should identify if Colleges are due to run out of money so that the Corporation could take appropriate remedial action. Corporations need to send the data for the annual return by 28 February 2020 and this must include the 4-year Excel IFMC return. It includes budget and cash flow as follows:	

• outturn – year ending 31 July 2019 • budget – year ending 31 July 2020 • actuals – period 1 August 2019 to 30 November 2019 • forecast – period 1 December 2019 to 31 July 2020 • forecast – year ending 31 July 2021 • forecast – year ending 31 July 2022 • detailed commentary which explains the assumptions upon which the IFMC has been completed. As the College had TU funding the model would also be required to be submitted in April and September. The Director of Governance advised that it was not currently clear if these additional returns would require Corporation approval. The Deputy Chief Executive took the Board through the model and the narrative and the BI dashboard that had been built from the model. Governors commented that the submission date meant that figures had to be submitted prior to the curriculum and financial planning taking place for 20/21. The Principal advised that this meant that the narrative had to be heavily caveated. The Deputy Chief Executive advised that 20/21 income had been based on this year adjusted for known changes in income and expenditure and included the full year effect of the pay award and non-pay inflation. The model would be updated once the curriculum plan and financial plan for 20/21 was completed. Governors commented that it was important that the Corporation also still received the financial data needed to manage its budgets. The Principal advised that Colleges were running different financial models and this is the first time the sector has had a model that enables central monitoring and benchmarked of data. Governors raised concerns about using 20/21 data for benchmarking prior to the financial planning not being complete. Governors commented that as the model had to have data input into it there was an opportunity for error. The Deputy Chief Executive advised that the reconciliations carried out at year end would now need to happen monthly so that the model could be updated as an opening and closing balance was needed for each item. Governors commented that it was accepted that the model would require submission but that a covering letter should be submitted with the model setting out the Corporations concerns. Governors challenged what the banks view on the model was. The Deputy Chief Executive advised that the model had been sent to the bank for review. No comment had yet been received. The bank's main concern was security of their loan repayments. Governors discussed the College's debt and noted that the gearing ratio reduced in the model as the debt was repaid. The new strategy would need to address the Corporation's attitude to debt. The Principal commented that the College was an efficient one with a high level of debt and that without the debt the College would be generating enough cash to invest. Capital receipts could be used to reduce debt if the break clauses were not enforced. Currently the receipt from the sale of D and W block would have to be held in a blocked account. This is required by the bank as they have first charge on the property and will also apply to any other asset sold. Governors discussed the health rating within the model and noted that the calculation for the rating had been amended. The Principal commented that if the College didn't	

achieve a good health rating this would restrict the College's development as bidding for schemes such as the IOT2 was restricted to those with a good financial health rating. Governors discussed the KPIs included in the narrative as a provisional set and agreed that these should be reviewed in detail by the Finance and General Purposes Committee as part of the financial planning process. Governors raised the risk of the finance department having sufficient knowledge/experience for managing the model. The Deputy Chief Executive advised that the reconciliations required for the model would be built into their work. **Governors agreed the following actions:** • **Management accounts to be reviewed to ensure that they included the information required for the model and presented to March's Finance and General Purposes Committee for review.** • **Management accounts to include any change in assumptions for the financial model made during the month.** • **Sensitivity analysis to be carried out as part of the budgetary process.** • **KPIs to be reviewed by Finance and General Purposes Committee.** • **Covering letter to be sent with the submission setting out the Corporations concerns regarding the model, submission dates and highlighting that a 3 year funding model would make the model more workable.** • **Concerns regarding the model to be raised with the ESFA at the intervention meeting.** **The Corporation resolved to:** **1. Adopt the integrated finance model together with the accompanying narrative that sets out the assumptions made within the model.** **2. Approve the accounting officer to submit the model.** **3. Produce integrated management accounts which will include:** • **Income and expenditure** • **Balance sheet** • **12- month rolling cash-flow forecast** • **Capital expenditure** • **financial performance indicators** • **Staffing information** • **Funding information** **4. Approve new projects with Business plans and Risks** **5. Meet all submission deadlines** **6. Approve the Regularity, Propriety and Compliance manual annually**	 **UR** **UR** **UR** **F&GP** **SR/MB** **SR**
ECC/20/02/5 FE Insolvency Guidance Jan 20	**Action**
The guidance was noted. The Director of Governance highlighted that the guidance stated that:	

- *The board and executive should recognise that the monthly cash flow 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 cash flow forecasting and, where appropriate, ensure this is reviewed externally/independently.*
- *The board should undertake regular monitoring and review of both cash flow and loan covenant compliance.*
- *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 J post-holder).*
- *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.*

And that the guidance made clear that the responsibility for financial management was a shared one:

- *Since all governors have a shared responsibility for the strong financial management of their college, they cannot simply rely on the governors on the board who have professional financial expertise to focus on overall financial health.*
- *All governors need to ensure that the college's executive team has a sharp focus on:*

  robust and comprehensive cash flow forecasting – where appropriate reviewed externally/independently; and

  cash reserves being sustainably maintained throughout the year (not just at year-end)
- *All governors should collectively ensure:*

  regular monitoring and review of monthly cash flow, overdraft usage and loan covenant compliance (with good finance skills and an effective finance committee in place)

  adequate risk assessment and sensitising of key cash variables, in particular capital receipts and funding clawback

  that they, the Principal and Finance Director recognise and understand the implications of the insolvency regime and all stages of intervention so that they can work most effectively with the ESFA and the FE Commissioner (FEC) and his team

  College corporation boards should not limit their financial focus, for example prioritising year-end or even quarterly positions; but need to regularly monitor the college's monthly cash flow position. They should seek regular assurance on the cash reserve position, and up to date forecasts that extend beyond the end of the current financial year.

  Boards should try to identify any breaches or potential breaches of loan covenants in-year rather than after year-end. Renegotiation of loan covenant terms is easier when changes in position are identified and addressed quickly. Conversely, if not identified, breaches can result in reclassification of debt to current liabilities and accelerate a decline in financial health.

College corporations would be advised to recruit a qualified accountant onto their board; and/or to ensure that a Finance Director of sufficient seniority is appointed, who is capable of renegotiating covenants and lending facilities and driving through change where needed. Boards also need to ensure good risk assessment of financial plans and delivery, along with actions to mitigate risk, and monitoring and reporting regularly. Additional information on insolvency including the previously provided training slides were available on the portal. **Governors agreed the following actions:** • **Training notes on the insolvency regime to be re-circulated to the Corporation**.		**WS**
ECC/20/02/6	**Review of Meeting**	
1. Confidential Items – All until Ofsted published 2. Risk Management: any issues discussed which may require an additional Assessment – Risk of sufficient experienced financial team resource to manage the model and its requirements. 3. Equality & Diversity: any issues discussed which may require an additional Impact Assessment – None 4. Health & Safety: any issues discussed which may require an additional Impact Assessment – None 5. Media: any issues discussed to inform local media – Communication plan for Ofsted. 6. How did the meeting go –		