

East Coast College Finance and General Purposes Meeting

3rd December 2019 at 5.00pm Lowestoft Board Room

Present:	Mike Dowdall (MD) Alan Debenham (AD) Jane Fermor (JF) and Stuart Rimmer (Principal)	
In attendance:	Wendy Stanger (Director of Governance) Urmila Rasan (Deputy Chief Executive)	
F/19/12/1	Apologies and membership	Action
<p>Apologies were received from Chair - David Hill (DH) it was agreed that Alan Debenham (AD) would Chair the meeting.</p> <p>The Director of Governance advised that there was a vacancy on the Committee following Richard Durant's term of office ending.</p> <p>The Committee noted that the Chair of F&GP had commented that he had been briefed by the Deputy Chief Executive and was content with the financial position. The Director of Governance advised that the Corporation could not devolve the 'responsibility for ensuring the solvency of the institution and the Corporation and for safeguarding their assets' and therefore items such as the draft annual accounts, pay review, catering outsourcing and bank covenant would go to Corporation for resolution.</p>		
F/19/12/2	Declarations of Interest	
<p>MD declared an interest in the Energy Centre and the Offshore Wind Centre due to being an employee of the LEP. It was agreed that these declarations didn't preclude his full participation in the meeting.</p>		
F/19/12/3	To approve the Minutes of the meeting of the 8 October 2019 and any other matters raised previously not otherwise included in the Agenda	
<p>The minutes were agreed as a true record.</p>		
F/19/12/4	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>F/19/04/9.2 – update paper on Corporation December's agenda</p> <p>F/19/10/10 – the Deputy Chief Executive advised that all those who were over 3 months late for training completion were having their log in switched off until they completed the required training. Governors commented that this should ensure that staff understood the importance of completing the training.</p>		
F/19/12/5	Finance Risk Register	
<p>The Director of Governance reminded the Committee of the questions that the Audit Committee required answering.</p> <p>1. Has the risk register been reviewed</p>		

The committee noted that the register had been reviewed and that this was to occur once a term

The Committee went through each risk appetite and discussed the current position. It was noted that these were all from the Strategic Plan and due to be met by July 2020.

It noted that risk S01T02 re The number of teaching staff employed is higher than required for the delivery of the curriculum plan was being picked up through performance management and curriculum planning

2. Is the Committee content that the risks are relevant and are being updated

The Deputy Chief Executive advised that the WOM committee had asked for a risk to be added regarding the partnerships and the committee agreed that this should be added both for reputational and financial risk.

S01T08 - The College is at risk of being put into early intervention by the ESFA. The Deputy Chief Executive advised that the financial health rating had been assessed as good and College would shortly be taken out of ESFA intervention.

3. Is the Committee content that the risks are being mitigated

The Committee commented that more detail was required in the action log to assure the Committee that the risks were being mitigated.

S01T09 - The College misses its financial targets to be reviewed as the risk appetite set was before loan servicing and should be after which would give a EBITA of £1.6m which currently there was a risk even with mitigation wouldn't be met.

4. Where a red risk is the Committee assured that appropriate action is being taken

No red risks post mitigation or in variance from risk appetite.

5. Where does the Committee have significant concerns

Main concern was around the reduction in commercial income and the condition of the estate. It was noted though that the Commercial income was a small % of the College's total income.

The Principal advised that the ESFA were reviewing college estates and a Condition Development Fund had been established for funding improvements in low grade accommodation. C Block and the Tower block were the Colleges main low grade accommodation.

Governors agreed the following actions:

- **Report on staff utilisation to the next meeting.** UR
- **Risk register to note the current performance against appetite at its next review.** UR
- **Risk register to note that the risk appetites were to be achieved by July 2020** UR
- **The mitigation in the risk register action log to be more detailed so that the Committee could be assured that appropriate action was being taken.** UR
- **Risk S01T09 - The College misses its financial targets to be reviewed** UR

	<ul style="list-style-type: none"> • Partnerships to be added to the risk register – both reputational and a financial risk. 	UR
F/19/12/6	Management Accounts	
	<p>The Deputy Chief Executive presented October's management accounts, she advised that the ILR had not been fully validated when the accounts were produced and therefore some of the income was estimated. It wasn't though expected that there would be any material change to the figures.</p> <p>The Principal advised that the College had achieved 16-18 numbers in excess of allocation and the College would therefore receive additional lagged funding in 20/21. This was the first time in 3 years that we had outperformed our allocation. For AEB we were on target but this was a reduced allocation and subcontracting had been reduced accordingly.</p> <p>Governors challenged why there was shortfall in maritime income and contribution. The Deputy Chief Executive advised that this was due to the partnership with University of Suffolk commencing later than expected and an intake being missed. The plan was to grow this provision but the risk was recruitment of specialist staff. The team were planning the staff requirement for 20/21 to allow time for recruitment.</p> <p>Governors challenged why there was again a shortfall in commercial income. The College needed to have robust forecasts as the College had been in this position in 18/19 and it shouldn't be repeated. The Deputy Chief Executive advised that commercial was being robustly scrutinised and a revised forecast and curriculum plan was to be produced out in January. The Principal advised that the income for the 18/19 had been £750k before that the College had been achieving between £1.2 - £1.5m. Additional management support resources had been brought in and an improvement action plan put in place.</p> <p>Governors discussed the apprenticeship income and the need for accurate forecasting of achievement rate as this affected the income received with 20% paid on achievement.</p> <p>Governors challenged what the commercial market position was. The Principal advised that regional benchmarking wasn't available but in the local market Nexus had recently gone into liquidation. Nationally there was an under recruitment in apprenticeships and more SME training providers were being set up that could provide commercial courses cheaper.</p> <p>Governors commented that it was important that we had comparative data so that performance could be assessed. The Principal advised that the ESFA Dashboard included financial comparative data.</p> <p>Governors challenged if the capital allocated to departments had been utilised. The Deputy Chief Executive advised that Estates and IT had spent the majority of their budget in the Summer so that the college was ready for the new term. Capital allocated to the Curriculum areas was to be reviewed as part of performance management and would be reallocated if not being utilised.</p> <p>The Principal advised that L6FC required more investment than planned due to issues with the server not being maintained and the water system not having the recommended action taken to maintain it.</p>	

Governors commented that the management accounts needed to be sharpened with evaluation and analysis that ensured they were accessible by a non-financial specialist. It was important that at the next meeting there was clarity of income based on the clean ILR.

Governors agreed the following actions:

- **Format of the management accounts to be reviewed to ensure that it is clear with a detailed analysis and evaluation and year end forecast**
- **Commercial updated financial forecast to the next meeting**
- **Standards Committee to review the accuracy of apprenticeship achievement forecasts**
- **Schedule of maintenance and testing of water systems for all campuses to the next meeting**

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PP
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F/19/12/7

Draft Year End Accounts

The Deputy Chief Executive presented the draft accounts and advised that there were no major changes to that forecast. The finalised accounts would be considered by December's Corporation. She advised that when the figures were input into the ESFA finance record the College achieved a good financial health rating. The accounts were for the group including the College's subsidiary ECETA. Governors challenged how they could ascertain if the figures were consistent to that in the sector. The Principal advised that the ESFA dashboard at agenda 8 measured the College performance against the sector.

Governors challenged why the staff costs had reduced. The Deputy Chief Executive advised that this was the result of redundancies and TUPE of services.

The Governors discussed the draft accounts and asked for the following items to be clarified:

- P.41 Teaching and non-teaching staff restated – numbers to be checked.
- P.43 CEO's remuneration restated – value to be checked.
- Key management personal – who's been included.

The Director of Governance advised that following the introduction of the Colleges' Senior Post Holder Remuneration Code a report would be considered by Corporation on the remuneration of the senior post holders. This report would be published alongside the annual accounts.

Governors commented that note 17 net pensions liability was high. The Principal advised that this changed depending on the pension fund's performance.

Governors challenged if the subsidiary was subject to corporation tax. The Deputy Chief Executive advised that it wasn't as there was a deed of covenant in place between the college and the subsidiary.

Governors challenged why the debtors had increased. The Deputy Chief Executive advised that this was due to an improved tracking of debtors. This debt recovery was picked up in the management letter.

Governors challenged how the buildings were valued. The Deputy Chief Executive advised that on incorporation the book value was used and any new building was included at cost. The Principal advised that the 'red book' value at merger was a lot less than the value included in the accounts.

Governors commented that the annual accounts should be written in a format that a lay person could understand and a supplementary analysis would be useful. The Deputy Chief Executive advised that the format was based on the recommended 'Casterbridge' model and the government requirements.

F/19/12/8

ESFA Finance Record

The Deputy Chief Executive presented the ESFA Finance Record and dashboard. This included questions that governors should ask and these were considered by the committee:

- Does the colleges cash flow forecast give any indication that the college could be at risk of insolvency in the future?
No
- Are there any 'pinch points' in the next 12 months?
No
- Are creditors' payment terms still being met?
In the accounts these are showing as 95% within 30 days. It was agreed that the Deputy Chief Executive would review the system uses to see if this calculation could be automated.
Governors commented that it was important that the credit days were achieved so as not to affect our reputation. The Deputy Chief Executive advised that this had been improved by running a weekly BACs.
- Is there any risk of breaching bank covenants?
No
- How accurate is the college's forecasting?
Overall the college's forecast are accurate but issues remain around the commercial income forecasting
- Are plans affordable and consistent with the college's strategic plans and objectives?
Yes and major growth has not been planned for.
- Are future estimates reasonable and prudent?
A prudent approach is taken, with the only concern being commercial.
- Do the key performance indicators enable the college corporation to monitor financial performance, identify problems and take immediate action?
The dashboard is still being developed but this, the KPIs and management accounts identify issues and action taken e.g. commercial and maritime.
- How reliant is the college on particular funding streams? Does this present a risk to the college? Is the corporation assured, where there has been a reduction, costs are being reviewed and adjusted to reflect changes?
The College is reliant on the funding streams with only 10% non ESFA income but this was not seen as a risk. Where income did reduce there was a need to ensure that costs reduced too. The Principal advised that staffing reviews occurred annually and as part of the business performance reviews.

It was agreed that it was a positive direction of travel and it was important that the Corporation understood the dashboard and what the graphs demonstrated.

Governors agreed the following action: <ul style="list-style-type: none"> • ESFA dashboard to be considered by Corporation with a briefing against the questions asked in it. • Deputy Chief Executive to review whether the creditor day calculation could be automated. 		UR UR
F/19/12/9	Projects	
<p>The Deputy Chief Executive presented the report which gave an update on projects. She advised that that the cost to the College was benefit in kind, there was a need though to ensure that the partners had the resources available for the match funding.</p> <p>The Principal commented that there was a need to evaluate whether we had the capacity to deliver and if additional staff resources were required on a fixed term basis funded by the projects.</p> <p>Governors challenged what the contribution rates of the projects were. The Principal advised that there was minimal contribution to the bottom line but the projects brought resources in and benefits to the local community. We had been successful in bids due to our previous success with BBO.</p> <p>Governors challenged if there was a risk to the college. The Principal advised that the risk to the College was that the College would be responsible for the project funds.</p> <p>Governors agreed the following action:</p> <ul style="list-style-type: none"> • Business case to be set out for each project 		UR
F/19/12/10	Pay Proposal	
<p>The Principal presented the pay proposal paper. An initial paper had been taken to and was rejected by the Unions and this paper had been revised to take their comments into account. The budget previously agreed included no allowance for a pay rise, but did include allowance for the annual increments which were a contractual requirement.</p> <p>Governors discussed if future budgets should be approved without allowing for a pay increase.</p> <p>Governors challenged if the pay proposal was affordable. The Deputy Chief Executive advised that it was affordable and would be funded in 20/21 by the lagged funding for the 16-18 numbers increase and the proposed increase in the funding rate. It was a prudent approach and would not jeopardise the financial health rating of good. If the pay proposal was agreed the 3YFF would be reforecast to take this and other issues, such as the reduction in commercial income into account. This will reduce the EBITA.</p> <p>Governors challenged if the cost included in the paper was the full year cost. The Deputy Chief Executive advised that it was the full year cost but the College was only proposing to pay the award as from January 2020.</p> <p>Governors discussed the effect of remuneration on retention and recruitment. The Principal advised that it was proposed that all lecturers and teachers be paid the 1.5% increase and to increase the variable rate to £21.40.</p> <p>Governors noted that the People Committee wanted the college to pay the national living wage and that the proposal included a higher % increase for lower grades.</p>		

<p>Governors agreed the following action:</p> <ul style="list-style-type: none"> • Pay strategy to be considered as part of the strategic planning <p>The Committee resolved to recommend to Corporation that:</p> <ol style="list-style-type: none"> 1. A sliding scale of cost of living increases is applied at an anticipated cost of increase (£218k). A sliding scale of increases to be offered to give those at the bottom of the payscale. 2.5% to be paid to those earning under £17,500 (Band B), 2% to those earning under £19,000 (Band C) and 1% for all those earning under £34,000 (Band D-H), 0.5% to those earning over £34,000 (excluding any teachers), all teachers and lecturers to receive 1.5%. 2. The Variable hours lecturers' rate is increased from £20.78 to £21.40, anticipated cost of increase (£22k). 3. Continue to offer incremental pay progression to those eligible. 4. Align holiday entitlement for all support staff to 29 days per annum increasing to 34 days per annum after 5 years. Align holiday entitlement for all lecturing staff to 52 days per annum. 5. Allocate £50k to improving staff space out of pre agreed capex budget. 6. Governors to discuss the appropriateness of setting a 1.5% pay award per annum in the 3 year financial forecast. 	<p>AW</p>
<p>F/19/12/11</p>	<p>Catering Tender specification, timetable and options</p>
<p>The Deputy Chief Executive presented the report and timeline for the proposed re-tender. Tenderers are to be asked to set out options for the provision.</p> <p>Governors commented that financial due diligence on the supplier was needed to ensure that they were financially viable.</p> <p>Governors discussed the catering provision and commented that it may be the only hot meal the students have. The Principal advised that there were alternative catering facilities within easy reach of the campuses.</p> <p>Governors discussed the reasons for no tenders being received at the previous tender and the risk of again receiving no tenders. The Deputy Chief Executive advised that the College could not afford a cost plus model and the alternative would be an in house solution.</p> <p>Governors agreed the following action:</p> <ul style="list-style-type: none"> • An in-house solution for the catering provision to be drawn up as part of the tender process. 	<p>UR</p>

F/19/12/12	Energy Skills Centre and Cladding Tender Update	
<p>The Deputy Chief Executive presented the update and advised that the intention to contract had been issued.</p> <p>Governors discussed the project and agreed that it was important that a press release was ready for when work commenced which should include assurance on action taken since 2017.</p> <p>Governors commented that as previously agreed category A panels should be used. It was noted that technology was continually moving and the College could only use that product which was the current best on the market.</p> <p>Governors challenged what fixings were to be used. The Principal advised that the existing fixings would be utilised.</p> <p>Governors agreed the following action:</p> <ul style="list-style-type: none"> • Press release to be ready for when the cladding work commenced. 		UR
F/19/12/13	Bank Covenant	
<p>The Deputy Chief Executive presented the bank covenant which included 2 covenants, the remaining covenants were to be reset in January. These 2 covenants and the required resolution would be considered by December's Corporation.</p> <p>It was noted by the Committee that the Great Yarmouth Community Trust liquidation would have an effect on the EBITA due to the debt owed and the resultant end of the rental agreements. A fuller update would be provided at Corporation.</p>		
F/19/12/14	Launch of Integrated Financial Model for Colleges	
<p>The Deputy Chief Executive presented the new model and guidance that was being introduced for all Colleges. It replaces the Financial Plan, the Financial Record, the Cash Flow forecast, and the CFADs model. It was being introduced to help facilitate the prevention of college insolvency and the returns would require approval by the Corporation.</p> <p>Governors discussed if the returns for the model would necessitate more Board meetings and whether monthly board meetings should be considered so it was ensured that the whole board were fully appraised of the financial position. Consideration would also need to be given of how information was presented to governors.</p> <p>The Principal commented that the College needed to have the Governance and Executive structure in place that was suitable to deliver the College's strategy.</p> <p>Governors agreed the following action:</p> <ul style="list-style-type: none"> • Governance structure and schedule of meetings to be reviewed taking into account the Integrated Financial Model. • Long term financial strategy to be considered as part of the strategic planning • Long term estate development strategy to be considered as part of the strategic planning 		WS UR UR

F/19/12/15	Agenda Planning	
Revised management account format Commercial update against action plan Catering tender		
F/19/12/16	Review of Meeting	
<ol style="list-style-type: none"> 1. Confidential Items: Year-end figures and pay review until agreed. Cladding, bank covenant and catering papers 2. Risk Management: Update as noted in minutes 3. Health and Safety: No additional 4. Equality and Diversity: Pay review 5. Media: Cladding statement ready for when commences 6. How did the meeting go: Detailed and long meeting 		
	Date of Next Meeting	
10 March 2020 changed to 17 March 2020		