

East Coast College Finance and General Purposes Meeting

17th November 2020 9am Video Conference

Present:	Chair - David Hill (DH) Mike Dowdall (MD) Alan Debenham (AD) David Bake (DB) Stuart Rimmer (Principal) and Jane Fermor (JF)	
In attendance:	Wendy Stanger (Director of Governance) and Urmila Rasan (Deputy Chief Executive)	
F/20/11/1 Apologies and membership		Action
David Blake was welcomed to his first meeting of Finance and General Purposes		
F/20/11/2	Declarations of Interest	
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.		
F/20/11/3	To approve the Minutes of the meeting of the 21 July 2020 and any other matters raised previously not otherwise included in the Agenda	
The minutes were agreed as a true record. Governors challenged if the revised furlough scheme was being utilised by the College. The Deputy Chief Executive advised that the College was using it where appropriate.		
F/20/11/4	To review the post-meeting action log	
The action log was reviewed 3 12 19 F/19/12/8 – the creditor day calculation would be picked up as part of the finance system upgrade. The Deputy Chief Executive advised that the upgrade was progressing with a parallel run to be carried out in December, January sign off of parallel testing and extra modules implemented February 21. 3 12 19 F/19/12/10 – Pay Strategy had been considered by the People Committee on 10/11/20 and is on Corporation's agenda 24 11 20 for approval. 21 7 20 F/20/07/6 – Staff vacancy numbers to be added to management accounts as of October 20.		
F/20/11/5	Finance Update	
F/20/11/5.1	Management Accounts including draft year end	
The Deputy Chief Executive presented the management accounts. She advised that due to Covid the College was forecasting its outturn at an early stage. ESFA required a forecast outturn and its effect on cash holdings in October to compare to the submitted July cash profile. The Principal advised that the ESFA were interested in cash days and were looking to support those Colleges with under 30 days; our forecast currently showed that we would exceed 30 days throughout the		

year.

Governors challenged the EBITDA figure, whether this could be achieved and what the minimum EBITDA was to cover the debt. The Deputy Chief Executive advised that an EBITDA of £1.3m was required to cover debt. The budgeted EBITDA would be detrimentally affected by the removal of maritime income with all income currently removed for 20/21. This would also have a detrimental effect on the gearing ratio. Some of the maritime income loss could be offset by furloughing maritime staff but as the furlough scheme is not now as generous this would leave a residual cost to the College of 60% with on costs. Additionally there would be the fixed maintenance costs of the maritime equipment to cover.

Governors challenged if the EBITDA would be affected detrimentally by any of the other income lines. The Deputy Chief Executive advised that other areas of income risk are commercial and apprenticeships, these have not currently been adjusted in the forecast.

Governors challenged if the additional Covid revenue and capital expenditure would be covered by additional funding. The Principal advised that there was no indication that the Government would cover these.

Governors challenged if the College had sufficient stock of PPE should for example the ports be affected by Brexit. The Deputy Chief Executive advised that the College held a 9 month stock of sanitisers and wipes, which were the items required to remain open.

Governors challenged what affect the loss of income would have on the financial health calculation. The Deputy Chief Executive advised that based on the calculation the College would be requires improvement, this was mainly due to the increase in gearing. The Principal advised that the PMO were looking to review the financial health calculations to try and ensure a fairer calculation as it was recognised that most colleges held debt.

Governors discussed that it was important that best and worst scenarios were considered. The Deputy Chief Executive advised that the dashboard could be used to assist with this. The Director of Governance advised that governors in their self-assessments had requested additional training on the dashboard.

Governors challenged when income certainty would be achieved. The Principal advised that once we had a clean ILR in December the College would be able to more accurately predict income. Sensitivity analysis would need to be carried out on apprenticeship and commercial income, including longer-term modelling.

The Committee discussed the draft outturn figures, which showed a reduction in income which had been offset by cost control. The Deputy Chief Executive stated that the auditors had also advised that the furlough monies and the legacy should be included in the accounts and these had, had a positive effect on the 19/20 EBITDA outturn. The auditors were currently reviewing going concern having finished the numbers and the regularity audit. The auditors had also ensured that the data being taken into the new financial system was clean. The financial health calculation, even with an increased EBITDA, was requires improvement due to the increase in gearing. The College is to self-assess as good as the necessary action has been taken to offset the loss of income and the debt level is not within the College's control.

Governors agreed the following actions:

- **Best case and worst case scenario modelling to be included in management accounts**

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	<ul style="list-style-type: none"> Additional governor training to be carried out on the dashboard 	UR
F/20/11/5.2	Estate and Capital Update	
<p>The Deputy Chief Executive presented the update and advised that the College had received £904,298, under the Further Education Capital Allowance (FECA) grant funding scheme from the Department for Education. There were few restrictions on how the funding could be used but it had to be spent by end of March 21. The required match funding would be met by the summer works which is explicitly allowed in the grant conditions. The majority of the capital works will be at Great Yarmouth campus as it requires significant investment.</p> <p>Governors discussed the need to suspend financial regulations so that the procurement could take place quickly and the mitigation that was being put in place to reduce this risk. It was challenged if an existing framework could be used. The Deputy Chief Executive advised that there wasn't a suitable framework and that going out to tender would cause delay and an additional cost of the tender process. The Director of Governance advised that the report to Corporation recommending the financial regulations suspension would need to specify which regulation it was proposed to suspend.</p> <p>Governors challenged if the ESFA would challenge why the College had not gone out to tender. The Deputy Chief Executive advised that an ESFA return required for the funding had not been queried and this detailed that the College would use existing companies.</p> <p>The Principal advised that the additional paper set out the mitigation that would be put in place for procurement this would include checking quotes against the QS's cost plan and only contractors used by the College during 2019-2020 will be approached for pricing to ensure that their pricing structure is up-to-date.</p> <p>Governors challenged if the funds had to be spent by end March or just committed. The Deputy Chief Executive advised that ESFA were unclear on the guidance and the College was therefore looking at taking the risk averse route and ensuring all the grant was spent by end March 21.</p> <p>Governors raised concerns that the supply chain could cause delay and that supplies might be disrupted by Brexit.</p> <p>Governors challenged why investment was being made at Great Yarmouth when the College was looking to develop the town centre HE centre. The Principal advised that there wouldn't be investment in areas that would be moved to the HE Centre and funding for the HE Centre had not yet been secured. The investment was needed at Great Yarmouth as it included work that was long overdue and there was a need to improve the student experience.</p> <p>Governors challenged what would be the contractual situation if another full lock down was announced. The Deputy Chief Executive advised that the cladding work had continued during the first lock down and it would be expected that this building work would continue too. The work was being let in small packages and to local builders which would help reduce risk.</p> <p>Governors agreed the following actions:</p>		
<ul style="list-style-type: none"> Clarity on which financial regulations were to be suspended to be included in the report to Corporation. 		UR UR

<ul style="list-style-type: none"> Monitoring reports on the Capital Allowance grant to be brought to each F&GP committee. <p>Governors resolved to recommend to Corporation that subject to clarity on financial regulations suspension it:</p> <ol style="list-style-type: none"> approve that the FECA project can be implemented and the funds spent as set out in the report approve the procurement methodology for the project as set out in the report approve that the College can submit a 100% grant funding application to the government's Public Sector Decarbonisation Scheme operated by Salix (value approximately £1.4) as set out in the report. 		
F/20/11/5.3	Subcontracting	
<p>The Deputy Chief Executive presented the report. There no increase in subcontracting in 20/21.</p> <p>The Principal advised that the College shouldn't subcontract poor provision and it was agreed that the quality of the provision should be referred to the Standards Committee for review at their December meeting.</p> <p>Governors agreed the following actions:</p> <ul style="list-style-type: none"> Subcontracting to be referred to Standards for review. 		PP
F/20/11/5.4	Maritime – verbal update	
<p>The Deputy Chief Executive provided a verbal update. A report had been considered by the Senior Team and they had concluded more work on options was required to come up with a suitable solution. It had been assumed in the management accounts forecast that no maritime income would be received in 20/21.</p> <p>Governors challenged if the maritime provision was viable in the medium to long term and if it could be successfully re-started if provision was suspended for a year. The Principal advised that if the provision was closed for a year it would be difficult to restart whereas if a small amount of provision could continue it would keep the College in the maritime market.</p> <p>Governors agreed the following actions:</p> <ul style="list-style-type: none"> Report on maritime to the next meeting. 		UR
F/20/11/6	Pay Review	
<p>The Chair of the People Committee presented the pay review and advised of that committee's discussions. A more targeted approach had been proposed and the Committee had agreed the proposals subject to affordability.</p> <p>The Director of Governance advised that the People Committee had approved the recommendations subject to clarity on the number of staff who would receive no increase. This was circa 100 staff. The Chair of the People Committee noted that this information might have changed the committee's decisions.</p> <p>Governors discussed whether the options recommended would be divisive and</p>		

	<p>whether an across the board increase would be more appropriate, especially in these difficult times. It was noted that there was already inequity due to the differences between ECC and L6FC staff and the aim was to remove inequity.</p> <p>Governors challenged what the budgetary allowance for a pay review was. The Deputy Chief Executive advised that this was circa £200k based on a 1% increase. This was separate to the increment budget.</p> <p>Governors discussed the union’s proposals and noted that they were requesting an award higher than was affordable. Governors could not agree to make an award that wasn’t affordable.</p> <p>Governors concluded that Options 7 and 8 which were contractual could be agreed but given that the forecasting was not yet secure it was not in the position to recommend a pay award in addition to that which was contractual. The Corporation needed to consider the award in detail and further work was required on its financial impact and affordability before a decision could be taken.</p> <p>Governors agreed the following actions:</p> <ul style="list-style-type: none"> • Pay review’s financial effect to be modelled for future years, including the effect of the incremental changes proposed. • Pay review covering report to be amended to reflect the Committee’s discussions and concerns. <p>Governors resolved to recommend to Corporation that the following options, which were contractual, were approved:</p> <ul style="list-style-type: none"> • Option 7 Make no change to the incremental pay progression currently offered. • Option 8 The SFCA cost of living will continue to be applied however, going forward this will need to be accommodated as far as is possible from the overall existing sixth form pay budget. Income in the 6th form year on year is falling and future savings will need to be made, potentially by the non-replacement of posts , to ensure any increase continues to be viable at a reasonable contribution rate 	<p>UR WS</p>
<p>F/20/11/7</p>	<p>Catering Update - Confidential</p>	
	<p>The Deputy Chief Executive presented the catering update and advised the Committee on the severe effect on income caused by Covid.</p> <p>The Committee resolved to note the revised forecast and the proposed restructure.</p>	
<p>F/20/11/8</p>	<p>Insurance re-tendering - Confidential</p>	
	<p>The Deputy Chief Executive presented the report.</p> <p>The Director of Governance reminded the committee that at the July meeting it had been agreed to approve the appointment of FE Protect to undertake an OJEU compliant tender exercise for a three year long term agreement in the autumn of 2020 in preparation for the 2021/22 insurance policy.</p> <p>Governors challenged whether the College would still have to comply with OJEU after Brexit. The Deputy Chief Executive advised that currently it was still applicable and it had not yet been announced what would replace it.</p>	

Governors noted it would be important to assess what changes were proposed in the insurance schedules due to Covid as some firms were adding exclusion clauses.		
The Committee resolved to recommend to Corporation that the proposal for tendering the College's insurance provision for 2021/22 be approved using the process and timetable proposed by FE Protect.		
F/20/11/9	Annual Health and Safety Report	
<p>The Deputy Chief Executive presented the annual report. She advised that Covid had brought health and safety to the top of the agenda. The team had been heavily involved in preparing the site for re-opening and in producing the Covid risk assessments. The College had recently had a positive HSE inspection.</p> <p>The Principal advised that there was a need also to consider the health and safety of staff working at home including their mental health and wellbeing.</p> <p>Governors noted that the report was comprehensive and included learning from incidents and asked the Principal to thank the team by letter on the Committee's behalf.</p> <p>Governors agreed the following action:</p> <ul style="list-style-type: none"> Term 1s Health and Safety report to include a section on home working. 		UR
F/20/11/10	Annual Partnership Report	
<p>The Deputy Chief Executive presented the annual report which detailed the projects the College was involved with in the community.</p> <p>The Principal advised that the project income had now grown to circa £10 million which even though the projects didn't make a contribution increases turnover and therefore reduces gearing. It wasn't clear what would replace ESF after Brexit but whilst it was available its use needed to be maximised.</p> <p>Governors discussed the provision and agreed that given the size of the project income it should be considered more than annually by the committee.</p> <p>Governors agreed the following action:</p> <ul style="list-style-type: none"> Quarterly partnership report to be considered by the Committee 		UR
F/20/11/11	Risk Register	
<p>The committee reviewed the risk register.</p> <p>1. Has the risk register been reviewed</p> <p>The risk register had been reviewed and a summary added which simplified the register and allowed the committee to focus on concerns.</p> <p>2. Is the Committee content that the risks are relevant and are being updated</p> <p>The Committee was content that the risks were relevant and were being updated, with new risks added as appropriate. In this review risk S01T13 Covid related reductions in income and additional expenditure had been added.</p> <p>Cladding risks to be removed at next review.</p>		

<p>3. Is the Committee content that the risks are being mitigated</p> <p>The Committee were content that mitigation had been put in place and that the items on the agenda included areas of mitigation. Further mitigation was to be discussed at the next meeting in relation to maritime, apprenticeship and commercial income.</p> <p>4. Where a red risk is the Committee assured that appropriate action is being taken</p> <p>There were no red risks on the register but the Committee was concerned about the number of risks that were amber.</p> <p>5. Where does the Committee have significant concerns</p> <p>The Committee raised concerns about cover for the Accounting Officer, Deputy Chief Executive and Head of Finance. The Principal advised that if he as the Accounting Officer or the Deputy Chief Executive were absence than the Corporation would go straight to appointing an interim. If the Head of Finance was off then this work would be covered by the Deputy Chief Executive and this would be easier to cover now that processes were in place and software improved.</p> <p>Governors agreed the following actions:</p> <p>Risks to be added:</p> <ul style="list-style-type: none"> • Financial risk of a pay review • Risk of absence in the senior financial team and/or Accounting Officer. 		<p>UR</p> <p>UR</p>
<p>F/20/11/12</p>	<p>Agenda Planning</p>	
<p>Partnership quarterly reports</p> <p>Maritime long-term plan</p> <p>Pay Review including effect on future year's pay</p> <p>Town Deal progression</p>		
<p>F/20/11/13</p>	<p>Review of Meeting</p>	
<p>The Committee thanked the Deputy Chief Executive for the excellent job since joining ECC.</p> <ol style="list-style-type: none"> 1. Confidential Items: Items 6-8 until announced 2. Risk Management: Pay review and senior staff cover to be added 3. Health and Safety: coronavirus 4. Equality and Diversity: none 5. Media: new Governors 6. How did the meeting go: Good meeting with clear and detailed reports. 		