

## East Coast College Finance and General Purposes Meeting

### 26<sup>th</sup> January 2021 9am Video Conference

Present:	Chair - David Hill (DH) Mike Dowdall (MD) Alan Debenham (AD) David Blake (DB) Paul Nisbett (PN) Stuart Rimmer (Principal)	
In attendance:	Wendy Stanger (Director of Governance) and Urmila Rasan (Deputy Chief Executive)	
<b>F/21/1/1</b>	<b>Apologies and membership</b>	<b>Action</b>
Paul Nisbett was welcomed to his first meeting of the Finance and General Purposes Committee. Apologies from Jane Fermor (JF)		
<b>F/21/1/2</b>	<b>Declarations of Interest</b>	
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 did not preclude his full participation in the meeting.		
<b>F/21/1/3</b>	<b>To approve the Minutes of the meeting of the 17<sup>th</sup> November 2020 and any other matters raised previously not otherwise included in the Agenda</b>	
The minutes were agreed as a true record.		
<b>F/21/1/4</b>	<b>To review the post-meeting action log</b>	
<p>The action log was reviewed and it was noted where the actions were completed.</p> <p>3 12 19 F/19/12/8 – The Deputy Chief Executive advised that the finance upgrade was on time and on budget. Completion and training was due to be carried out in March with a fixed asset module completed in April.</p> <p>21 7 20 F/20/07/6 – Staff vacancy levels have been added to the management accounts.</p> <p>17 11 20 F/20/11/5.2 – update on the capital spend agenda item 8.</p> <p>17 11 20 F/20/11/6 – Pay review updated and agreed at January's Corporation. The decisions were reflected in the updated financial forecast at agenda item 5.1.</p> <p>17 11 20 F/20/11/9 – A review of working at home health and safety was currently taking place, the results of which would be included in the term 2 health and safety report.</p>		

F/21/1/5	<b>Finance Update</b>	
F/21/1/5.1	<b>College Financial Forecast 2020/21 (January 2021) updated following January's Board Decisions</b>	
<p>The Deputy Chief Executive presented the forecast; this reflected the Corporation's decision on the pay review and was the basis for December's management accounts.</p> <p>Governors discussed EBITDA forecast and noted that this achieved the EBITDA required but did not put the College in a position to be able to invest and develop.</p> <p>Governors challenged the basis of the assumptions made in the forecast. The Deputy Chief Executive advised that the assumptions were based on the current length of lockdown and if the lockdown continued they would require revision. The Principal commented that the College had taken a prudent approach in forecasting.</p> <p>Governors challenge if the College was making use of the furlough scheme. The Deputy Chief Exec advised that the furlough scheme was being used in a small number of areas, mainly the in-house catering team. The scheme was not as generous as previous and was due to end in April. The College was not topping salaries up to the 100%.</p> <p>Governors challenged what the biggest risk to income was. The Deputy Chief Exec advised that this was Apprenticeship income as the lockdown could affect the achievement rate and recruitment rate both of which affected income. The forecast replicated last year's achievement rates. Other areas that could be at risk were AEB income and new programmes delivered by BBO/ESF.</p> <p>Governors challenged how the College's position compared to the sector. The Principal advised that those Colleges with a more diverse income base were struggling whereas those whose main income was 16-18 were managing. There were a number of Colleges in a dire financial health position compounded by tight margins and unsuccessful mitigation. The FE Commissioner was formerly intervening in 10% of Colleges and acting on an advisory basis in 20%. It was also likely that a number of private training advisors would fold.</p>		
F/21/1/5.2	<b>Restatement of Management Accounts</b>	
<p>The Deputy Chief Executive presented the restated accounts. They had been restated following advice from the bank that covenants would be breached and that if the accruals were released the covenants would not be breached.</p> <p>The Committee discussed how it could be ensured that restatement was not required in the future. It was noted that the position had been compounded due to Covid. The Deputy Chief Exec advised that the Bank had suggested delaying the October Management Accounts until a clean ILR.</p> <p><b>Governors agreed the following action:</b></p> <ul style="list-style-type: none"> <li>• <b>Senior Team to agree process to ensure that a restatement of management accounts was not required in the future.</b></li> </ul> <p><b>The Committee resolved to:</b></p> <ul style="list-style-type: none"> <li>• <b>Recommend to the Corporation to approve the re-statement of October and November 20 Management Accounts.</b></li> </ul>		<b>UR</b>

<b>F/21/1/5.3</b>	<b>Management Accounts December</b>	
<p>The Deputy Chief Executive presented December's management accounts. She advised that the accounts now included year to date forecast and forecast variance. The covenant calculations in the accounts have been discussed and agreed with the bank.</p> <p>Governors challenged why the financial health in forecast 21/22 was showing as requires improvement. The Deputy Chief Exec advised that this was due to the higher gearing caused by the College's turnover reducing.</p> <p>Governors noted that at end of November 20 the cash days in hand was 84 against end of year budget of 35 and challenged why there was such a reduction. The Deputy Chief Exec advised that the cash flow was affected by the funding profile and this was the same for all Colleges with all having reduced cashflow in February/March.</p> <p>Governors challenged if Maritime was viable in the long term. The Principal advised that this was not yet clear. There was a need to increase the home market and to take advantage of investment in the ports. The budgeted income had been reduced significantly so that additional mitigation would not be required in year.</p> <p>Governors discussed the presentation of the accounts and agreed that they could be enhanced with the use of waterfall charts and consistency in presentation.</p> <p><b>Governors agreed the following action:</b></p> <ul style="list-style-type: none"> <li>• <b>Management accounts to use waterfall charts as appropriate</b></li> <li>• <b>Management accounts to have a consistency of presentation</b></li> </ul>		<p>UR</p> <p>UR</p>
<b>F/21/1/5.4</b>	<b>ESFA Finance Record - Extract</b>	
<b>F/21/1/5.5</b>	<b>ESFA Integrated Financial Model - Extract</b>	
<p>The Director of Governance advised that the meeting pack included an extract from the ESFA Finance Record and the Integrated Financial Model and that full copies were available for any Governor that wished to review them. These models were provided to the College by the ESFA and could not be amended.</p> <p>The Deputy Chief Exec advised that the extracts were included to give the Committee assurance that the information being submitted was consistent with that in the management accounts. There was an error in the model that she had advised the ESFA of.</p>		
<b>F/21/1/6</b>	<b>Reducing Pay as a % of Income</b>	
<p>The Chair advised that following the Corporation meeting and the pay review he had asked the Principal to prepare a paper on reducing pay as a % of income. It was important that College planned for the long term to achieve a sound financial position and to achieve this the base needed to be right. Pay as a % of income was a key KPI and there was a need for a multi-year strategy to address this and right size the College.</p> <p>The Principal presented the paper and advised that FE Commissioner recommends that pay as a % of income should not exceed 65%; the College was currently forecasting 66% with a predicted increase due to factors such as the pay review,</p>		

reduction in income and poor contribution rates of 3.8% which was not a financially sustainable position.

Governors discussed if:

- zero-based budgeting should be used to avoid the risk of budgets being rolled forward
- budgets should be set around achieving pay as a % of income of 65%
- pay as a % of income of 65% was achievable and to achieve do we need to be more ruthless
- new systems should achieve reduction in staff resources. The risk was that IT systems were replicating what we do rather than looking to improve
- pay strategy needed to be revised with better targeting of resources
- resources are in the wrong place and whether there is a need for a ground up review and restructure with better alignment with the Strategy and aim of Ofsted outstanding

The Principal advised that system implementation had been poor and there was a need to ensure that systems worked for the benefit of the College with automated workflows and system design that reduced transaction costs. Staff dissatisfaction and trust of the said systems was high and this needed addressing.

Governors challenged that the Business Support function, as noted in the management accounts, looked high at circa 20%. The Principal advised that this might be high due to how the resource has been coded. There was a need to ensure that business support was customer focused.

Governors challenged if there was a need to consider the current Estate and if consolidation was required. The Principal advised that the estate was being reviewed and this would include removing poor quality estate.

**Governors agreed the following actions:**

- **Reducing Pay as a % of Income Paper to be considered by February's People Committee**
- **People Committee to review Pay Strategy**
- **Pay award to be budgeted for annually and then discounted if not affordable**
- **Business Support to be reviewed and an analysis of what areas included produced**

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**The Committee resolved to note the report and the actions that the College is planning to take to reduce pay as a % of income.**

F/21/17

**Health and Safety - Term 1 Update**

The Deputy Chief Executive presented the term 1 health and safety report and advised that the lock down had reduced minor incidents. Health and safety issues around lateral flow testing and working from home were the main current issues.

The Principal commented there was need to ensure the health and safety of those working at home including their mental health.

Governors challenged if health and safety staff resource had now been resolved. The Principal advised that a Health and Safety Officer was now in post and being mentored in their training and development by the Estate Manager. Fast progress

	<p>with qualifying was being made. He advised that a substantial amount of time was being spent on Covid with daily updates of guidance received.</p> <p><b>Governors agreed the following actions:</b></p> <ul style="list-style-type: none"> <li>• <b>Future reports to include the acceptable fire evacuation time for comparative purposes</b></li> <li>• <b>Future report to include the health and safety of home working</b></li> </ul>	<p>UR</p> <p>UR</p>
<p><b>F/21/1/7.1</b></p>	<p><b>Lateral Flow Testing</b></p>	
	<p>The Deputy Chief Executive presented the risk assessment and advised that the format was one provided by the Government. A testing site had been set up at each campus. If students tested positive, they could not return home on public transport and solutions were being considered. This would become more of an issue when the campuses re-opened.</p> <p>Governors discussed the risk of the standard of facemasks in use as protection varied. It was noted that other Countries were setting a standard to be used. The Principal advised that ahead of re-opening, there would be more prescriptive regulations and these would need reviewing including any effect of the quality of teaching and learning.</p>	
<p><b>F/21/1/8</b></p>	<p><b>DfE Further Education Capital Allocation Update</b></p>	
	<p>The Deputy Chief Exec presented the report and advised that work was on target and on budget with weekly meetings held with the project team. Work on the front entrance to the GY Campus was delayed due to planning.</p> <p>The Principal advised that the lock down has meant that the capital works were easier to manage and disruption to students reduced.</p> <p>Governors discussed the Salix bid. The Deputy Chief Exec advised that the original bid had been unsuccessful but that the College had been asked to resubmit a bid for works that could be completed by end March 21. If this bid was successful, the only way of meeting the terms of the grant would be if suppliers could be appointed based on a single quotation.</p>	
<p><b>F/21/1/9</b></p>	<p><b>Risk Register</b></p>	
	<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 the risks increased. This was reflected in the forecast paper at agenda item 5.1.</p> <p>2. Is the Committee content that the risks are relevant and are being updated</p> <p>The Committee was content risks were relevant</p> <p>3. Is the Committee content that the risks are being mitigated</p> <p>The Committee noted the mitigation, agreed that this was appropriate, and considered through the papers on the agenda.</p> <p>4. Where a red risk is the Committee assured that appropriate action is being taken</p>	

<p>The Committee noted that there were now 6 red risks and that these required careful management. The Committee was assured that appropriate mitigation was being taken and this was detailed on the risk register and through the reports to the Committee.</p> <p>5. Where does the Committee have significant concerns</p> <p>The Committee is concerned that there are 6 red risks, 3 amber and only 1 green. The red risks relate to budgeting and ensuring budget forecasts, contributions, income and financial targets are met.</p>		
<b>F/21/1/10</b>	<b>Agenda Planning</b>	
<p>The Committee discussed the format of the management accounts. It was agreed that their needed to be consistency of column presentation, data totalling, headers used and cashflow presentation to be summarised to enable comparison and analysis of progress.</p>		
<b>F/21/1/11</b>	<b>Review of Meeting</b>	
<ol style="list-style-type: none"> <li>1. Confidential Items: Items 6 report</li> <li>2. Risk Management: No addition</li> <li>3. Health and Safety: Working at home</li> <li>4. Equality and Diversity: Lateral flow testing and the risk of prejudicing students if the transport issue on receiving a positive test isn't resolved</li> <li>5. Media: None</li> <li>6. How did the meeting go: Good detailed discussions. It was agreed that if additional time was required for a meeting this would be allowed for.</li> </ol>		