

# East Coast College Finance and General Purposes Meeting

## 30 November 2021 9am Video Conference

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| Present:   | Chair - David Blake (DB) Mike Dowdall (MD) Alan Debenham (AD) Dave Cole (DC) Paul Nisbett (PN) Stuart Rimmer (Principal)                      |  |
| In attendance:   | Wendy Stanger (Director of Governance) Urmila Rasan (Deputy Chief Executive and Rob Newell (Head of Finance)                                  |  |
| <b>F/21/11/1</b>   | <b>Apologies and membership</b>   |  |
| The Committee welcomed Dave Cole to his first meeting and noted that David Blake was the interim Chair of Committee.   |   |  |
| <b>F/21/11/2</b>   | <b>Declarations of Interest</b>   |  |
| MD declared an interest due to being an employee of the LEP. It was agreed that this declaration did not preclude his full participation in the meeting.   |   |  |
| <b>F/21/11/3</b>   | <b>Pay Review - Joint Item with People Committee - Postponed</b>  |  |
| The Committee noted that the joint item with the People Committee on the pay review was postponed. It was agreed to hold an additional joint meeting prior to the pay review being considered at December's Corporation.   |   |  |
| <b>F/21/11/4</b>   | <b>To approve the Minutes of the meeting of the 22 June 2021 and any other matters raised previously not otherwise included in the Agenda</b> |  |
| The minutes were agreed as a true record.  |   |  |
| <b>F/21/11/5</b>   | <b>To review the post-meeting action log</b>  |  |
| The action log was reviewed.<br>22 6 21 F/21/6/7 – It was agreed to hold the workshop and PN agreed to draft an agenda. <b>PN</b><br>22 6 21 F/21/6/8 – The management accounts would be updated to include the capital projects once approval confirmed.  |   |  |
| <b>F/21/11/6</b>   | <b>Management Accounts and Data Dashboard - September.</b>  |  |
| The Deputy Chief Executive presented the management accounts, which covered August and September. The EBITDA outturn was higher than forecast in July.<br><br>Governors challenged why the EBITDA was so much higher than forecast in July and questioned if the forecast had been accurate. The Deputy Chief Executive advised that the change was due to increased income in areas such as commercial, AEB and catch up funding and adjustments for items, a reduction in staff costs due to vacancies and funds received from the liquidators of Great Yarmouth Community Trust.<br><br>Governors challenged if there was sufficient headroom within the financial plans. The Deputy Chief Executive advised that it was important that performance and business management was robust so that any shifts in forecasting were known early and costs |   |  |

tightly controlled. This was reviewed at Performance Monitoring and Business Planning (PMBP) which was currently taking place and adjustments would be required in areas such as maritime and apprenticeships. After this was completed EBITDA for 21/22 would be reviewed.

Governors discussed an opportunity register and how this could be used.

The Deputy Chief Executive shared the dashboard and took the Committee through the information that included an EBITDA waterfall reconciliation, cashflow charts, borrowing as a % of income and debt service cover ratio. The dashboard would be updated once the annual accounts were complete

Governors noted that:

- EBITDA had been forecast at 6% and as long as this was achieved financial health would remain good.
- Income was flatlined as no major growth was expected.
- Borrowing and debt service was reducing as the debt was due to be paid off in 2030. This also affected cashflow as less was paid on debt servicing.

Governors challenged whether the forecast included inflation and given the current increase costs whether adjustments were required. The Deputy Chief Executive advised that the forecast did not include an allowance for the increase in energy costs, new rate of National Insurance or an increase in materials. The CEO advised that as inflation had previously been low it had not been included. At the CEO listening group feedback had been received that the budgeted costs for student materials in areas such as construction were no longer sufficient with increases in costs being seen of 30%

Governors discussed that inflation was likely to remain high and agreed it could be realistic to include 2.5% as a baseline inflationary increase for non-pay costs over the next 5 years. As 68% of the Colleges cost was staff a higher rate may be required for this given wage inflation. Inflation could be built into the risk and opportunity schedule and the forecast could then be tilted when required.

**Governors agreed the following action:**

- **Use of an Opportunity Register to be reviewed with a report to the next meeting.**
- **Forecasts to be reviewed to see if inflationary adjustments were required in the 21/22 budgets**
- **Consideration to be given to building in inflation into the proposed risk and opportunity schedule so that the forecast could then be tilted when required.**

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F/21/11/7

**Annual Accounts - Financial out-turn 20/21**

The Deputy Chief Executive presented the draft annual accounts draft figures which demonstrated a healthy outturn. Adjustments were to be made for capital grants and depreciation but these will not affect the EBITDA. It was important that these adjustments were made prior to the new capital grants being received.

The CEO advised that the College performance had been helped with the additional government funding such as furlough, student computers and catch up funding.

The Deputy Chief Executive advised that if the GY build was agreed building costs would require writing off in the accounts. The CEO advised that the building's red book valuations on merger were low and the bank required special approval to lend as the value didn't cover their liability.

Governors discussed recruitment and retention issues and the cost of cover. It was noted that wage inflation was running at circa 5% and the pay review needed to address these issues. The Deputy Chief Executive advised that cover cost had been partially offset by the reduction in permanent staff costs. The CEO commented that agency staff could have a detrimental effect on quality and the position on staffing costs would require review after PMBP.

**F/21/11/8**

**ESFA College Financial Forecasting Return**

Governors noted that the College's financial health was good on the ESFA College Financial Forecasting Return. The Deputy Chief Executive advised that once the actual numbers were input into the Financial Record in December the College's financial health would be at least a solid good and could be outstanding.

**F/21/11/9**

**Confidential VAT Update and Annual Accounts Treatment**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

**21/11/10**

**Confidential Capital Projects - Affordability Assessment**

[REDACTED]

[REDACTED]

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| <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <ul style="list-style-type: none"> <li>■ [REDACTED]</li> <li>■ [REDACTED]</li> <li>■ [REDACTED]</li> <li>■ [REDACTED]</li> </ul> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <ul style="list-style-type: none"> <li>■ [REDACTED]</li> </ul>  |   |  |
| MD left the meeting  |   |  |
| <b>F/21/11/11</b>  | <b>Projects Update</b>                            |  |
| <p>The Deputy Chief Executive presented the Project Update and advised that the College had been successful in being awarded Community Renewal Fund funding. This announcement was later than expected and would mean that the project would need re-modelling as the end date had not changed.</p> <p><b>The Committee resolved to:</b></p> <ul style="list-style-type: none"> <li>• note the projects update and</li> <li>• to accept the Community Renewal Fund funding.</li> </ul> |   |  |
| <b>F/21/11/12</b>  | <b>Short Term Lease Agreement – Priory Centre</b> |  |
| <p>The Director of Governance advised that formal governance approval was required as the legal documents required signing as a deed.</p> <p><b>The Committee resolved to:</b></p> <ul style="list-style-type: none"> <li>• recommend the Short-Term Lease Agreement, in the form of a Deed, for a room at the Priory Centre, to the Corporation for approve.</li> </ul>   |   |  |
| <b>F/21/11/13</b>  | <b>QD093 Sub-Contracting Policy 2021/22</b>       |  |
| <p>The Deputy Chief Executive advised that the policy had been updated to reflect the changes in the ESFAs new Sub-Contracting Standard.</p> <p><b>The Committee resolved to:</b></p> <ul style="list-style-type: none"> <li>• recommend the QD093 Sub-Contracting Policy 2021/22 to Corporation for approval.</li> </ul>  |   |  |
| <b>F/21/11/14</b>  | <b>Finance Risk Register</b>                      |  |
| <p>The committee reviewed the risk register.</p> <p>1. Has the risk register been reviewed</p>   |   |  |

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|                   | <p>The risk register had been reviewed but would require additional review in light of the PMBPs</p> <p>2. Is the Committee content that the risks are relevant and are being updated<br/>The Committee was content risks were relevant but that the register needed updating for the income risks in apprenticeships, maritime and due to Covid and the inflationary increases in costs.</p> <p>3. Is the Committee content that the risks are being mitigated<br/>The Committee noted the mitigation, but additional work required because of the changing risks.</p> <p>4. Where a red risk is the Committee assured that appropriate action is being taken<br/>The Committee noted that there were currently no red risks in variance from risk appetite but that risks were increasing in the following risks:</p> <ul style="list-style-type: none"> <li>• Courses operate with inadequate contribution rates</li> <li>• The budgeting process overestimates projected income</li> <li>• The College’s financial projections and contribution levels are not met</li> <li>• The College misses its financial targets</li> </ul> <p>5. Where does the Committee have significant concerns<br/>The Committee continued to have concerns with apprenticeship income and effect of Covid.</p> |  |
| <b>F/21/11/15</b> | <b>Agenda Planning</b>  |  |
|                   | <p><b>Financial Workshop to be planned to include strategic issue of recruitment and retention and a draft agenda drawn up</b></p> <p><b>Management Accounts to be re-forecast post PMBP and if a material change an additional Committee meeting held.</b></p> <p><b>Joint meeting with the People Committee to be held to discuss the pay review</b></p>  | <p><b>PN</b></p> <p><b>UR</b></p> <p><b>WS</b></p> |
| <b>F/21/11/16</b> | <b>Review of Meeting</b>  |  |
|                   | <ol style="list-style-type: none"> <li>1. Confidential Items: items 9 and 10</li> <li>2. Risk Management: As noted in the minutes</li> <li>3. Health and Safety: None</li> <li>4. Equality and Diversity: None</li> <li>5. Media: None</li> <li>6. How did the meeting go: A lot of detailed papers to consider so key that papers out in advance.</li> </ol>   |  |