

**MINUTES OF THE FINANCE & GENERAL PURPOSES COMMITTEE**

**Held on Friday 1<sup>st</sup> December 2023 at 9 am in the Skills Park and via MS Teams**

**Present:** Martin Butterfield (Chair), Julie Kapsalis (CEO/Principal), Margaret Martin, Chris Muller, Clive Palfreyman, Jeremy Williams.

**In Attendance:** Sarah Watson (Chief Operating Officer), Chris Mason (Director of Finance), Mik Meoli (Director of IT and Data Services), Susanne Wicks (Head of Governance).

**For item 5 only:** James Boycott (Evelyn Partners)

<b>1</b>	<b>Apologies for Absence</b>
	There were no apologies for absence.
<b>2</b>	<b>Declaration of Interests</b>
	The CEO/Principal declared that she is an unremunerated Director of Nescot Enterprises Ltd. (NEL).
<b>3</b>	<b>Appointment of a Committee Vice-Chair</b>
	The Chair indicated his willingness to volunteer as Vice-Chair when a new Chair has been appointed. JW advised that he would also be willing to consider volunteering. Noting that there are a couple of new members on the Committee, it was agreed to discuss this further at the spring term meeting.
<b>4</b>	<b>Minutes of the Previous Meeting/Matters Arising</b>
	a The open and confidential minutes of the meeting held on Friday 30 <sup>th</sup> June 2023 were agreed as an accurate record.
	b Matters Arising <ol style="list-style-type: none"> <li>1. The Chief Operating Officer confirmed that the waiver request form has been amended as per the Committee's suggestion.</li> <li>2. The Chief Operating Officer advised that the works to the lift in Old Reception have been scheduled for the Easter holidays. The CEO/Principal confirmed that there have been no reports of any students or staff being disadvantaged by the restrictions around the use of the lift.</li> </ol>
<b>5</b>	<b>Investment Fund Update</b>
	The Chair welcomed James Boycott (Associate Director, Evelyn Partners) to the meeting. Mr Boycott delivered a presentation which set out: <ul style="list-style-type: none"> <li>• Details about the Investment Team.</li> <li>• The refreshed mandate for Nescot.</li> <li>• Nescot's portfolio risk profile.</li> <li>• Key messages</li> <li>• Nescot's asset allocation</li> <li>• Performance Analysis since inception of the fund in 2019.</li> </ul>

- Contribution Analysis

The Committee noted Mr Boycott's comments that:

- The risk profile for Nescot's investment fund is at level 4 (with 1 being lowest risk and 7 the highest) which imposes a maximum of 60% increase in equities.
- Some of the fund has been reallocated to Government Bonds which have rallied in terms of yield, paying around 5% interest over two years.
- For the year to date, Mr Boycott's view that the fund has performed relatively well in a difficult market. Diversifying the portfolio continues to be crucial to smooth out the rate of return over the long-term.
- The value of the fund when the presentation was compiled was £4,098,468. It has hovered around £4.1M for some time, although rose to around £4.25M at one point in the year. More will be added to Government Bonds in order to generate a capital gain as the interest rates stabilise.

Mr Boycott welcomed comments and questions.

CM referred to the ethical implications around investment and asked if Governors had ever discussed and made a decision on the approach to be taken for Nescot's fund, and if not, suggested that they should. CP added that young people are often more vocal than most about Environmental, Social and Governance (ESG) related issues and to have Shell and BP included in Nescot's portfolio could present a reputational risk. Mr Boycott reassured the Committee that Evelyn Partners take the ESG aspects of investment very seriously, and described how this is evaluated. He added that data on ESG is obtained via a third party which screens and ranks every company considered for investment. The Committee agreed that they would like to consider this matter further at their next meeting. Mr Boycott undertook to share Evelyn Partners ESG policy and to set out the matters which the Committee might wish to consider. Mr Boycott also offered to provide model policies if needed.

CP observed that the data provided on performance analysis shows that the fund is performing poorly, with only a 0.7% return so far this year and an unfavourable comparison against the benchmark. He asked how the College holds Evelyn Partners to account in this regard. Mr Boycott acknowledged that it is not always useful to compare against the industry benchmark (MSCI) and pointed CP to the expected annual return over 20 years (6.6%) which compares well against CPI +3%. However, he acknowledged that CPI and inflation has increased sharply over recent years which has made this a high benchmark and harder to keep up with. He reiterated that the College is free to amend its portfolio risk profile and the restriction to 60% equities, which could lead to higher returns.

Mr Boycott undertook to provide data on the MSCI Cautious Index which may provide better comparison as it is positioned more towards Nescot's equity / non-equity ratio. He also encouraged the Committee to consider the comparison data provided for a peer group of charities with similar profiles to Nescot.

	<p>Mr Boycott left the meeting at this point.</p> <p>The Chief Operating Officer noted some of the concerns raised by the Committee around the performance of the fund and suggested that it may be worth looking into some alternatives, particularly if, in the future, Nescot chooses to release funds through capital receipts to invest in the future.</p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>• Mr Boycott to provide information about Evelyn Partners' evaluation of ESG issues in potential investment companies.</li> <li>• Mr Boycott to provide model ESG policies</li> <li>• The Head of Governance to add ESG issues to the agenda for their next meeting.</li> <li>• Mr Boycott to provide data on the MSCI Cautious Index.</li> </ul>
<p><b>6</b></p>	<p><b>Finance Matters</b></p>
<p>a</p>	<p><u>Draft Group Financial Statements &amp; Annual Report 2022-23</u></p> <p>The Chief Operating Officer presented this item. She summarised the Audit Findings report and advised that two issues were identified and recommendations made as follows:</p> <ul style="list-style-type: none"> <li>• Individualised Learner Records (ILR)</li> <li>• Regulatory - relating to bad debt provision and bad debt policy.</li> </ul> <p>The Committee noted that issues identified around the ILR were reported to Audit Committee and Corporation in July 2023, and the Chief Operating Officer confirmed that a follow-up audit has taken place, and progress has been made to address all areas of concern, although the final report has not yet been provided by RSM.</p> <p>The Chief Operating Officer also explained that, due to an oversight, permission was not sought from the DfE to write-off around £350K of debt which in part related to former partnership arrangements, although internal permission was obtained. She confirmed that retrospective permission would be obtained and that all policies have been reviewed and updated to ensure compliance with requirements set out in HM Treasury's Managing Public Money guidance. The CEO/Principal added that our External Auditors had advised that a number of other colleges have fallen foul of the change in the rules since the reclassification of FE colleges to public sector bodies earlier in the year.</p> <p>The Chief Operating Officer summarised the five advisory observations and associated recommendations and reported that, with regard to the Harpur Trust vs Brazel ruling, Nescot had assessed its liability and was comfortable that the approach in place is appropriate and mitigates the risk of challenge.</p> <p>The Chief Operating Officer also confirmed that Nescot conducted a full Conditions Survey five years ago, which complies with the recommendation to undertake one every 5-7 years, but that specific parts of the site may be subject</p>

	<p>to more frequent surveys. Furthermore, an Estates Masterplan is to be commissioned.</p> <p>The Chief Operating Officer welcomed comments and questions.</p> <p>MM sought clarity on the statement shown on page 20 of the Annual Report which states “<i>The college group’s reserves include £nil (2020: £nil) held as restricted reserves</i>”. The CEO/Principal agreed that the wording should be amended to make it clearer.</p> <p>MM pointed out a typographical error on page 22 of the report.</p> <p>MM pointed to the Apprenticeships section on page 17 of the report which states “<i>Apprenticeships have high levels of achievement in year however some of the longer apprenticeship standards delivered over four years still carry apprentices most heavily impacted by the pandemic. Those past their end dates have not been as successful but apprenticeship provision remains slightly higher than national rates at 58%</i>”. She suggested that some context be added as the rate of achievement doesn’t seem to be very high. The CEO/Principal advised that a decision was made to tidy up the data and remove all students beyond their end date.</p> <p>CP queried why three dormant subsidiary companies still exist if they are not needed and the CEO/Principal advised that the Audit Committee asked the same question. She undertook to share a report from Stone King from last year to inform discussion on action to be taken for those three dormant companies.</p> <p>CP asked about the Reserves Policy and the Chief Operating Officer explained that the use of reserves has hitherto been included in the Finance Procedures and Treasury Management Policy, but that she would be presenting a Reserves Policy to a future meeting of this Committee for approval.</p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>• Chief Operating Officer to make the agreed amendments to the Annual Accounts prior to presenting them to the Corporation for approval on 08.12.2023</li> <li>• Head of Governance to recirculate the Stone King report on Nescot’s subsidiary companies.</li> <li>• Chief Operating Officer to bring a Reserves Policy to a future meeting of this Committee.</li> </ul>
b	<p><u>Draft Management Letter &amp; Letter of Representation 2022-23</u></p> <p>The Chief Operating Officer set out the three specific representations set out in the letter, as follows:</p> <ol style="list-style-type: none"> <li>1) We confirm that the balance at 31 July 2023 for the Metro bank account is £3,301.36.</li> <li>2) We confirm that bad debts totalling £354,168 were written off during the year. DfE approval was not sought for the write-off.</li> </ol>

	<p>3) In relation to the Harpur Trust vs Brazel case – we have assessed our exposure to the potential legal claims arising from back dated holiday pay for sessional and casual workers and have deemed the maximum liability to be immaterial to the accounts.</p>
<p>c</p>	<p><u>Finance Update</u></p> <p>The Chief Operating Officer presented a high-level overview of the financial position of the College over the last three months and looking forward to the next three months, detailing the achievements, priorities, challenges and opportunities. She welcomed comments and questions.</p> <p>At the request of MM, the Chief Operating Officer set out the timetable for the procurement and implementation of a new Finance System which will be in place by September 2025.</p> <p>CP asked how capital bids are assessed and the Chief Operating Officer explained that the Capital Programme Working Group meets termly and will relaunch the process in the new year, with clear guidelines on the criteria to be applied to applications, which will be aligned to the strategic plan priorities. She described the challenge in balancing future investment against the need to maintain the site, but confirmed that it has been made clear that all bids must be approved by the relevant senior manager prior to submission.</p>
<p>d</p>	<p><u>October 2023 Management Accounts</u></p> <p>The Chief Operating Officer presented a summary of the accounts to the end of October 2023, and highlighted the deficit which is higher than forecast, largely due to lower rates of enrolment than planned in HE. She also advised that there are opportunities for growth in some areas, such as Plumbing and Electrical but these are limited by the challenge in recruiting staff.</p> <p>The Director of Finance reported that some salary savings may be achieved but have not yet been built into the budget. In addition, there could be some adjustment through over-budgeting for IT software and savings may be made through the switch to Teams for telephony. He also explained that the pension valuation last year had a positive impact on the budget, which might happen again this year, but that would not be known until September 2024 when the statement is received.</p> <p>The CEO/Principal and Chief Operating Officer set out actions underway to address the deficit.</p> <p>CM observed that the key challenge appears to be around the HE provision and the CEO/Principal advised that Governors would be asked to look at the future HE strategy over the course of the next year.</p> <p>MM asked about the decrease in HE student numbers and the CEO/Principal attributed it to a range of factors, including the current economic climate, a buoyant employment market and the relaxing of qualification requirements in</p>

	<p>some sectors, meaning that fewer adults are looking to retrain. She pointed out that this issue is common across the FE sector.</p> <p>The Chief Operating Officer advised that the Commercial audit was brought forward and has been completed, with the draft report submitted last week. The new Director of Customer Engagement will lead on implementing recommendations emerging from the report, and all commercial areas are expected to produce a business plan.</p>
<b>7</b>	<b>Strategic Plan Update</b>
	<p>The Chief Operating Officer presented an update on the new Strategic Plan and the action plan which will link to it. She confirmed that a refreshed KPI template is being prepared and will be produced monthly for CLT monitoring and Corporation review. The revised Plan and objectives will also feed into all staff appraisals to facilitate a 'golden thread' running right through the organisation.</p> <p>The Chief Operating Officer advised that Governors will eventually have access to data over a three-year period, which will enable comparison over time, and confirmed that a glossary would be included to ensure that the KPIs are clearly understood and meaningful. In addition, data will be provided on wider organisational functions such as Safeguarding, Health &amp; Safety and GDPR to give Governors a complete picture of College life.</p> <p>The Chief Operating Officer welcomed feedback from the Committee to ensure that the new KPI are helpful, useful and support good decision making.</p>
<b>8</b>	<b>Capital Expenditure Programme Update 2023-24</b>
	<p>The Chief Operating Officer presented her report and invited comments and questions.</p> <p>At the request of CM, the CEO/Principal gave further details of the plan to erect a flagpole on the campus, which would be particularly useful for Public Service students and would enable the College to mark certain events.</p> <p>MM asked about the new software for visitors on site and the Chief Operating Officer explained that it will enable photographs to be taken and printed on the badge for all visitors, and will make the process more efficient. MM asked if there are CCTV cameras in the car park and the CEO/Principal confirmed that there are, although these do not always deter unwelcome visitors. She advised that there is frequent liaison with the Police, and both the Borough Commander and Surrey's Deputy Police &amp; Crime Commissioner are due to visit Nescot in the new year. The Chief Operating Officer advised that the security of the car park is being considered but a barrier may not be practical solution.</p>
<b>9</b>	<b>Policies and Procedures</b>
	<p>The Chief Operating Officer advised the Committee that all policies will be reviewed to ensure job titles are correct following last year's institutional review and that they reflect the latest legislation and guidance.</p>



a	<p><u>College Fees Policy 2024-25</u></p> <p>The Chief Operating Officer advised that no increase to fees is proposed. Approved.</p>
b	<p><u>Finance Regulations</u></p> <p>The Chief Operating Officer reported that the Finance Regulations had been reviewed and amended in the light of auditor feedback and statutory guidance. CP asked how the College supports young people from disadvantaged backgrounds and the Director of Finance advised that a bursary is available to assist with travel, subsistence and learning material costs. The household income threshold for support is set by the College and if the take-up of the bursary fund is low, the threshold is adjusted.</p> <p>The Finance Regulations were approved.</p>
<b>10</b>	<b>Financial Waivers</b>
	The Committee approved the waiver to renew the contract with Topdesk for three years.
<b>11</b>	<b>Any Other Business</b>
	No items were raised.
<b>12</b>	<b>Date and Time of the Next Meeting</b>
	Friday 15 <sup>th</sup> March 2024 at 9.00am
<b>13</b>	<b>Confidential Items</b>
	The Committee considered a confidential matter which is set out in a separate minute.

The meeting closed at 11.10 am.

**Decisions:**

The Committee:

- Approved the minutes of the meeting held on Friday 30<sup>th</sup> June 2023.
- Agreed to recommend to Corporation on 8<sup>th</sup> December that a 2% pay rise is awarded to all staff with effect from February 2024.
- Approved the College Fees Policy 2024-25.
- Approved the Finance Regulations.
- Approved the waiver to renew the contract with Topdesk for three years.

**Actions:**

- Head of Governance to add ESG Implications for Investment to the agenda for the next meeting of the Committee. Mr Boycott to share Evelyn Partner's ESG policy and template.
- Mr Boycott to provide benchmarking data from MSCI Cautious Index.
- Chief Operating Officer to make the agreed amendments to the Annual Accounts prior to presenting them to the Corporation for approval on 08.12.2023
- Head of Governance to share the Stone King report on Nescot's subsidiary companies.
- Chief Operating Officer to bring a Reserves Policy to a future meeting of this Committee.