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MINUTES OF THE MEETING OF THE FINANCE & GENERAL PURPOSES COMMITTEE

Held on Friday 19th March 2021 at 9.00am in the Skills Park and via MS Teams

Present: Peter Stamps (Chair), Margaret Martin, Sam Luke (left the meeting at 10.55), John Willis, Frances Rutter (Principal)

In Attendance: Maria Vetrone (Deputy Principal Finance & Resources), Sandra Dessent (Clerk to the Corporation)

20.20	**1.0 Apologies for Absence**
	No apologies for absence were received.
21.20	**2.0 Declarations of Interest**
	The Chair reminded Members to declare any interest they may have in any of the items on the agenda. Professor Luke: unremunerated Director of NESCOT Enterprises Ltd, North East Surrey College of Technology Trust, NESCOT Holdings Ltd and Epsom Downs Business Centre Ltd. Mr Stamps: unremunerated Director of NESCOT Enterprises Ltd. Mrs Rutter: unremunerated Director of NESCOT Enterprises Ltd, North East Surrey College of Technology Trust, NESCOT Holdings Ltd and Epsom Downs Business Centre Ltd. Ms Margaret Martin: member of Ewell Rotary Club and a trustee of Age Concern. Mr John Willis: Council member of Chartered College of Teaching, trustee of I can and governor at Meath School Ottershaw and St. Johns School, Leatherhead.
22.20	**3.0 Minutes of the Previous meeting and Matters Arising**
	The minutes of the meeting held on 27th November 2020 were agreed as a true record and signed by the Chair. The matters arising were as follows: **Add additional evidence to the Aoc Senior Staff Remuneration Code of Practice to give assurance to the Governing Body that the College is compliant with the code.** Complete – Presented to Corporation on 10th December. **Analysis of student contribution by faculty for the past 2-3 years to be presented at the next meeting.** The Deputy Principal (Finance & Resources) presented a spreadsheet detailing an analysis of the financial outturn for each curriculum department

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	from 2018/19 through to forecast for 2020/21. 2018/19 numbers included the centralisation of all Apprenticeship income and expenditure, but these are devolved in 2019/20 and 2020/21, making comparison with 2018/19 more challenging. The percentage contributions were rag rated and the Committee was informed that those that had or were forecast to drop below 50% contribution were rated red. The Deputy Principal (Finance & Resources) explained that the target financial contribution required was 50% to cover all College central costs and overheads. She reminded the Committee that curriculum department direct income and expenditure targets were for a 64% contribution. The Deputy Principal also confirmed that the Finance Department worked closely with curriculum departments to regularly review the departmental financial position and to assist in increasing departmental financial contribution. The Committee was assured that the contributions levels were used to inform the curriculum planning processes and were regularly discussed and monitored by the senior management team and reported to Governors through Intensive Care Scrutiny sessions. It was also important to take a balanced view and consider other factors e.g., some courses that appeared to be underperforming were a pipeline for other courses or were new courses that still needed to establish themselves. The Committee discussed and noted the trends, and it was agreed that any new initiatives to improve the faculty contributions would be reported to Governors through the Committee and Corporation.
23.20	**4.0 Finance Matters**

4.1 Management Accounts January 2021

The headline numbers for the College group were reported as follows:

College Group	Best case forecast (£000)	Best case budget (£000)	Variance (£000)	Movement in forecast since November 2020 (£000)
Total income	30,423	30,121	302	↑ **£894**
Total pay expenditure	(17,612)	(17,694)	82	↑ **£141**
Total non-pay expenditure	(12,874)	(12,409)	(465)	↑ **£152**
Total expenditure	(30,485)	(30,103)	(382)	↑ **£291**
Operating surplus/ (deficit)	**(62)**	**18**	**(80)**	↑ **£603**

***Table contains some rounding error**

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Income: The total income forecast had improved by £894k since the last report, due mainly to additional in-year funding growth (£595k) and higher than expected loan funded student numbers through the College's partners and sub-contractors (£1,707k).

However, other areas continued to be adversely impacted due to the uncertainties and impact surrounding Covid-19. The most significant areas of underperformance were full cost fees including schools link (-£776k) and apprenticeships (-£523k).

Pay Expenditure: The forecast had deteriorated by £141k since the report (although total income forecasts had improved by £894k). This had resulted in the forecast ESFA pay expenditure ratio which was now 64.11% broadly on budget of 64.19% and a reduction against the sector benchmark of 65.93%. The FE Commissioner benchmark is a maximum of 65%.

Non-Pay Expenditure: Total non-pay expenditure forecast had deteriorated by £152k since the last report because of additional partner costs to drive additional business and growth in total income.

Forecast financial contribution by faculty showed significant improvement from the last report because of the additional in-year government funding for 16-18 growth. These improved figures will be reported in the February 2021 management accounts. Whilst it was acknowledged that further improvement of curriculum department financial contribution was needed through continual monitoring and management interventions, it was moving in the right direction.

The direct provision partnerships were also performing better than forecast as follows:

ASTML: A forecasted operating surplus of £937k (favourable budget variance of £106k) and forecasted margin of 24.8%.

Skills Max Academy: A forecasted operating surplus of £251k (favourable budget variance of £166k) and forecasted margin 25.0%.

ABA: Operating surplus of £117k (favourable budget variance of £32k) and forecasted margin 25.0%.

The College's cash generation and cash management strategy was effective with cash reserves now at around £6.5m and a further £3m with the College's external cash manager in an investment fund.

Capital expenditure was being managed within defined budgets and the balance sheet was showing continued strength for liquidity and solvency. The Deputy Principal (Finance & Resources) confirmed that the College's relationship with the in-house banker HSBC was strong and effective, with many options available for borrowing should the need ever arise.

The College had maintained its 'outstanding financial health status' for the year to date and projected to year end with underlying scores increasing 280/300 against the target of 270/300 for year end.

The Committee reviewed and noted the financial position as of January 2021. The Committee requested an analysis of demographic trends to demonstrate whether

	there would be continued growth in 16-18 student numbers and what that could translate into for continued revenue growth. 4.2 Investment Fund Update The Committee received a report setting out the latest position of the College's investment fund managed by Smith & Williamson. The report detailed the asset allocation as of 31st December 2020 with £2m principal sums and also a valuation of the fund as of 3rd March 2021 with £3m principal sums. The valuation at 3rd March 2021 was £3,101,289 with significant level of cash funds still to be invested. It was noted that, at 31st December 2020, the portfolio retained 65.9% in equities (a change of +20% since the last valuation). The remaining 34.1% was spread across a mixture of bonds, alternatives and cash which aligned with the view that equities will deliver returns in excess of bonds. It was anticipated that the market would continue to be volatile, with the main risk being the efficacy of vaccine and the inoculation programme. Economic normalisation was predicted in the second half of 2021 and any delay would need to be reflected in the valuation. Smith & Williamson were prepared to adapt the portfolio accordingly. 4.3 Brief-Back Smith & Williamson The Committee were joined by two members of the investment team at Smith & Williamson who gave a presentation covering the following: • Portfolio arrangements • Investment fund performance • Environmental Social & Governance – protocols for responsible investments • Top 20 holdings • Market Review • Investment Strategy • Market SWOT analysis. The Committee discussed the presentation, and the following points were highlighted: • Smith & Williamson assured the Committee that the Tilney and Smith & Williamson merger would not adversely affect the management of the portfolio and a benefit of the merger was that the Smith & Williamson team were able to dedicate more time to NESCOT. • The fund was in a medium risk profile with the objective of increasing the value of the portfolio over the longer term (5+ years). • Whilst in Q3 and Q4 2021 the fund did not perform as expected and below the benchmark, Smith & Williamson were confident that by continuing to pursue their mandate of a balance between sustainable growth and income the benchmark of 3% would be achieved in the longer term.

- The most likely factors that could impact the trajectory as a result of Covid-19 were the economic growth, ability to pay off the national debt, controlling inflation and globalisation (the impact on supply chains).

Regarding the risk factor of the investment, Smith & Williamson had proposed a 70/30% split of Equities and Bonds and informed the Committee that Medium Risk Policies were usually a maximum of 80% equities. However, following discussion the Committee instructed Smith & Williamson not to extend equities further than 70%.

It was further agreed at the meeting that the Equity/Bond split should be reviewed at every meeting and formally recorded.

The Committee was invited to forward any queries or questions after the meeting to the Deputy Principal (Finance & Resources) who would liaise with Smith & Williamson on their behalf.

Note: Members requested a copy of the presentation which was circulated after the meeting.

4.4 Treasury Management Policy Update

The Committee received an update of the College's Treasury Management Policy which had been updated in response to an Internal Audit recommendation and re-aligned with the CIPFA Treasury Management in the Public Services: Code of Practice 2017 Edition (The CIPFA Code of Practice).

The following changes were considered:

- The inclusion of a new Treasury Management Practice (TMP) covering 'non-treasury investments.
- Additional detail in the Supporting Schedules.
- Updated Annexes.

In summary the College defined its Treasury Management activities as 'The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'

The Deputy Principal (Finance & Resources) explained that the College regarded the successful identification, monitoring, and control of risk to be the prime criteria by which the effectiveness of its treasury management activities would be measured. Accordingly, the analysis and reporting of treasury management activities would focus on their risk implications for the College.

The Deputy Principal explained that the College regards its investment priorities to be security and liquidity in its overall Treasury Management Policy. It would balance risk and return within these priorities to achieve optimum income on its investments.

The Deputy Principal explained that the College's treasury arrangements were currently straightforward. The College's current bankers were HSBC, with whom the College deposits cash in current accounts and overnight money market account. The College's subsidiary company, NESCOT Enterprises Ltd, also holds a current account with HSBC. The College Group held a total of £6.68m in cash

	with HSBC as of 31st January 2021. The College also holds investments with Smith & Williamson in an investment fund which currently holds and additional £3m of principal sums. Having considered the updated Treasury Management Policy the Committee approved the revised contents and agreed to recommend that the updated policy to Corporation on 26th March 2021.
24.20	**5.0 Key Performance Indicators**
	The Committee received and noted the Finance & General Purposes Key Performance Indicators for January 2021.
25.20	**6.0 Property Matters**
	6.1 Capital Projects 2021 Update The Capital Programme for 2020/21 included a range of planned refurbishments and replacement works across the Estate to the budgeted value of £1,617.1k. A report was shared updating the Committee on the status of the capital projects as at 3rd March 2021, and included a list of the projects alongside budget, actual spend and forecasted spend. There were five unplanned capital projects with a total forecasted spend of £88.2k as follows: • The installation of perimeter fencing to the sports pitches • Installation of conference facilities in the Skills Park Board Room • The creation of two examination pods in the Skills Zone of the Learning Resource Centre • Refurbishment of two small offices in the Yorkon Building • The cost of feasibility studies for the refurbishment of the Yorkon Building as part of the bid to the FE Capital Transformation Fund. The report concluded that the capital programme was currently forecast to be over-spent by £88.2k (5.5% of original budget) on completion. It was unlikely that this could be recovered through cost savings achieved by year end as most of the planned capital programme had been delivered. However, the contingency of £100k was still in place and would be sufficient cover the current forecasted overspend.
26.20	**7.0 HR Reports**
	7.1 Settlement Payments A summary of the latest Settlement payments was shared, and the Committee discussed and noted the most recent redundancy payment.
27.20	**8.0 HE Tuition Fees 2022/23**
	The Committee was requested to review and approve the HE Tuition Fees Policy for 2022/23 and received a report summarising the influencing factors in setting the fees alongside a detailed spreadsheet detailing the fees and comparisons with other Colleges. Having considered the market and political factors the Senior Management team based the fees on the following principles:

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	• Where NESCOT is more expensive than local college competitors, tuition fees have not been changed. • Where NESCOT is more cost effective than local college competitors, a fee increase based on RPI is proposed for those courses that recruit largely younger students funded by the SLC. • Tuition fees for courses that recruit mainly adult students are frozen at 2021-22 levels. It was concluded that the proposed HE Tuition Fees for 2022-23 had been considered by the Senior Management team based on market analysis at an appropriate level to generate demand and income streams for the College. In response to a question, the Deputy Principal agreed to investigate the proposed course cost of £7,100.00 for Psychodynamic Counselling foundation degree in comparison to Kingston University who were charging £4,670.00. Having considered the proposals, the Committee agreed to recommend the HE Tuition Fees 2022/23 for approval by Corporation on 26th March 2021.
28.20	**9.0 Waiver of Financial Regulations**
	In accordance with financial regulations the Deputy Principal (Finance & Resources) advised the Committee of the intention to waive financial regulations for the procurement of specialist professional development (CPD) for the curriculum staff, at a cost of £7,200 excluding VAT. The training would comprise of sixteen half day sessions undertaken by Dr Anna James. The Committee was advised that there was a contract in place which would be overseen by the Deputy Principal (Curriculum & Quality). The content of the courses in relation to cost and value for money was discussed and the Committee was assured that the fee compared favourably to other providers in the sector and the sessions would be accessible for all curriculum staff and the learnings from the sessions would contribute to the success and growth of Google Classroom. It was noted that previous sessions had been well received by the staff and it was agreed to circulate feedback to Governors.
29.20	**10.0 Any Other Business**
	There being no further business the meeting concluded at 11.15am
30.20	**Date and Time of the Next Meeting: Friday 16th July 2021 at 9.00am**

Decisions:

1. Approved the updated Treasury Management Policy and agreed to recommend to Corporation on 26th March 2021
2. Approved the HE Tuition Fees 2022/23 and agreed to recommend to Corporation on 26th March 2021.

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Actions:

1. Graph of demographic trends to be produced for the next meeting.
2. Investigate the proposed course cost of £7,100.00 for Psychodynamic Counselling foundation degree in comparison to Kingston University who were charging £4,670.00
3. Circulate feedback from staff regarding Dr Anna James previous sessions.