

Agreed Minutes

MINUTES OF THE MEETING OF THE FINANCE & GENERAL PURPOSES COMMITTEE

Held on Friday 16th July at 9.00am in Skills Park Committee Room B and via MS Teams

Present: Peter Stamps (Chair), Professor Sam Luke, Martin Butterfield, Margaret Martin, John Willis (until 11.30am), Frances Rutter (CEO/Principal)






In Attendance: Maria Vetrone (Deputy Principal Finance & Resources), Sandra Dessent (Clerk to the Governors) Mohan Chana (Director of Strategic Partnerships) from 11.00am

31.20	Apologies for absence
	No apologies for absence were received
32.20	Declarations of Interest
	<p>The following Declarations were received:</p> <p><u>Peter Stamps</u>: Unremunerated Director of NESCOT Enterprises Ltd (NEL)</p> <p><u>Professor Sam Luke</u>: Unremunerated Director of NESCOT Enterprises Ltd. (NEL)</p> <p><u>Frances Rutter</u>: Unremunerated Director of NESCOT Enterprises Ltd. (NEL)</p> <p><u>Sandra Dessent</u>: Salaried employee of NESCOT Enterprises Ltd. (NEL)</p>
33.20	Minutes of the Meeting Previous Meeting
	<p>The minutes were agreed as a true record and will be signed by the Chair, subject to the following amendment:</p> <p>Minute number 23.20 (Item 4.3 Brief-back Smith & Williamson (Investment fund managers), it was agreed to add the following point:</p> <p><i>'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 was usually a maximum of 80% equities. However, following discussion the Committee instructed Smith & Williamson not to extend equities further than 70%.'</i></p> <p>It was further agreed at the meeting that the Equity/Bond split should be reviewed at every meeting and formally recorded.</p>
34.20	Matters arising from the Previous Meeting
	<p>Graph of demographic trends to be produced for the next meeting.</p> <p>Action Complete.</p> <p>The Committee received a paper with graphical projections of the 16-18 Demographics for the total population, Epsom & Ewell, Mole Valley and Reigate and Banstead.</p>

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	<p>The total population and local authorities all showed an increase in 16–18-year-olds (2030) representing 19% rise of the NESCOT 2020 cohort for total population and 24.4% for Epsom & Ewell.</p> <p>It was agreed that this was good news for NESCOT and noted that with the appropriate sales and marketing this would contribute to achieving our ‘College of Choice’ objective. It was also important that these demographics inform the Estates Strategy as well as consideration of how blended learning will develop.</p>
	<p>Investigate the proposed course cost of Psychodynamic Counselling.</p> <p>Action Complete</p> <p>It was agreed that the comparison was not ‘like for like’ and a note was to be added to the Curriculum Plan to clarify.</p>
	<p>Circulate feedback from staff regarding Dr Anna James previous sessions.</p> <p>Action Complete</p> <p>It was further agreed to discuss the measurable impact on staff outside the meeting</p>

35.20 5.0 Finance Monitoring

<u>5.1 Management Accounts May 2021</u>				
The Committee received the detailed management accounts for May 2021 and a covering report which highlighted the following:				
College Group	Best case forecast (£000)	Best case budget (£000)	Variance (£000)	Movement in forecast since April 2021 (£000)
Total income	31,569	30,121	1,448	 £57
Total pay expenditure	(17,602)	(17,694)	92	 £0
Total non-pay expenditure	(13,139)	(12,409)	(730)	 £0
Total expenditure	(30,741)	(30,103)	(638)	 £0
Operating surplus/ (deficit)	829	18	810	 £57
The report outlined the most significant variances for income, total expenditure (and split between pay and non-pay).				

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It was noted that the main reason for the College's improved financial performance related to increased government funding associated with the pandemic combined with the College's maximisation of cost savings.

The segmental analysis highlighted the financial success of direct delivery from NESCOLTs' satellite centres which were in total £421k ahead of budget.

The curriculum areas were ahead of budget by £98k and the Committee received information of the forecast contribution across curriculum departments.

The College had maintained its 'outstanding' financial health status for the year to date and was projected to year end, with underlying scores increasing to 290/300 against the target level of 270/300.

The increased bad debt provision for the ICOM Osteopathy business was discussed and the Principal agreed to revisit the communications with Student Finance England and report back to Corporation regarding the possibility of reinvestigating the reasons for the student loan funding being withdrawn.

Regarding the forecasted income for curriculum departments (page 10 of the management accounts) it was noted that Maths and English did not generate income and it was agreed to enter a note on the accounts to clarify the position.

It was noted that the predictions would switch to a 'likely' forecast from the June management accounts.

5.2 KPIs May 2021

The KPIs for May 2021 were presented which reflected the management accounts and showed an 'outstanding' performance against the national average of 'good'.

5.3 Investment Fund Update

The Committee were presented with an Investment Summary report prepared by Smith & Williamson with whom £3m was invested (64.7% in Equities and 35.3% spread across a mixture of bonds, alternatives and cash).

The latest valuation on 6th July 2021 was as follows:

Asset	Market Value £	%
All securities	3,201,848	97.3
Cash	89,395	2.7
Total Value	3,291,243	100

In view of the healthy financial status the Deputy Principal asked the Committee to consider investing a further £1m into the investment account in September 2021. The Committee approved the proposal to invest a further £1m in the investment fund managed by Smith & Williamson, and recommend to Corporation.

Overall reinvestment of profits was discussed, and it was agreed that a proposal would be prepared and presented to the Board in the Autumn term.

5.4 Settlement Payments to College Staff


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	<p>The Committee received a summary of the settlement payments to staff, and it was noted that the position had not changed since the last report.</p> <p><u>5.5 Waiver of Financial Regulations</u></p> <p>Two waivers of the Financial Regulations had been brought before the Chair of the Committee and were approved by F&GP members, as follows:</p> <ul style="list-style-type: none"> • Purchase of Microsoft licences to the value of £50k for a three-year contractual period. The reasons for not tendering the contract were explained and accepted by the Committee. • Purchase of outdoor advertising media to the value of £31k involving 77 sites for between 2 and 8 weeks. Two quotations had been supplied which the Head of Procurement had advised was sufficient on this occasion.
<p>36.20</p>	<p>6.0 Finance Strategy & Budget</p>
	<p><u>6.1 Financial Health Grade and Dashboards</u></p> <p>A letter from the ESFA to the Principal, confirmed the following health grades:</p> <ul style="list-style-type: none"> • ‘Outstanding’ for 2019/20 (based on the outturn year) • ‘Outstanding’ for 2020/21 (based on the current budget year financial plans) <p>It was noted that NESCOT was one of 40 Colleges in England (around 17%) which had been assessed as ‘outstanding’ in 2020/21.</p> <p>It was concluded that despite a challenging operating environment, the dashboards demonstrated short term financial stability, which could be sustained as long as student recruitment could be achieved against curriculum plans and operating costs were contained.</p> <p><u>6.2 Curriculum Planning 2021</u></p> <p>The Committee received a summary of the Curriculum Plan 2021/22, with details on the following:</p> <ul style="list-style-type: none"> • Funding body allocations • Curriculum Plan Headlines • Subcontracting and Satellite sites • Curriculum Efficiencies – 2020/21 Contributions/average class sizes/income per staffed hour • Student numbers • Curriculum changes from the previous year. <p>The complexity of funding streams was discussed and it was agreed that the Vice Principal would circulate further information on the funding methodology.</p> <p>It was noted that social distancing had an impact on class sizes for 2020/21 however 2021/22 curriculum plans did not include social distancing measures.</p> <p>It was further noted that the small class sizes would be a good selling point for NESCOT, and it was agreed to check with Marketing if this was used as a unique selling point in the College advertising.</p> <p><u>6.3 Budget 2021/22</u></p>

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The Deputy Principal (Finance & Resources) presented the 2021/22 Budget and one year forecast together with the ESFA financial planning checklist and budget commentary.

The headline numbers were presented in the following table:

 Statement of Comprehensive Income	Forecast Outturn 2020-21* £k	Budget 2021-22 £k	Forecast 2022-23 £k
Total income	31,571	34,888	35,463
Total pay expenditure	(17,602)	(19,677)	(20,059)
Total non pay expenditure	(13,140)	(14,930)	(15,166)
Total expenditure	(30,742)	(34,607)	(35,225)
Operating surplus/ (deficit)	829	281	238

The ESFA key performance indicators (generated by the financial model), were presented as follows:

Key Performance Indicators	2021*	2022	2023
Financial health	Outstanding	Outstanding	Outstanding
Borrowings as % of income	0.20%	0.11%	0.04%
EBITDA as % of income	11.69%	10.26%	9.96%
Adjusted current ratio	3.45	3.39	3.68

*Forecast outturn 2020-21 at 31 May 2021

It was concluded that the College Senior Management Team (SMT) had proposed a budget for the year ending 31 July 2022 which would generate an operating surplus of **£281k** on total income of **£34.9m**. The proposed budget was a 'Likely Case' budget.

The Committee discussed the budget and the following points were made:

- Based on the growth projections a 2% pay award (consolidated) for NESOCOT and NEL staff was proposed which was expected to enhance efforts to recruit and retain staff. The Committee further suggested that staff should receive an additional 'thank you' for working so hard and achieving so much despite the lockdown challenges. It was agreed that it would be discussed further at Corporation in July
- No assumptions had been made for expenditure or capital grants
- Page 38 of the budget commentary detailed the worst/likely/best case scenarios.

Having considered the proposals, the Committee agreed to recommend approval to Corporation for the Budget for 2021/22 and one year forecast and a 2% pay rise consolidated for NESOCOT and NEL staff.

37.20 **7.0 Property Strategy**

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	<p><u>7.1 Capital Programme 2020/21 Update</u></p> <p>The College had approved a capital expenditure programme for 2020/21 to the value of £1,617k for building and refurbishment works, which aligned with the College's Estates Strategy.</p> <p>As of the beginning of June the capital programme was currently forecast to be underspent by £160k (9.9% of original budget) on completion. Despite a number of unplanned projects to the value of £111k, the underspend had been achieved mainly from cost savings made on the delivery of the North Portacabins project.</p> <p><u>7.2 Capital Programme 2021/22</u></p> <p>The Committee considered the capital programme for 2021/22 which consisted of projects totalling £2,261k, most of which had been fully costed and tendered in accordance with the financial regulations. An appendix to the report provided a brief outline of each of the projects.</p> <p>It was acknowledged that costs were rising steeply due to issues in supply chains caused by Covid restrictions. However, the Committee was assured that a £100k contingency sum had been built in and considered sufficient to cover any additional costs.</p> <p>The Committee was informed that the associated cash flows had been modelled and were affordable from within the College's own cash reserves with no requirement for borrowing.</p> <p>The project for the refurbishment of the Yorkon building was discussed in light of the news that the College had not been successful in securing a capital transformation bid. The Committee was assured that the project would still go ahead but would be built into the 2022/23 programme.</p> <p>Having considered the capital expenditure proposals for 2021/22 the Committee approved the programme and agreed to recommend to Corporation.</p> <p><u>7.3 Capital Bids 2021/22</u></p> <p>The Committee was informed that the criteria for Capital bids for 2021/22 was that the bids could demonstrate a contribution towards the achievement of the College's strategic priorities. The process started in February 2021 and concluded in June 2021 as part of the College's financial planning/ budgeting arrangements.</p> <p>A total of £424,5461 (£778,581 2020-21) had been agreed by the SMT as the College's capital equipment budget for 2021-22 to cover capitalised furniture and equipment, predominantly for classrooms and other teaching space, and IT/computer equipment. Of this, £236k has been ringfenced for further refresh of the College's IT devices.</p> <p>Having considered the capital bids for 2021/22 the Committee approved the programme and agreed to recommend to Corporation.</p>
38.20	8.0 Accounting & Funding Matters
	<p><u>8.1 ESFA College Accounts Direction 2019/20</u></p> <p>The purpose of this report was to inform the Committee of the requirements set out in the ESFA College Accounts Direction, attached as an Appendix, for the preparation of the College financial statements for the year ending 31 July 2021.</p>

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	<p>It was concluded that there were a number of changes from last year's ESFA College Accounts Direction, mostly around new disclosure requirements for the 2020-21 financial statements.</p> <p><u>8.2 ESFA Funding Rules 2021/22 and Summary Changes</u></p> <p>The ESFA and GLA Funding Rules for 2021-22 have been published. The documentation was substantial and had not been attached, although it had been provided to members of the F&GP Committee for download if required.</p> <p>There were no significant changes from the previous year in any of the programme funding rules apart from those relating to subcontracting and the Committee was asked to note the following:</p> <p>“We have been clear from the outset that we wish to see a significant reduction in the overall volume of subcontracted delivery in the sector. To this end during the autumn 2020 term all providers were asked to produce a plan to reduce the amount of subcontracting in order to meet the 25% cap by the 2022 to 2023 funding year. Where a provider does not think it can make a reduction, it should have submitted an exemption case.</p> <p>For the funding year 2021 to 2022 ESFA has simplified and unified the subcontracting funding rules that apply to all providers of education and training who receive AEB, ESF and 16 to 19 funding.”</p> <p>It was concluded that the College had processes and systems in place to ensure compliance with the ESFA and GLA Funding Rules 2021-22, although the implementation of the Apprenticeship reforms continued to be a challenge. The additional requirement to comply against the GLA AEB funding rules also added to the complexity of the College's compliance framework and workload for monitoring, reporting and control.</p>		
39.20	9.0 Subcontracting		
	<p><u>9.1 Subcontracting Supply Chain</u></p> <p>The Director of Strategic Partnerships presented the Subcontracting Fees and Charging Policy for 2021/22, along with a covering report highlighting the following:</p> <ul style="list-style-type: none"> • The charges related to the cost of the College's quality assurance and administration for subcontracting and calculated each year based on the outcome of the due diligence process. • The charges covered the delivery of all College processes from course set-up, enrolment, CIS reporting, linked Quality OTL, internal audits, CMOM meetings, and training and other related support to ensure the contract is delivered according to agreed KPIs. <p>The charges applied were as follows:</p>		
	<table border="1" data-bbox="242 1899 1460 2004"> <tr> <td data-bbox="242 1899 842 2004">Total Weighted Score</td> <td data-bbox="842 1899 1460 2004">Quality Assurance and Administration Fees Charged to recover costs</td> </tr> </table>	Total Weighted Score	Quality Assurance and Administration Fees Charged to recover costs
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	100-175	15%
	176-522	20-25%
	523-875	25-30%
	876-1280	30-40%
	<p>It was concluded that the policy document was mostly unchanged from the previous year, and once approved would be published on the College's website.</p> <p>Having considered the policy the Committee approved the Subcontracting Supply Chain Fees and Charges Policy for 2021/22 and agreed to recommend to Corporation.</p> <p><u>9.2 Subcontractors and Allocations 2021/22</u></p> <p>The Director of Strategic Partnerships presented the proposed allocations for 2021/22 which were in line with the College's strategic direction to reduce the overall value of subcontracting year on year by bringing delivery in-house. The ESFA had published a briefing to Colleges, which set out the requirement to reduce the overall volume of delivery over the next three years to 2023. It was noted that NESCOL had already made a significant reduction in subcontracting from 63% to 26% since 2017/18 to planned delivery in 2021/22.</p> <p>The Committee discussed the proposal and approved the Subcontractors and Allocations for 2021/22 and agreed to recommend to Corporation.</p>	
40.20	10.0 Financial Statements Audit Strategy 2020/21	
	<p>The Committee received the Financial Statements Audit Strategy which was based on an overall financial statements materiality of £350,000 established on the 2021 projected outturn. This will be reported at the final audit. The external auditors will report all misstatements found in excess of £17,500: 5% of materiality.</p> <p>The strategy was considered to be sufficient for management and Audit Committee purposes and complied with the requirements under the International Standards on Auditing (UK). It was noted that in compliance with the updated ESFA Accounts Direction requirement the external Auditors had agreed to present their report to the Audit Committee and Corporation in December 2021.</p>	
41.20	11.0 Review of Terms of Reference	
	<p>The Clerk presented an updated Terms of Reference for the Committee to consider, which had been reviewed in accordance with the AoC Code of Good Governance, the ESFA Conditions of Funding Agreement and the Accounts Direction.</p> <p>The proposed changes had been outlined in an accompanying report, which the Committee approved and recommended to Corporation for agreement, prior to publishing on the College website.</p>	
42.20	12.0 Annual Cycle of Business	

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	The Clerk presented the proposed Annual Cycle of Business for 2021/22 which was agreed by the Committee.
43.20	Any Other Business
	<p>Information was requested on the process of awarding the HE Strategy project to Kate Fletcher. The Committee was informed by the Principal that three tenders had been sought and received. The decision to award the contract to Kate Fletcher went through due process, overseen by the Head of Procurement.</p> <p>The situation around the easing of Covid restrictions was discussed and the Committee were assured that staff and students had been encouraged to test throughout the summer break and report positive results to the College.</p> <p>The Principal informed the meeting that the Local Skills Improvement bid, which had been submitted to the DfE with the Strategic Development Fund bid, had not been successful.</p>
44.20	Date and Time of Next Meeting: Friday 24 th September 2021 at 9.00am (to be confirmed)

Decisions:

1. The Committee approved the proposal to invest a further £1m in the investment fund managed by Smith & Williamson and recommend to Corporation.
2. Approved two financial regulation waivers for Microsoft licences and purchase of outdoor advertising
3. Approved the budget for 2021/22 and agreed to recommend to Corporation
4. Approved a 2% pay-rise consolidated for NESCOT and NEL staff and agreed to recommend to Corporation
5. Approved Capital Expenditure programme for 2021/22 and agreed to recommend to Corporation
6. Approved Capital Bids programme for 2021/22 and agreed to recommend to Corporation
7. Approved the Subcontracting Supply Chain Fees & Charges Policy 2021/22 and agreed to recommend to Corporation
8. Approved the Subcontractors & Allocations 2021/22 and agreed to recommend to Corporation
9. Approved the revised Finance & General Purposes Committee Terms of Reference and agreed to recommend to Corporation
10. Approved the Annual Cycle of Business 2021/22.

Actions:

1. Regarding the feedback for Dr. Anna James, it was agreed to discuss the measurable impact on staff outside the meeting
2. Review the communications with Student Finance England regarding the withdrawal of loan funding for ICOM and report back to Corporation regarding the possibility of reinvestigating the rationale for the funding being withdrawn

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3. Add a note to the management accounts to clarify that Maths and English did not generate income
4. Proposal regarding the re-investment of profit generated by the investment fund to be presented at the next meeting.
5. Vice Principal to circulate further information on the methodology for presenting funding streams
6. Liaise with marketing regarding the advertising opportunities around NESCOT class sizes.
7. Consider a 'thank-you' bonus for all staff for their achievements and efforts during the pandemic and report back to Corporation