

**MINUTES
FINANCE & GENERAL PURPOSES COMMITTEE**

Friday 15th March 2024 at 9 am in the Skills Park

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

In Attendance: Sarah Watson (Chief Operating Officer), Chris Mason (Director of Finance), Susanne Wicks (Head of Governance).

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

1	Apologies for Absence
	<p>There were no apologies for absence.</p> <p>In his first meeting as Chair, CP thanked MB for having covered the role so ably over recent months.</p>
2	Declaration of Interests
	The CEO/Principal declared that she is an unremunerated Director of Nescot Enterprises Ltd. (NEL).
3	Appointment of a Committee Vice-Chair
	MB was appointed Vice-Chair of this Committee.
4	Minutes of the Previous Meeting/Matters Arising
a	The open and confidential minutes of the meeting held on Friday 1 st December 2023 were agreed as an accurate record.
b	<p><u>Matters Arising</u></p> <p>There were no matters arising not otherwise covered by items on the agenda.</p>
5	Finance Matters
a	<p><u>Investment Fund Update and Valuation at 31st December 2023</u></p> <p>The Chair welcomed James Boycott (Associate Director, Evelyn Partners) to the meeting. Mr Boycott delivered a presentation which is available on <u>GovernorHub</u>.</p> <p>JB directed the Committee's attention to pages 3, 4, 6 and 9 of his presentation which covered the fund's performance summary, position as at 24th March and a more detailed performance analysis. He encouraged the Committee to refer to the comparison with the MSCI PIMFA Conservative Index benchmark which most closely aligns with Nescot's approach to investment. He explained that the ARC GBP Balanced Asset Charity also serves as a useful comparable index as it shows the performance of peers in the industry.</p> <p>The Chair sought clarity over Evelyn Partners' fee structure, and JB pointed to page 17 of the Valuation report circulated with the papers for this meeting. He advised that the annual fees equate to approximately 0.6% and that there is no charge for commission or trading experience. He confirmed that the fee is not</p>

linked to fund performance, and the Chair expressed the view that the fees appear quite high in comparison with the returns achieved. JB acknowledged the point but explained that over the longer-term the fees could be offset during a high performing year.

The Chief Operating Officer advised the Committee that, during their recent conversation, she and JB discussed the direction of travel for Nescot's investment fund and she had been clear that the fee structure would be part of the discussions going forward. JB expressed willingness on behalf of Evelyn Partners to discuss the fee, particularly in the context of a change in the way the portfolio is managed in the future.

The Chair sought some details about what Evelyn Partners contributes to the social value in the local area around Nescot. Whilst JB could not give specific examples of projects in Epsom and Ewell, he gave some details of some work that Evelyn Partners does, such as inviting school students into the office for a day. The CEO/Principal reminded JB that, some time ago, she asked if Evelyn Partners would be willing to investigate developing partnerships with Nescot. JB expressed willingness to explore options and asked for a relevant contact name in the College to get the ball rolling. The Chair noted that Governors expect partners to share the College's values and try to seek ways to help deliver the strategic aims and objectives, and welcomed any efforts from Evelyn Partners to do so.

The Chief Operating Officer noted JB's commitment to sharing Evelyn Partners' ESG policy and also welcomed any best practice or resources that they would like to share. The CEO/Principal also suggested that Evelyn Partners may like to explore collaboration through the newly opened Institute of Technology (IoT) which will focus, among other things, on fintech.

Referring to page 9 of the presentation, CM pointed out that the College's fund's average return since its inception is 2.1% which is below all of the other benchmarks provided. JB explained that the performance is driven by the 2019-20 returns, when the fund was opened, and the money was invested gradually to minimise the risks. CM acknowledged the point but highlighted that, even with the 19-20 performance removed from the data, the Nescot fund still lags behind the other benchmarks.

The Chief Operating Officer acknowledged that senior colleagues and Governors are concerned about the performance of the fund and suggested that now is a good time to consider the College's approach to investment, the risk appetite and how to maximise returns, and that advice from Evelyn Partners would be part of that consideration. The Committee agreed that a report should be presented to a future meeting, setting out options for investment and taking into account expert advice from Evelyn Partners. JB volunteered to attend further meetings if required.

Actions:

- The Chief Operating Officer to provide details of a contact in Nescot, with whom Evelyn Partners can discuss partnership options.

		<ul style="list-style-type: none"> • JB to share the ESG policy and any other useful resources including opportunities to engage Nescot students. <p>JB left the meeting at this point.</p>
	b	<p><u>January 2024 Management Accounts</u></p> <p>The Chief Operating Officer and Director of Finance presented the finance update and highlighted that the January 2024 management accounts show a reduction of £232K in the budgeted deficit of £1.36M. They explained that the shortfall in income is attributable to under-recruitment in HE, Apprenticeships and Adult Education, and that the underspends have been achieved through holding vacancies and efficient management of all non-pay costs.</p> <p>The CEO/Principal reported that there has been a shift in culture, to ensure that staff vacancies are no longer automatically filled but are robustly considered by the Recruitment Panel. In addition, CLT scrutinises all non-pay related expenditure to identify savings. She highlighted recent savings achieved through the switch to Teams for Telephony as a positive example. In addition, the Deputy Principal is leading curriculum planning for 2024-25 and will seek to identify potential efficiencies that can be made. She noted that part of the approach to financial management also includes investing where appropriate, particularly in estates and in managing the sustainability agenda, for example around energy usage.</p> <p>The Committee noted that the Fit for the Future programme is underway, the impact of which will be seen on the budget this year and next.</p> <p>The Director of Finance advised that details of the 16-19 funding allocation for 2024-25 have recently been received and that it will be around £2M more than this year, although there will also be increased costs. He reminded the Committee that the funding for this cohort is lagged, so although there are around 2090 students this year, the funding received is for 1900 students.</p> <p>The Chair asked about Nestots' financial performance and the CEO/Principal confirmed that it is behind forecast and that there are huge challenges in the childcare sector with a number of local settings closing because of rising costs and recruitment challenges. In a bid to meet those challenges, the offer to parents and carers is as flexible as possible, within the parameters set by a highly regulated setting. Costs for wrap-around care have also been increased.</p> <p>The Chief Operating Officer and Director of Finance updated the Committee on plans to replace the financial software system, which must be in place by December 2025.</p>
6		Key Performance Indicators
		<p>The Chief Operating Officer presented her report and welcomed comments and questions, as well as feedback from Governors on the reports generated by MyBE, examples of which were appended to her report.</p> <p>CM sought some clarify on how the financial health benchmark is calculated and the Director of Finance explained that it is based on EBITDA, cash levels, liquidity and levels of borrowing.</p>

	<p>JW referred to the reduced forecast deficit for this year and asked if the impact would be short-term or would contribute to the strategic objective to return to break even or better by the end of 2025-26. The Director of Finance reminded the Committee that this is a journey for the College, following the planned exit from partnership arrangements. The CEO/Principal added that senior leadership made a conscious decision to address the deficit over a phased period, to minimise the impact on staff and learners, but noted that in future, the staffing structure will be continually reviewed in order to meet the needs of the College and respond to changes in the curriculum. The Chief Operating Officer suggested that a balanced budget, built around approximately 2000 16-19 learners, may be achieved sooner than anticipated, but the core delivery must be affordable, and not rely on other activity to balance the books.</p> <p>The Chief Operating Officer presented the examples of the MyBE dashboard reports and the Committee welcomed the chance to compare Nescot's performance with other establishments, noting that the functionality and content would evolve over time.</p>
7	Premises Matters
	<p>The Chief Operating Officer presented her report and welcomed comments and questions.</p> <p>The Committee noted that works are needed to the South Block roof, which have been identified following the recent heavy and frequent rainfall. The Chief Operating Officer reported that options and costings are being investigated to inform the cost and scope of the works. Governors asked about disruption to learning and the CEO/Principal reassured them that all efforts would be made to minimise impact on learners.</p> <p>The Chief Operating Officer reported that the Head of Estates will be leaving the College in the summer term, after more than 40 years at Nescot, and confirmed that planning is already underway to recruit her replacement and ensure a very thorough handover, which may necessitate some interim arrangements.</p> <p>The Chair referred to the discussions that took place at the Strategy Day about likely increased scrutiny on public sector bodies of their carbon emissions and other indicators relating to sustainability. He asked if there were grants which Nescot could access in order to support them in such endeavours, and the Chief Operating Officer acknowledged that progress is needed in this area and that this would be a focus in the future.</p>
8	Policies
	<p>a <u>Reserves Policy</u></p> <p>The Chief Operating Officer presented the draft Reserves Policy. Referring to the discussion earlier in the meeting about Nescot's approach to investment, she highlighted that some changes to the policy may be required in future to reflect any decisions made about the agreed strategy on managing cash and the reserves.</p> <p>JW asked if the ESFA provides any guidance on management of reserves, and the Chief Operating Officer confirmed that there is very little, although a</p>

	<p>Colleges Financial Handbook is expected very shortly. She speculated that the Handbook will contain minimal guidance on how reserves are managed. The Committee discussed a range of possible options and looked forward to receiving a report at a future meeting.</p> <p>The Committee approved the policy.</p>
b	<p><u>HE Fees Policy and Fees 2025-26</u></p> <p>The Chief Operating Officer presented the policy.</p> <p>The Committee agreed to recommend that the HE Fees Policy 2025-26 be approved by the Corporation on 22nd March 2024.</p>
9	Financial Waivers
	<p>The Chief Operating Officer presented her report, highlighting that some of waivers dated back to June 2023, and should have been presented to the December meeting of this Committee.</p> <p>The Chair sought reassurance that contracting managers must follow a specific process when seeking to submit a single tender waiver. The CEO/Principal reassured the Committee that staff are made aware of the need to follow correct procedures, and senior colleagues robustly challenge the waivers, to ensure that the reasons are sound.</p> <p>The Chief Operating Officer gave some feedback from her peer networks about the approach some colleges are taking with regard to increasing approval thresholds for procurement, reflecting the rising costs of capital works. She set out her intention to review the thresholds in the Finance Procedures once the Colleges Financial Handbook has been published.</p> <p>The Committee noted the waivers.</p>
10	Gender Pay Gap Report 2022-23
	<p>The Chief Operating Officer introduced the Gender Pay Gap report, noting that the information is included in the Annual Report.</p> <p>The Chair asked if any review of an ethnicity pay gap is carried out, and the CEO / Principal agreed that it would be useful to investigate pay gaps relating to all of the protected characteristics. She undertook to pass this to the EDI Working Group to investigate as part of their work. The Committee also asked that the Group receive the gender pay gap report and consider actions that can be taken to address any gaps identified.</p> <p>The Committee received the report prior to its publication on Nescot's website.</p>
11	Any Other Business
	No matters were raised.
12	Date and Time of the Next Meeting
	Friday 28 th June 2024 at 9.00am

13	Confidential Items
	The Committee considered items set out on the confidential agenda.

The meeting closed at 10.45 am.

Decisions:

The Committee:

- Approved the minutes of the meeting held on Friday 1st December 2023.
- Approved the Reserves Policy.
- Agreed to recommend that the Corporation approve the HE Fees Policy and Fees 2025-26 at their meeting on 22nd March 2024.

Actions:

- The Chief Operating Officer to provide details of a contact in Nescot, with whom Evelyn Partners can discuss partnership options.
- JB to share the ESG policy and any other useful resources.