

## Agreed Minutes

### MINUTES OF THE MEETING OF THE FINANCE & GENERAL PURPOSES COMMITTEE

Held on Friday 24<sup>th</sup> September at 9.00am in Committee Room B Skills Park and via MS Teams

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

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

<b>1.21</b>	<b>Apologies for absence</b>
	There were no apologies for absence
<b>2.21</b>	<b>Declarations of Interest</b>
	<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>
<b>3.21</b>	<b>Minutes of the Previous Meeting</b>
	The minutes of the meeting held on the 16 <sup>th</sup> July 2021 were agreed as a true record and signed by the Chair.
<b>4.21</b>	<b>Matters Arising from the Previous Meeting</b>
	<p><b>Regarding feedback for Dr. Anna James, it was agreed to discuss the measurable impact on staff outside the meeting</b></p> <p>The Committee was provided with a report which included the long-term impact on staff, and it was agreed that any further case studies that were produced would be circulated.</p> <p><b>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ICOM and report back to Corporation regarding the possibility of reinvestigating the rationale for the funding being withdrawn.</b></p> <p>The Deputy Principal Finance &amp; Resources reported that she had reviewed the legal papers and was satisfied that the correct procedures had been followed. The Principal agreed to review the papers and report back to the Committee if any irregularities were identified.</p>






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	<p><b>Proposal regarding the re-investment of profit generated by the investment fund.</b></p> <p>See minute 5.21, item 5.3 on the agenda.</p>	
	<p><b>Vice Principal to circulate further information on the methodology for presenting funding streams.</b></p> <p>As this was such a complex issue it was agreed that this would be the subject of a briefing evening.</p>	
	<p><b>Liaise with marketing regarding the advertising opportunities around NESCOT class sizes</b></p> <p>Action complete.</p>	
	<p><b>Consider a 'thank-you' bonus for all staff</b></p> <p>Action complete – the bonus was agreed at Corporation in July and will be paid to staff in November.</p>	

## 5.21 Finance Monitoring

### 5.1 Management Accounts July 2021

The Deputy Principal Finance & Resources presented the accounts for July 2021 and highlighted the following:

College Group	Likely case forecast (£000)	Best case budget (£000)	Variance (£000)	Movement in forecast since May 2021 (£000)
Total income	30,873	30,121	753	 £696
Total pay expenditure	(17,063)	(17,694)	631	 £539
Total non-pay expenditure	(12,919)	(12,409)	(511)	 £220
Total expenditure	(29,982)	(30,103)	120	 £759
Operating surplus/ (deficit)	891	18	873	 £62

A 'best case' budget scenario had been selected for implementation in the year ended 31 July 2021, generating a budgeted surplus of £18k with stretching targets, no contingencies and a high level of inherent risk.

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It was noted that the total income forecast had reduced down by £696k since the last report to Corporation, mainly because of changes in the mix of curriculum delivery and shortfalls in delivery of in-house AEB.

The total pay expenditure forecast had significantly improved since the last report to Corporation, by £539k. The College had maintained strict control over pay costs through the review of teaching staff deployment and staffing justifications. With total income forecasts reducing down by £696k, this had driven a slight improvement in the forecast ESFA pay expenditure ratio, which was now 60.94%, ahead of the budget of 64.19% and ahead of the sector benchmark of 65.93%. The FE Commissioner benchmark is a maximum of 65%.

The total non-pay expenditure forecast had improved by £220k since the last report to Corporation, reflecting strict control over the cost base.

The forecasts for final outturn were currently set as follows against case budgets:

	Budget (£000)	Forecast (£000)
<b>Best case forecast</b>	18	1,191
<b>Likely case forecast</b>	(509)	891
<b>Worst case forecast</b>	(1,733)	391

It was reported that at the time of writing confidence remained high and that the likely case forecast could be achieved at 31 July 2021 as final outturn, although a number of uncertainties would remain until the audit of the financial statements in October 2021, including the value of achievement funding yet to be confirmed. It had been assumed that there was little achievement funding at risk.

It was reiterated that the College's improved financial performance related to increased government funding during the pandemic combined with the College's ability to maximise cost savings during this time and particularly during the national lockdowns and from the closure of campus. Improved total income forecasts had mainly been driven by additional government funding for 16-19 in-year growth; small group tuition funding; COVID-19 response funding; NSF monies; and furlough grant. These additional income streams totalled £1.02m.

The health grade for the college remained 'outstanding'.

It was noted that the forecasts did not include any provision for ESFA clawback.

### 5.2 KPIs July 2021

The Committee received and noted the KPIs for July 2021.

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### 5.3 Investment Fund Update

The Committee received the Investment Report and accompanying cover report setting out the latest position regarding the College's investment fund with Smith & Williamson, the College's external cash manager.

A high-level valuation summary at 30 June 2021 on a £3m investment fund, was reported as follows:

Asset	Market Value £	%
All securities	3,168,834	97.3
Cash	87,758	2.7
<b>Total value</b>	<b>3,256,592</b>	<b>100</b>

The latest value of the investment fund on **13 September 2021**, as confirmed in the Smith & Williamson online portal on a £3m investment fund, was as follows:

Asset	Market Value £	%
All securities	3,225,278	96.4
Cash	118,728	3.6
<b>Total value</b>	<b>3,344,006</b>	<b>100</b>

The Committee were reminded that a further £1m was due to be transferred to the fund imminently, as agreed by Corporation in July 2021.

The Committee discussed the investment strategy and noted that the fund was not meeting the sector benchmark. However, it was remarked that this was not unusual and by investing cash over a period of time (as agreed) a cash drag had been created. The important consideration was therefore that the Committee were satisfied with the long-term strategy to fulfil the expectations for the fund, during which time there would be many changes.

Regarding the reinvestment of interest created by the fund the Committee agreed not to crystalize any returns, as the College did not require these funds for either revenue or capital spending in 2021/22.

The Committee questioned whether it would be prudent to review due diligence with regard to the College's position with the funding bodies. The Committee was assured that the College aligned with best practice and operated within Treasury policy guidelines which had recently been updated and agreed by the Committee.

The portfolio currently retained 66.8% in equities, increased from 64.7% in March 2021 but within the 70% maximum threshold set by the F&GP Committee. Whilst the 70/30 split was considered to be a 'medium risk' portfolio, having discussed the risks associated with being at the high end of the threshold, the Committee agreed to drop

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the threshold to 60% and instructed the Deputy Principal Finance & Resources to inform Smith & Williamson of their decision.

### 5.4 Student Recruitment 2021/22

The headline numbers were as follows:

2,037 ESFA 16-18 students	1,951 allocation/2,300 plan
178 OfS New HE	228 Plan target
119 New apprentices	162 Plan target

The Committee discussed the conversion and progression rates and concluded that whilst not all targets were realised, that had been ambitious, but growth had been achieved.

Further clarification was requested on reasons why some curriculum areas had been more successful than others.

The Committee queried the decline in recruitment from the Sutton area, and it was confirmed that the reasons for this were being investigated and would be reported back to the Committee.

### 5.5 Settlement Payment to Staff

The Committee received and noted the up-to-date status of settlement payments to staff.

## **6.21 6.0 Property Strategy**

### 6.1 Capital Programme 2020/21 update

The Committee received an update report on the capital expenditure programme for 2020/21 and details of the position on planned/unplanned and withdrawn projects.

It was reported that the forecast was for the programme to be underspent by £160k (9.9% of the original forecast) mainly due to cost savings made on the delivery of the North Portacabins project.

The Committee reviewed the update and were satisfied with the forecasted year-end figure.

### 6.2 Capital Programme 2021/22 Update

The approved Capital Expenditure programme for 2021/22 totalled £2,260.8k for building and refurbishment work, in line with the College's Estate Strategy 2028.

Details of the planned projects were provided, and the Committee noted that the programme was forecast to be overspent by £35.7k (adverse 1.6% to original budget) on completion. The Committee was informed that a contingency sum of £100,000 had been included to cover unforeseen, unplanned projects.

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<b>7.21</b>	<b>7.0 Any Other Business</b>
	There was no other business and the meeting concluded at 10.55am.
<b>8.21</b>	<b>Date and Time of the Next Meeting</b>
	Friday 26 <sup>th</sup> November at 9.00am.

#### Decisions:

1. Regarding the investment fund, the Committee agreed not to crystalize any returns and to keep under review.
2. Agreed to drop the maximum retained in the investment fund equities from 70% to 60%.

#### Actions:

1. Deputy Principal (Finance & Resources) to instruct external fund managers Smith & Williamson to drop the maximum retained in equities to 60%.
2. Clarification to be provided on issues that impacted the achievement of student recruitment targets.
3. Report back on the reasons for decline in recruitment from the Sutton area.
4. Briefing evening to be set up to explain funding streams.