

Agreed Minutes

MINUTES OF THE MEETING OF THE FINANCE & GENERAL PURPOSES COMMITTEE

Held on Friday 26th November 2021 at 9.00am in Skills Park Committee Room B and via MS Teams

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

In Attendance: Maria Vetrone (Deputy Principal Finance & Resources), Sandra Dessent (Governance Professional), Vince Romagnuolo

9.21	1.0 Apologies for Absence			
	No apologies for absence were received.			
10.21	2.0 Declarations of Interest			
	<p>The following declarations of interest were received:</p> <p><u>Frances Rutter</u>: Unremunerated Director of NESCOT Enterprises Ltd. (NEL)</p> <p><u>Sam Luke</u>: Unremunerated Director of NESCOT Enterprises Ltd. (NEL)</p> <p><u>Peter Stamps</u>: Unremunerated Director of NESCOT Enterprises Ltd. (NEL)</p> <p><u>Sandra Dessent</u>: Salaried employee and Company Secretary of NESCOT Enterprises Ltd. (NEL).</p>			
11.21	3.0 Minutes of the Previous Meeting and Matters Arising			
	<p>The Minutes of the meeting held on Friday 24th September 2021 were agreed as a true record and electronically signed by the Chair.</p> <p>Actions arising:</p> <table border="1" style="width: 100%;"> <tr> <td> <p>Deputy Principal (Finance & Resources to instruct external fund Managers, Smith & Williamson to drop the maximum retained in equities to 60%.</p> <p>Action complete – see minute number 12.21 (item 4.4).</p> </td> </tr> <tr> <td> <p>Clarification to be provided on issues that impacted the achievement of student recruitment targets.</p> <p>Information presented to Corporation – the main reasons were that they stayed at school or decided on another provider.</p> </td> </tr> <tr> <td> <p>Report back on the reasons for decline in recruitment from the Sutton area.</p> </td> </tr> </table>	<p>Deputy Principal (Finance & Resources to instruct external fund Managers, Smith & Williamson to drop the maximum retained in equities to 60%.</p> <p>Action complete – see minute number 12.21 (item 4.4).</p>	<p>Clarification to be provided on issues that impacted the achievement of student recruitment targets.</p> <p>Information presented to Corporation – the main reasons were that they stayed at school or decided on another provider.</p>	<p>Report back on the reasons for decline in recruitment from the Sutton area.</p>
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	<p>There was minimal liaison with students in the Sutton area due to lockdown restrictions, and there were no open days which would have impacted the numbers.</p> <p>Briefing evening to be set up to explain funding streams.</p> <p>Outstanding – will be set up in the Spring term.</p> <p>The Committee also requested additional information on the preparation of the HE Strategy and were informed that it was being finalised and formatted by Marketing. The completed document will be presented to Corporation in January.</p>															
12.21	4.0 Finance Matters															
	<p><u>4.1 Draft Group Financial Statements and Annual Report 2020/21</u></p> <p>The Deputy Principal presented the draft Financial Statements and Annual report comprising of the results of the activities of the NESCOT group.</p> <p>The Committee reviewed the audited financial results detailed in the Cover Report, and it was concluded that the financial outcomes for the year ended 31 July 2021 were favourable for both the College Group and the College, with operating surpluses of £855k and £583k respectively. This performance was significantly ahead of the near break-even budget for the year and financial KPIs remained strong, with the College retaining its automated financial health grade of ‘outstanding’.</p> <p>It was noted that the reported College income was greater than the Group and this was due to the staffing services supplied by NEL being recharged to the College at a profit and the mark-up received by NEL and the excess paid by the College were eliminated in the Group accounts in the consolidation process.</p> <p>The Committee reviewed the draft document, and the following points were raised:</p> <table border="1" data-bbox="316 1489 1380 1971"> <tr> <td data-bbox="316 1489 491 1529">Page 14</td> <td data-bbox="491 1489 794 1529">First paragraph HE</td> <td data-bbox="794 1489 1380 1529">Review the text regarding HND results</td> </tr> <tr> <td data-bbox="316 1529 491 1713">Page 22</td> <td data-bbox="491 1529 794 1713">Going Concern</td> <td data-bbox="794 1529 1380 1713">Reporting of risks for 2021/22 as being significant confirmed as a fair and transparent statement, and Corporation have also produced action plan to mitigate the risks</td> </tr> <tr> <td data-bbox="316 1713 491 1825">Page 28</td> <td data-bbox="491 1713 794 1825">Streamlined energy & carbon reporting</td> <td data-bbox="794 1713 1380 1825">A recent additional requirement which will necessitate reports for 2021/22 becoming more detailed and refined</td> </tr> <tr> <td data-bbox="316 1825 491 1899">Page 29</td> <td data-bbox="491 1825 794 1899">Principal risks and uncertainties</td> <td data-bbox="794 1825 1380 1899">The Committee agreed the five major risks</td> </tr> <tr> <td data-bbox="316 1899 491 1971">Page 34</td> <td data-bbox="491 1899 794 1971">Gender pay and reporting</td> <td data-bbox="794 1899 1380 1971">Reporting dates to be checked and amended if necessary</td> </tr> </table>	Page 14	First paragraph HE	Review the text regarding HND results	Page 22	Going Concern	Reporting of risks for 2021/22 as being significant confirmed as a fair and transparent statement, and Corporation have also produced action plan to mitigate the risks	Page 28	Streamlined energy & carbon reporting	A recent additional requirement which will necessitate reports for 2021/22 becoming more detailed and refined	Page 29	Principal risks and uncertainties	The Committee agreed the five major risks	Page 34	Gender pay and reporting	Reporting dates to be checked and amended if necessary
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Page 38	FE Corporation 2020-21	Minor amendments to be made and attendance data for HE sub-committee
Page 53	Consolidated statement of cash flows	Dates at the top of the table to be amended
Page 76	Contingent liability	Committee noted that no contingent liability had been included for 2020/21

The Committee concluded that it was a comprehensive and thorough document that gave a complete overview of the College activities.

Accordingly, the Committee approved the draft Group Financial Statements and Annual Report subject to the minor amendments above.

4.2 Draft Management Letter & Letter of Representation 2020/21

The Committee received the External Auditors' Management Letter, which confirmed the following:

- an **unqualified opinion** in respect of the financial statements will be issued;
- there were no material weaknesses in the accounting and internal control systems identified during the course of the audit;
- the College's financial statements for the period under review meet the regularity requirements set by the relevant funding body;
- no inappropriate accounting policies or practices were identified;
- no instance of fraud or irregularity were found;
- no areas were identified where the College had not complied with laws and regulations; and
- there are no other relevant matters to draw to the Corporation's attention other than those included in the Management Letter.

One control point was raised for the year ended 31 July 2021 regarding the establishment of a process and agreement for gift aid payments to be made from NESCOL Enterprises to the College. This had been agreed by management.

The Committee reviewed and noted the External Audit Management Letter for the year ended 31 July 2021 and approved the draft Letter of Representations for signature by the Corporation on College letter head subject to a minor amendment agreed at the meeting.

4.3 October 2021 Management Accounts

The Committee received the management accounts, the highlights of which were as follows:

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College Group	Likely case forecast (£000)	Likely case budget (£000)	Variance (£000)	Movement in forecast since September 2021 (£000)
Total income	33,591	34,888	(1,297)	↓ £160
Total pay expenditure	(19,240)	(19,677)	437	↓ £210
Total non pay expenditure	(14,373)	(14,931)	558	↓ £233
Total expenditure	(33,612)	(34,607)	995	↓ £444
Operating surplus/ (deficit)	(21)	280	(302)	↑ £283

*Table contains some rounding error

The total income forecast had reduced down by £160k since the last report to Corporation, mainly because of the temporary halt of new student recruitment at ASTML satellite centres and the failure to recruit a new planned cohort to the weekend BA top up course at Ewell.

The total pay expenditure ratio forecast was now 61.59%, slightly behind target of 60.71% but ahead of the sector benchmark of 67.3%. The FE Commissioner benchmark maximum was set at 65%.

The automated financial health grade was confirmed as 'outstanding' at 31 October 2021 and forecasted to continue to be '**outstanding**' at year end.

It was concluded that the financial performance of the College Group at 31 October 2021 and forecast to year end was currently adverse at the operating line to the likely case budget.

It was noted that the main reasons for the under-performance related to the pausing of all new starts at the ASTML direct delivery sites to address backlog quality issues; and the failure to recruit to a new cohort to the BA top up course run at Ewell. In response it was suggested and agreed that as the performance of the satellite sites was an integral aspect of the HE strategy a meeting be scheduled for Governors and Executive Leadership Team to agree the impact of underperformance on the development of an HE growth strategy.

4.4 Investment Fund Update

The Committee received an update on the performance of the investment fund managed by the College's external fund managers Smith & Williamson. The total principal sum invested by the College up to 30th September 2021 was £4m with the fund valued at £4,311,150 as below:

All securities	3,550,267	82.3
Cash	760,883	17.7
Total value	4,311,150	100

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	<p>It was concluded that the NESCOL portfolio remained suitably diversified. The asset allocation was distorted by the high level of cash, but Smith & Williamson were aiming to invest around 25% of this by the end of December 2021. Following the decision taken by the Committee in September to reduce the equity weighting, Smith & Williamson were working to bring it down to 60% (at the time the report was written it was slightly above). It was noted that the remaining cash would be used to augment the non-equity allocation, which in turn would offer more subdued returns versus equities but with the prospect of less volatility.</p>
13.21	5.0 Key Performance Indicators
	<p><u>5.1 ESFA Financial Letter</u></p> <p>The Committee received a copy of a letter to the Chief Executive and Principal of the College on 25 October 2021 from the ESFA, confirming the College's financial health grades as follows:</p> <ul style="list-style-type: none"> • 'outstanding' for 2020-21 (based on the latest outturn forecast year); and • 'outstanding' for 2021-22 (based on the current budget year). <p>The report also included benchmarking information and it was established that despite a continually challenging operating environment the dashboards demonstrated sustained financial stability with strong growth in revenue and evidence of good controls over staff costs.</p> <p><u>5.2 October 2021 KPIs and Proposed KPIs for 2021/22</u></p> <p>The Committee received and noted the KPIs for October 2021 which were still draft pending the sign off of the Financial Statements by Corporation in December.</p> <p>The Committee were given the opportunity to suggest additional KPIs and confirmed that it was satisfied with the scorecard as presented.</p>
14.21	6.0 Property Matters
	<p><u>6.1 Capital Expenditure Programme Update</u></p> <p>The Committee received a report setting out the spend to date for the capital programme 2021/22, forecast to year-end and variances.</p> <p>It was noted that the programme was forecast to be overspent by £95.1k (against an approved budget of £2,260.8k), however there was a contingency sum of £100k included in the budget.</p>
15.21	7.0 HR Reports
	<p><u>7.1 Settlement Payments to College Staff 2021/22 to date</u></p> <p>The Committee received and noted the settlement payments to staff.</p>
16.21	8.0 College Fees 2022/23

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	<p>The College fees policy for 2022/23 was considered and the following changes from the previous year were highlighted:</p> <ul style="list-style-type: none"> • Freezing tuition fees for FE courses for adult learners on part time courses at Level 2 and below to respond to the current economic climate and forecasts. • Additional clarity around payment of fees; fee remission; and student withdrawal. • Replacement of 'Deputy Principal (Finance & Resources)' with 'Chief Finance Officer (CFO)'. <p>In response to a question regarding benchmarking the fees it was stated that the ESFA provide statutory guidelines for FE, and for HE the College undertakes considerable market research on fees for every course.</p> <p>Having considered the Fees Policy 2022/23 the Committee agreed the Policy and recommended its approval to Corporation.</p>
17.21	9.0 Estates Strategy Update
	<p>The Estates Strategy (which had been updated in November 2021) reflected some important new developments that the College was exploring. It was recognised that the update was at a high level, solely to flag the new developments, and it was recommended that a full update be commissioned as soon as possible. The existing document had been developed utilising established sector guidance and benchmarks in relation to room utilisation, premises operating costs, space needs analysis and indicative capital cost. A review of these criteria would inform a more detailed update.</p> <p>The Committee discussed the way forward and the projects that could potentially be included and it was recognised that the outcomes from the HE strategy would feed into the development of a relevant update.</p>
18.21	10.0 Any Other Business
	<p>Being her final meeting, the Chair thanked the Deputy Principal for her hard work and accomplishments in ensuring that the College finances were firmly controlled and also for keeping the Committee and Corporation well informed through excellent presentations and wished her every success in her new role.</p> <p>The Deputy Principal thanked the Committee for their support and conveyed her pleasure to have worked with them.</p> <p>There being no further business the meeting concluded at 10.55am.</p>
19.21	11.0 Date and Time of the Next Meeting
	The next meeting will be held on Friday 18 th March 2022 at 9.00am.

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Decisions:

1. Approved the Financial Statements and Annual Report 2020/21 subject to the amendments agreed at the meeting and recommend to Audit Committee and Corporation.
2. Approved the draft letter of Representation 2020/21.
3. Approved the College Fees Policy 2022/23.

Actions:

1. Briefing evening to be arranged to explain funding streams.
2. Meeting to be arranged for Committee members and Executive Leadership Team to discuss the potential outcomes from the HE Strategy and how the Estates Strategy will feed into the process.
3. Report back on the progress towards commissioning an updated Estates Strategy.

Signed

A handwritten signature in black ink, appearing to be "P. Stamps".

Date 18.03.2022

Peter Stamps, Chair of Finance & General Purposes Committee