

MINUTES OF THE FINANCE & GENERAL PURPOSES COMMITTEE
Held on Friday 30th June 2023 at 9 am in Committee Room B and via MS Teams

Present: Martin Butterfield (Acting Chair), Julie Kapsalis (CEO/Principal), Margaret Martin, Chris Muller.

In Attendance: George Jenkins (Chief Finance Officer), James Boycott (Evelyn Partners), Susanne Wicks (Head of Governance).

22.22	Apologies for Absence
	There were no apologies for absence.
23.22	Declaration of Interests
	The CEO/Principal declared that she is an unremunerated Director of Nescot Enterprises Ltd. (NEL).
24.22	Minutes of the Previous Meeting/Matters Arising
	The open and confidential minutes of the meeting held on Friday 24 th March 2023 were agreed as an accurate record.
25.22	Finance Matters
	i <u>Investment Fund Update Report</u>
	<p>The Chair welcomed James Boycott (Associate Director, Evelyn Partners) to the meeting. Mr Boycott delivered a presentation which set out:</p> <ul style="list-style-type: none"> • The portfolio strategy for Nescot. • Asset Allocation. • Nescot’s performance against the benchmark. • Asset allocation changes over the last three years and since November 2022. • Year to date performance contribution analysis. • Performance analysis annually since 2019. <p>The Committee noted that:</p> <ul style="list-style-type: none"> • The risk profile for Nescot’s investment fund is at level 4 (with 1 being lowest risk and 7 the highest) which imposes a maximum of 60% increase in equities. • The dividend yield is approximately 2.3% currently, but typically is around 2.5-2.6%. • Profits are continually reinvested but can be paid out if needed by the College. Advance notice would enable part of the fund to be invested in less risky assets. The CFO confirmed that if that were on the

	<p>horizon, that would be discussed in meetings of this Committee and via the regular dialogue with Evelyn Partners.</p> <ul style="list-style-type: none"> • There have been no significant changes to the categories of asset allocation, just some changes to the amounts invested in each. The portfolio has been positioned to include more defensive qualities and to protect the fund from any lag effect of the rising interest rates and future volatility in the markets. <p>The CFO asked why, given the positive impact of the markets, the value of the fund remains at around £4.1M and Mr Boycott advised that the timing of this meeting is unfortunate in that the value has risen and dropped since the last meeting. In April the fund was significantly ahead in value but there have been weaker returns in May and June. He expressed confidence that the exposure to gilts will provide greater protection against volatility.</p> <p>Mr Boycott reiterated that the fund has a 60% exposure limit so is less exposed to investments in areas such as Technology, so comparison with a high-risk benchmark would not be helpful. He pointed the Committee to page 27 of his presentation which sets out the positive and negative effects of the low or high-risk profiles and suggested this may be useful if the Committee were minded to consider whether to reduce or increase the risk around the investment approach.</p> <p>The Chair sought Mr Boycott’s view of the fund’s likely performance over the coming year, and he advised that there should be a positive small return if conditions remain stable. He advised that inflation is starting to come down, wages are strong and spending is high which are positive indicators. He warned that there could be further impact of higher interest rates observed by the end of the year but expressed confidence that the fund could weather some negative movement.</p> <p>The Chair thanked Mr Boycott for his useful presentation and he left the meeting.</p>
ii	<p><u>Management Accounts</u></p>
	<p>The CFO gave a detailed overview of the May 2023 management accounts and welcomed comments and questions. The Committee noted that the full year forecast has:</p> <ul style="list-style-type: none"> • Income of £25m, which is £5.1m less than budget; • Pay expenditure of £17.7m, which is £1.3m less than budget, and non-pay expenditure of £9.5m, which is £3.5m less than budget; • An overall deficit of -£2.2m, which is £0.3m worse than budget. <p>Report received.</p>
26.22	<p>Finance Strategy and Budget 2023-24</p>

The CFO presented an overview of the draft budget for 2023-24 and welcomed comments and questions. The following matters were discussed.

The CFO advised that:

- The Budget for 23/24 has a deficit of -£1.6m.
- Income is budgeted to increase by £2m to £26.4m.
- Pay expenditure is budgeted to increase by £0.7m, which includes a proposed 3% pay award, and also reflects the savings from the recent institutional review.
- Non-Pay expenditure increases by £0.6m.

The CFO reassured the Committee that although a deficit budget was proposed, the 2–3 year plan underway to address the deficit is having a positive impact and the bottom line is improving.

The CFO set out the key income variances, comparing budget 23/24 vs forecast 22/23, as follows:

- 16-19 Core: +£0.3m driven by increased numbers of students, and +£0.5m due to increased funding rates (+£100 per FT student) & programme weightings;
- Apprenticeships +£0.3m, due to increased numbers in Electrical and Computing.
- HE tuition fees +£0.5m, due to increased numbers, in particular in Teacher Ed & Counselling
- Nursery +£0.2m, due to increased utilisation and higher fees.

In terms of assumptions made about student numbers for 2023-24, the Committee noted that 16-18 student numbers are showing growth of 317 (or 16%) in the curriculum plan for 2023/24. This is the basis for the costs assumed in 2023/24, but this income is lag funded. OfS HE student numbers are showing an increase of 61 (or 23%) to 323 in the curriculum plan for 2023/24.

The CFO gave a detailed breakdown of the £0.7M increased pay expenditure in 2023-24, and confirmed that pay as a percentage of income is budgeted to decrease next year. He emphasised the positive impact of the institutional review which achieved £1M in savings.

The CEO/Principal advised that ELT now reviews every request for recruitment, even in the case of like for like replacements, so they can collectively consider if the role is needed.

CM commended the CFO and his team for the £0.1M increase in utility costs next year, noting the impact that the price increases are having on many schools' budgets. The CFO explained that Nescot is part of a consortium that forward buys gas and electric, which has helped mitigate the impact of steep price rises.

The CFO advised that the ESFA financial health score will revert to 'Outstanding' next year, largely because one of the measures is based on EBITDA which will be positive. However, he warned that any variance in the budget could mean that the rating will revert to 'Good'.

In terms of next year's opportunities and risks, the CEO/Principal advised that the current financial climate has impacted on HE learner numbers nationally, but the College will focus next year on growing numbers, particularly in subjects such as Counselling and Teacher Training. At a recent lunch with local school headteachers hosted by the CEO/Principal and Chair of the Corporation, it was apparent that most were unaware that Nescot offers a PGCE qualification. Similarly, she met recently with the CEO of the Bourne Educational Trust who was very interested in what Nescot can offer.

The CEO/Principal gave a brief summary of the discussion that took place at the Audit Committee meeting on 23rd June 2023 around the latest internal audit report on Apprenticeships. RSM have flagged their concerns about a potential funding clawback relating to some historical anomalies around paperwork and incomplete recording of students' Off the Job training, particularly in Electrical and Plumbing.

The CEO/Principal reassured the Committee that this issue is being taken very seriously and was a focus for ELT on 29th June, who considered the action plan and the support needed to ensure that all matters are addressed. She advised that the Deputy Principal Curriculum & Quality will be meeting all appropriate Heads of Learning during the week commencing 3rd July to ensure that outstanding information is provided for every learner and that efforts are made to resolve the problems arising from old contracts.

The CEO/Principal advised that this is a challenge across the sector and advised that she has sought input from her counterparts in other colleges who may have found a solution. The CFO reported that if the ESFA plan to carry out a financial audit in September, they will confirm that in the next week.

MM asked if this affects any subjects other than those mentioned and the CEO/Principal confirmed that Childcare and Business appear to be fine but that all areas are being checked. She noted that the length of the Electrical and Plumbing courses, which can be up to four years, has exacerbated the situation, particularly in the context of the pandemic, but it is much easier to manage a one-year course.

Budget Plan 2024-25

MM asked if the investments in the Gas Academy premises would attract more students and the CFO explained that the works are needed to ensure the premises are fit for purpose, although agreed that if the building is improved, it should support recruitment.

MM asked about predicted numbers for Adult Skills for Work courses and the CEO/Principal advised that the new staff structure in place will focus on working with local employers and community groups, to explore what Nescot can offer to

	<p>upskill and re-skill the workforce. The Committee noted that this ties in with the LSIP priorities and the impact on the local economy.</p> <p>With regard to Osteopathy, the CEO/Principal acknowledged that it is part of Nescot’s USP and there will be a renewed focus on recruitment, but suggested that diversification, for example into Physiotherapy, may be explored in the future.</p> <p>MM asked about Professional Services and the CEO/Principal expressed the view, shared by the Deputy Principal Curriculum & Quality, that this area would benefit from a review. She suggested that Nescot could develop a package offering a range of professional standards, such as ILM, AAT and CIPD, but a strategy needs to be developed.</p> <p>Noting the average class size of 17.2, MM asked what the target size would be and the CFO responded that 20 would be ideal. He described the challenge in managing the variance in class sizes whilst ensuring high quality teaching.</p> <p>The Committee agreed to recommend the draft budget 2023-24 and one-year forecast to the Corporation for approval.</p>
27.22	Financial Waiver Notifications
	<p>The Chair noted that the waivers presented amount to a value of £230K and asked why so many more were coming to this Committee for approval than last year. The CFO advised that procurement is being better managed, so staff are better apprised of the procedures in place to ensure it is carried out appropriately. He acknowledged the need for staff to better forward-plan to ensure that they have time to carry out the correct tender processes. The CEO/Principal added that all waiver requests are presented to ELT before this Committee.</p> <p>The CFO pointed out that the waiver request form mentions that the Chair of this Committee can approve waivers up to a certain limit, but does not specify what that limit is. However, he reassured the Committee that waivers for a significant amount would be presented to Corporation.</p> <p>Action: CFO to amend the waiver request form.</p> <p>The Committee approved the eight waiver requests.</p>
28.22	Capital Expenditure Programme
	<p>The CFO updated the Committee on the latest forecast capital expenditure for 2022-23 and presented the final draft of the programme for the year ending 31st July 2024. He confirmed that the 2022-23 plan is on track and will come in slightly under budget.</p> <p>With regard to the 2023-24 programme, the Committee was very pleased to hear that the bid for funding for works to Yorkon has been successful. The CFO advised that all bids were considered in detail by ELT and some, amounting to £500K, were refused. He also reassured the Committee that £100K contingency is included in the budget to cover ad-hoc items and increased costs of approved items.</p>

	<p>MM sought further information about the delay in the lift upgrade and the CFO undertook to find out more detail. He reassured the Committee that staff, learners and visitors with disabilities are able to use the lift, but only one-by-one.</p> <p>Action: CFO to provide further detail about the delays to the lift upgrade.</p> <p>The Committee agreed to recommend the Capital Programme for 2023-24 to Corporation for approval.</p>
29.22	Financial Statements Audit Strategy 2022-23
	<p>The CFO presented the External Audit Strategy 2023 for review and approval, noting that it summarises the auditor’s approach to the audit of the College’s financial statements for the year ending 31 July 2023. He confirmed that the Audit Committee have also received and approved the Strategy and highlighted that fees will increase by 9-10%, which is common across the sector.</p> <p>The CFO set out the need to tender for an external auditor next financial year and warned that there may not be a great deal of interest due to a shortage of staff in the industry.</p> <p>The Committee approved the Strategy.</p>
30.22	DfE and College Annual Conversation
	Received.
31.22	Committee Governance
	<p>1 <u>Annual Cycle of Business 23-24</u></p> <p>The Committee reviewed and approved the updated cycle of business for 2023-24.</p>
	<p>2 <u>Committee Terms of Reference</u></p> <p>The Committee reviewed the revised terms of reference and agreed to recommend them to the Corporation for approval.</p>
32.22	Accounting and Funding Matters
	The Committee noted the updates to the ESFA College Accounts Direction 22-23 and the Funding Rules 22-23.
33.22	Any Other Business
	<p>i The CFO set out the request that the Committee approve a temporary amendment to the College’s SFI’s to allow remaining staff to procure compliantly without the complexity of the tender process for all contracts and purchases over £25,000 and up to £49,999. He reassured the Committee that staff would continue to ensure value for money and seek three quotes where required, but this would help to mitigate staff vacancies in the Procurement Team.</p> <p>The Chair asked what plans were in place to recruit staff and the CEO/Principal advised that she was considering a range of options, including</p>

		outsourcing the function to a provider such as Surrey County Council, particularly now the College has been classified as a public sector body. She set out how the function would be covered over the summer, and noted that the Procurement Team was larger than she would expect for a college of this size. The CEO/Principal advised that the new Chief Operating Officer would pick up this issue. The Committee approved the temporary amendment as set out in the report.
	ii	SW updated the Committee on the recruitment of a new governor with financial skills and experience.
34.22	Confidential Items	
	A discussion is captured within a confidential minute.	
35.22	Date and Time of the Next Meeting	
	The next meeting is scheduled for Friday 1 st December 2023 at 9.00am.	

The meeting closed at 10.45 am

Decisions:

The Committee:

- Approved the open and confidential minutes of the meeting held on Friday 24th March 2023.
- Agreed to recommend the draft budget 2023-24 and one-year forecast to the Corporation for approval.
- Agreed to recommend the Capital Programme for 2023-24 to Corporation for approval.
- Approved the eight waiver requests presented.
- Approved the Financial Statements Audit Strategy 2022-23.
- Approved the updated cycle of business for 2023-24.
- Agreed to recommend the revised terms of reference to the Corporation for approval.
- Approved a temporary amendment to the College's SFI's to allow remaining staff to procure compliantly without the complexity of the tender process for all contracts and purchases over £25,000 and up to £49,999.

Actions:

- CFO to amend the waiver request form to add a threshold for approval of waivers by the Chair of this Committee.
- CFO to provide further detail to MM about the delays to the lift upgrade.