

Agreed Minutes

MINUTES OF THE FINANCE & GENERAL PURPOSES COMMITTEE

Held on Friday 25th November 2022 at 9am in Committee Room B and via MS Teams

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

In Attendance: George Jenkins (Chief Finance Officer), Susanne Wicks (Head of Governance)

Presentations: James Boycott (Evelyn Partners)

1.22	Apologies for Absence
	There were no apologies for absence.
2.22	Declaration of Interests
	The following declarations of interest were received: <u>Julie Kapsalis</u> : Unremunerated Director of Nescot Enterprises Ltd. (NEL).
3.22	Minutes of the Previous Meeting/Matters Arising
	The minutes of the meeting held on Friday 15 th July 2022 were agreed as an accurate record.
4.22	Finance Matters
i	<p>Draft Group Financial Statements & Annual Report 2021/22</p> <p>The CFO presented the draft Group Financial Statements and Annual Report 2021-22 and sought feedback from the Committee, advising that the document would also be presented to the Audit Committee on 2nd December for their comments, prior to consideration and approval by the Corporation on 9th December 2022.</p> <p>MM also suggested that Susanne Wicks be added as the new Clerk to the Corporation and that Chris Muller and Nick Vaughan-Barratt be more clearly shown as Interim Chair and Vice Chair on page 38.</p> <p>MM sought further detail on the purpose and operation of the Epsom Downs Business Centre and the CFO advised that it is one of the subsidiary companies, which is currently dormant, but for which Annual Accounts must be filed. The Acting CEO/Principal advised that a report would be presented to the Corporation on 9th December setting out information about the subsidiary companies.</p> <p>Actions:</p> <ul style="list-style-type: none"> Acting CEO/Principal to tweak the wording on page 4 of the Annual Accounts prior to sharing with the Audit Committee.

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		<ul style="list-style-type: none"> • CFO to update the draft and feedback comments to the Audit Committee on 2nd December 2022.
	ii	<p>Draft Management Letter & Letter of Representation 2021/22</p> <p>The Committee received the external auditor’s Management Letter for the year ended 31 July 2022, which confirms audit findings and the external audit opinion. They noted that:</p> <ul style="list-style-type: none"> • 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.
	iii	<p>Finance Update</p> <p>The CFO introduced his report and highlighted that:</p> <p>The underlying balance sheet is still strong, with over £6m of cash and £4m in investment funds.</p> <p>The results for 2021/22 are detailed in the Annual Report and are close to the numbers previously shared at the last F&GP meeting and Corporation meeting. They show a deficit of £2.7m, and this is driven by the one-off £2.5m charge relating to GB Training.</p> <p>The outlook going forward is more challenging with a budget deficit for 2022/23 of just under £2m. The latest forecast for 2022/23 is a deficit of £2.6m, which is £0.7m worse than budget. This is driven by the following key variances to budget:</p> <ol style="list-style-type: none"> a) Not awarding anything from the subcontracting tender b) No new activity planned with Skills Max c) Delayed starts at ABA versus the budget assumption of October starts. d) Enrolment adverse variances where student numbers are less than budget. This is driven by HE, with FE enrolment being close to budget.

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	<p>The CFO explained that the Annual Accounts for 21/22 have one significant change year on year. This is a reduction in the defined benefit obligations in the Local Government Pension Scheme which have reduced by £11.7m to £2.5m. This is mainly driven by a 1.7% increase in the corporate bond yield which drove the increase in the discount rate being applied to future obligations. This swing has been common to other colleges too. He noted that this will not result in additional monies on which the College can draw.</p> <p>The CFO pointed out that one of the key factors going forward will be capital expenditure; if it can be reduced it will enable the College to remain cash neutral. However, it has already been recognised that some capital works may be needed to the Yorkon building.</p> <p>Governors sought the CFO's views on the effect of rising energy costs and he advised that Nescot is part of a consortium which has helped partially mitigate the impact, but that he has increased the budget from £400K to £600K. However, the rising costs will continue to be a risk that must be taken into account.</p>
iv	<p>October 2022 Management Accounts</p> <p>The Committee received the October 2022 management accounts.</p>
v	<p>Investment Fund Update</p> <p>James Boycott joined the meeting at this point to give an update to the Committee on the performance of the investment fund, managed by the external fund managers, Evelyn Partners.</p> <p>The Committee noted the calendar year performance to date as compared with previous years and a range of benchmarks, including CPI+3 which has been the most achievable. JB highlighted the volatility of the markets over the last year, particularly in the UK where the political instability has had an impact. The Committee noted that, as 23rd November, the value of the fund was £4.142M.</p> <p>JB set out the portfolio strategy and the asset allocation. He explained that the portfolio is bespoke with a mixture of bonds, equities, stocks and cash, and that some of the holdings can be as small as £20K, which helps to manage the peaks and troughs of the market and offset risk. He highlighted the influence of oil and gas prices and also explained how the move away from technology has been of benefit to the UK market which is mainly made up of oil, gas and healthcare stocks.</p> <p>JB acknowledged that there can be some ethical issues around investment in companies such as Shell and BP, with some investors such as the charitable sector refusing any exposure to fossil fuels. However, he noted that investing in such markets could help to drive change and be part of the ecological conversation. He reassured the Committee that due diligence and research is always carried out before investment, including ESG screening, which may</p>

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		<p>be of interest to staff and students alike, who may express environmental concerns and want to know more about Nescot's investments.</p> <p>JB gave further explanation of the UK Government bond market which has traditionally been a steady investment, but this year has become more volatile. He noted that there is always a 2-3% cash weighting in the fund to ensure liquidity in case it is needed.</p> <p>JB's presentation also covered the market outlook, touching on the strong performers and the recent rise in inflation.</p> <p>In summary, JB advised the Committee that the investment portfolio has held up well in a volatile market. Evelyn Partners will continue to ensure broad exposure, with high amounts of cash and T-Bills to ensure flexibility.</p> <p>Noting the estimated yield of 2.1%, MM asked if that was likely to vary, and JB expressed the view that it might, but if the UK economy goes into recession, the value of bonds will stagnate which will impact negatively.</p> <p>The Acting CEO/Principal asked if there would be any opportunity for Nescot students learn more about the work of Evelyn Partners. She and JB undertook to discuss this further outside of the meeting.</p> <p>The Chair thanked JB for attending and he left the meeting.</p> <p>The CFO pointed out that the investment fund takes a five-year view and there may be a need to access funds during that time.</p> <p>Actions:</p> <p>Acting CEO/Principal to liaise with Evelyn Partners about opportunities for students to learn more about their work.</p> <p>The clerk to invite James Boycott to the July meeting of this Committee.</p>
5.22	Key Performance Indicators	
	i	<p>ESFA Financial Letter</p> <p>The Committee noted that, in their letter to the Interim Chief Executive and Principal of the College dated 25 October 2022, the ESFA confirmed that the College's financial health is graded as:</p> <ul style="list-style-type: none"> • 'good' for 2021-22 (based on the latest outturn forecast year); and • 'outstanding' for 2022-23 (based on the current budget year).
	ii	<p>October 2022 KPI</p> <p>The Committee received the October 2022 KPI.</p>
6.22	Capital Expenditure Programme Update 2022/23	
		<p>The Committee received the update on the College's capital expenditure programme for the year ending 31 July 2023 as at 17 November 2022. The CFO reminded the Committee that the overspend of £38K is due to the replacement of the South Wing windows at a cost of £556K, which was approved by the</p>

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	<p>Corporation in October. This spend has been partly offset by the £300k of budget contingency which is largely unused, and underspends on some of the other projects in 22/23.</p> <p>The CFO reported that a quote for the works has been received but the tender process is not complete yet.</p>
8.22	College Fees Policy 2023-24
	The Committee approved College Fees policy 2023-24.
9.22	Any Other Business
	<p>i Financial Waivers</p> <p>The Committee approved the three waivers set out in the report.</p>
	<p>ii Finance Regulations</p> <p>The CFO presented the amended Finance Regulations, explaining that they had been updated to reflect current practice and to ensure processes and procedures were efficient and effective. However, the Committee were reassured that they would continue to receive appropriate information and their approval sought when required.</p> <p>The Committee approved the Finance Regulations.</p>
10.22	Date and Time of the Next Meeting
	The next meeting is scheduled for Friday 24 th March 2023 at 9.00am.

The meeting closed at 10.40 am

Decisions:

1. The Committee approved the three financial waivers set out in the report.
2. The Committee approved the updated Finance Regulations.
3. The Committee approved College Fees policy 2023-24.

Actions:

1. Acting CEO/Principal to tweak the wording on page 4 of the Annual Accounts prior to sharing with the Audit Committee.
2. CFO to update the draft and feedback comments to the Audit Committee on 2nd December 2022.
3. Acting CEO/Principal to liaise with Evelyn Partners about how students may learn more about their work.
4. The clerk to invite James Boycott to the June meeting of this Committee.