MINUTES OF THE FINANCE AND GENERAL PURPOSES COMMITTEE OF THE CORPORATION HELD ON WEDNESDAY 14 MARCH 2018 AT 18.00 IN THE SKILLS PARK BOARD ROOM (SP216)

PRESENT *	IN ATTENDANCE
Dr Martin West (Chair) Professor Sam Luke Ms Frances Rutter Ms Gloria Ozolua Ms Margaret Martin	Ms M Vetrone - Deputy Principal, Finance & Resources Mr D Round - Clerk to the Corporation

* *Attendance = 83%*

27.17	**APOLOGIES FOR ABSENCE**
Apologies were received from Chris Shortt.	
28.17	**DECLARATIONS OF INTEREST**
Declarations of interest were made by Professor Luke, Mr Stamps and Ms Rutter in relation to their unremunerated directorships of NBS Ltd.	
29.17	**MINUTES**
The minutes of the meeting held on 08 December 2017 were approved as a correct record, subject to noting the attendance of Margaret Martin.	
30.17	**MATTERS ARISING**
The matters arising report (Appendix B) from the previous minutes and other matters carried forward were received and noted. Other matters of report were: - **19.1 Internal Audit report on Commercial Activities** It was suggested that the Head of Commercial be invited to attend a future meeting to report on progress **(ACTION: MV). AGREED:** that the Head of Commercial attends the next meeting of F&GP. **20.1 Draft KPI Targets for 2017/18** It was recommended that the College give consideration to developing leading indicators so that the Committee could track progress and provide appropriate support and challenge. **AGREED**: that new KPIs would be proposed following the finalisation of the new Corporate plan.	

31.17	FINANCE MATTERS
31.1 Management Accounts (Jan 2018)	The Committee noted that the College was advising that 'The risk of deteriorating financial health and financial deficits due to emerging issues beyond the control of the College in a complex and changing sector operating environment is **high**.' The picture was one of a declining bottom line with a likely case outturn of a deficit of £550k. The best case projection was a balanced budget and the worst case -£750k. The current scenario forecasts were: -

	Budget (£000)	Forecast (£000)
Best case forecast	708	£0
Likely case forecast	14	-£550
Worst case forecast	-830	-£750

The Deputy Principal (Finance and Resources) reported that there were some issues with the reliability of the information on apprenticeships. Profiling was not sufficiently accurate and additional work was taking place to reconcile and confirm figures. She pointed out that the new apprenticeship funding regime was considerably more complex: for example, each apprentice had 4 contracts that had to be signed and many apprentices were on 'roll on, roll off' programmes. The forecast showed a further decline of £212k since the last report, predominantly due to continuing under-enrolment of fee-paying learners; and revisions to student profiles/volume associated with non-levy apprenticeships. However, reconciliation work indicated that this shortfall might be overstated by £170k.

Additional income had been received as follows: -

- Additional ESFA growth funding of £540k in adult classroom provision (19+Core)
- Additional non-levy apprenticeship income of £161k
- Additional recharges to local authorities for High Needs learners of £109k.

	• Additional income from Kingston University franchised courses of £24k. • Additional examination fee contributions of £10k These gains in income had been offset by negative variances in forecast income comprising: - • Tuition fees for FE, HE and full cost to the value of £725k. • Commercial income from the sports grounds (£55k) and the Innovation commercial salon (£53k) to the total value of £108k. • NBS dividend income of £75k, relating to capital gains tax liability in Saudi Arabia from the sale of NBS' interest in NCL in August 2017. • Creditor balances that had already been released last year to the value of £35k. Savings had been made on pay expenditure lines (£400k, less a provision of £90k against possible additional higher employer contributions on the LGPS scheme i.e. net £310k. Non-pay expenditure showed significant variances against budget (£952k), principally additional sub-contracting costs, LGPS interest charges (+£222k) and other items. There were also losses in respect of new College commercial ventures (Le Raj and Innovation). Governors expressed concern about the robustness of the curriculum planning process and also the extent to which the curriculum was innovating in response to local demand. The Principal commented that she wanted the curriculum planning process to start much earlier and be more challenging of curriculum areas so that they critically assessed the fit of the offer with need and employer demand. It was noted that the Audit Committee will receive the recently received internal audit assignment report on curriculum planning. The report was positive but made recommendations about the extent to which curriculum areas engaged with the process strategically and were held accountable. The Chair challenged the College to develop more forward-looking indicators of demand and need and build these into its planning processes. He asked what was needed to support staff to become more innovative and outward facing? Where is the market research and where is the marketing? The Principal fed back on the plans to reorganise marketing and communications at the College; it was her view that the College's

	marketing department didn't have the required skillsets to deliver the marketing service the College needed. It was a similar issue with the Employer Hub. Key services were fragmented and not fit for purpose at the moment. The changes being put in place would ensure that we get the right people in the right places. The College was recruiting a new manager of the Employer Hub but she noted that it was proving difficulty to recruit the right person for the role. Governors commented that it was essential that the College had an effective strategy and delivery plan for marketing the College that focused in particular on the website and social media. These channels were key for its market. There was feedback from discussions held with small business organisations about how the College website didn't communicate clearly to employers, particularly small businesses and how the College could help them. There was discussion about the new College enterprises and how quickly they would begin to become profitable. The actions and options in respect of the training restaurant were outlined; it was also reported that Innovations had achieved significant revenue growth and the outlook was positive. The Deputy Principal reviewed the financial KPIs. Pay expenditure as a proportion of income was slightly above the national average for FECs at 66.7% but significantly above the FE Commissioner's recommended level of £60%. EBITDA was falling reflecting a decline in the College's capacity to generate cash and profits. Cash days in hand were significantly above FEC sector averages but were falling, reflecting the investment that had been made in the campus and infrastructure over recent years. The financial health status remained 'outstanding', principally because the College had no borrowings. The risks associated with the ASMT joint venture were outlined. An audit report was to be considered later on the agenda and this was also to be reviewed by Audit Committee. The College assured the Committee that the risks were being managed. The College assured governors that it was taking decisive action to address the financial position in the current year. Details of the recovery plan were set-out which comprised: -

	• Additional AEB growth funding bids have been approved to the value of £813k. This will have the effect of reducing the current forecast operating deficit by around £240k. • Formation of partnership arrangement with a long-term partner to take advantage of benefits of direct provision and ability to increase loan funded student numbers. • Full cost provision and the short course portfolio are being reviewed to determine where additional marketing and curriculum focus is required to increase income. • Performance against curriculum income targets is being reviewed and shortfalls against planned income investigated and addressed. • A targeted mini-marketing plan is being prepared for the Innovation hair salon to increase footfall and boost product sales. • Actions to increase commercial income, with priority areas being identified. • An option to recover lost sports ground booking income is being explored with a partner at nil cost to the Colleges. • Staff recruitment is being frozen except for critical posts. • Non pay expenditure budgets, particularly overheads and indirect costs, are being reviewed line by line and reduced down for non-critical expenditure. • Cash management is being reviewed to determine whether increased returns can be achieved through the use of external cash managers. • A ban on all non-critical capital expenditure. • Ensuring full teaching staff deployment. • Short term investment in the Gas Academy to establish commercial gas full cost provision income stream. • Short term energy management and sustainability initiatives. • Further strengthen financial control. • Negotiate lower prices for all procurement. In the view of the Deputy Principal there was a reasonable likelihood that a balanced budget could be achieved this year if the financial recovery plan was implemented as defined. This assessment was based on the following forecasts: - 1. Additional net income of £240k from the recently-approved AEB growth fund bid;

	2. £170k over-statement of apprenticeship income shortfall; 3. A release of £90k provision for LGPS additional employer pension contributions (TOTAL = £500k) This was not assured, however. The Committee noted the January 2018 management accounts of the College.
31.2 Annual Report & Group Financial Statements 2017/18	The consolidated Group financial statements for 2016/17 including the now-audited NCL accounts were presented to the Committee. The statements were to be reviewed by the Audit Committee for agreement and signature by the Chair at the Corporation meeting on 24 March. The Annual Report and Group Financial Statements for 2016/17 were noted.
32.3 Management Letter of the External Auditors & Letter of Representations	The amended management letter of the external auditor reflecting the consolidation of the NCL accounts were received, noting the **unqualified opinion**. The management letter would be reviewed at the Audit Committee.
31.4 Procurement Policy and Strategy	It was noted that the Finance and General Purposes (F&GP) Committee's Terms of Reference state that the duties of the Committee include: 'To review and make recommendations to the Corporation on the arrangements for securing value for money, solvency and safeguarding assets.' The Committee reviewed the updated procurement policy and strategy, noting that savings of £200k had been made in the procurement of College goods and services since the appointment of a professional procurement manager. The Committee commended the Procurement policy and strategy to the Corporation, noting that the revised financial regulations were to be submitted for approval at the next meeting of the Board.
31.5 Changes to Financial Regulations:	The Committee noted that Section 1.2.5 of the College's Financial Regulations states that: 'the Finance and General Purposes Committee is responsible for maintaining a continuous review of the financial regulations, through the Deputy Principal Finance &

Quotations and Tendering

Resources, and for advising the Corporation of any additions or changes necessary.'

The following changes to purchasing thresholds in the financial regulations were proposed:

Order/Contract Amounts	Requirement	Changed from
£0 - £499	No quotations	£0 - £1,999 – two oral quotations
£500 - £1,999	Online price comparison	New
£2,000 - £4,999	Two oral quotations	£3,000 - £24,999 Two written quotations
£5,000 - £9,999	Two written quotations	
£10,000 - £24,999	Three written quotations	£3,000 - £24,999 Two written quotations
£25,000 - EC OJEU threshold Member of Senior Management Team invites tenders	£25,000 - EC OJEU threshold Member of Senior Management Team invites tenders	No change
Above EC OJEU threshold The Corporation invites tenders.	Above EC OJEU threshold The Corporation invites tenders.	No change

The College's Procurement Officer advised that the amended thresholds were in line with current practice in the public and equivalent sectors.

RESOLVED: that the Committee commends the amendments to the College's financial regulations to the Corporation for approval.

32.17 KEY PERFORMANCE INDICATORS, JANUARY 2018

The KPIs as at January 2018 were received. It was noted that staff absences were up but not above the sector averages. The Director of HR commented that there were a number of continuing long-term absences at the College but that they are managed effectively. It was expected that the rate would come down.

33.17	**PROPOSAL FOR EXTERNAL CASH MANAGEMENT FACILITY**
A paper was presented to consider two proposals for the investment of the College's surplus cash from independent investment management companies for consideration. The facility would generate c.£52k per annum based on an investment of £1-5m fixed for 3 years. The Committee requested that checks be made about the investment policies of the proposers and whether they were ethically-based. **RESOLVED:** that, by not realising value in its cash reserves the College was forfeiting income, the Deputy Principal (Finance and Resources) be authorised to make further enquiries regarding investment policies and to make a recommendation to the Corporation in due course. The preferred supplier was Smith and Williamson as fund managers, subject to final checks being made on ethical policy compliance.	
34.17	**PROPERTY MATTERS**
34.1 Capital expenditure programme 2017-18: Monitoring Report	The Committee reviewed the latest capital expenditure monitoring report. The requirement to commit expenditure of £250k in the comprehensive renewal of the College's IT infrastructure was noted. This was unplanned works but was urgent because the recently-commissioned review of the College's IT infrastructure had reported that the College was exposed to significant risks in terms of the delivery of an effective IT service. The total forecast value of all unplanned capital works was £259.2k, and would incur a net forecast overspend of £135.7k. It was noted that some cost savings may still be made in the remaining capital projects to recover some or all of the forecast overspend. Governors noted that the College was currently without a Director of IT and that consultancy support was in place. Governors were advised that the recommendations of the supplier providing the current consultancy had been market tested, were appropriate and reflected industry best practice. There had been very little investment in IT infrastructure at the College in recent years and the current problems reflected this. Little capital funding was available to colleges. The Principal was hoped to join the LEP board but all Surrey colleges had been disappointed in the outcome of recent capital bids to the LEP. The report on capital expenditure programmes 2017-18 was noted.

34.2 Post Project Review Group - Summer Works 2017 **34.3 Property Strategy minutes**	The lessons learned report arising from the post-project review of the summer capital works undertaken by the College's project managers was noted. Following receipt of the report the College was reviewing its procurement arrangements with long-standing contractors to maximise value for money. It may also be appropriate to consider undertaken a scheduled programme estate-wide asbestos screening. The minutes of the Property Strategy Group meeting held on 26 February 2018 were noted.
34.17	**HUMAN RESOURCE MATTERS**
34.1 HR Policies & Procedures Overview & Corporation Framework **34.2 Schedule of Settlements**	The Committee reviewed the schedule of HR policies and procedures in place at the College and the arrangements for their review and update. It was also noted that the Principal is responsible for determining the terms and conditions and related HR matters for College staff, within the framework for pay and conditions approved by the Corporation, save for senior post holders and the Clerk. The framework was noted and would be presented to the Corporation for approval at its next meeting. The HR Director reported that currently the teaching staff did not have a union representative and therefore the Joint Consultative Committee did not meet; however, there was an agreement that this function was fulfilled through the Staff Consultative Committee. The arrangements in place for GDPR were noted. The schedule of settlements was received and noted.
35.17	**ANY OTHER BUSINESS**
There was no further business.	
36.17	**DATE AND TIME OF FUTURE MEETINGS**
Friday 08 June 2018 at 9.00am	

Signed ………………………………… Date ……………………

Dr Martin West, Chair of the Finance & General Purposes Committee