**MINUTES OF THE NORTH EAST SURREY COLLEGE OF TECHNOLOGY FURTHER EDUCATION CORPORATION HELD ON THURSDAY 26 JULY 2018 AT 18.25, SKILLS PARK BOARD ROOM**

| PRESENT* | IN ATTENDANCE |
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| Professor Sam Luke (Chair)<br>Peter Stamps (Vice Chair)<br>Frances Rutter (CE & Principal)<br>Margaret Martin<br>Graeme Hodge (Support Staff Governor)<br>Jamie Roberts (Teaching Staff Governor)<br>Maureen Kilminster<br>Chris Shortt<br>Kabir Shaikh | Maria Vetrone (Deputy Principal, Finance & Resources)<br><br>David Round (Clerk to the Corporation) |

** Attendance at the meeting = 50%*

| 78.17 | APOLOGIES FOR ABSENCE |
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Apologies for absence were received from the following governors: Dr Martin West, Sally Pritchett, Kieran Sainsbury, Chris Muller and Lynn Reddick. Donna Patterson also tendered her apologies.

The Clerk advised that the meeting was quorate as there were five external governors present.

| 79.17 | DECLARATION OF INTERESTS |
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The Chair reminded Members to declare any interest that they may have in any of the items on the agenda. Frances Rutter, Professor Luke and Peter Stamps declared their interest as unremunerated directors of NBS. Maureen Kilminster noted her position as the previous Principal of Brooklands College and a trustee of Surrey Lifelong Learning Partnership. Margaret Martin declared her interest as a member of Ewell Rotary Club, a trustee of Age Concern and a member of Surrey Chamber of Commerce.

| 80.17 | DRAFT 2018/19 BUDGET & ONE YEAR FORECAST 2019/20 |
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The Chair explained that this additional meeting had been called for the purpose of approving the budget. Preparation of the budget had been delayed because of pressures on the finance department arising from unplanned important recent bids. Governors were being asked to approve the recommended budget for 2018/19; they were also being requested to approve the recommended pay award for staff. It was noted that separate notes had been circulated by the Chair of Finance and

General Purposes Committee and the Principal and Deputy Principal (Finance and Resource).

The Deputy Principal (Finance and Resources) introduced the item. She explained that proposing a budget for 2018/19 had been very challenging and included some significant risks. The principal risks related to the sustainable delivery of the College's apprenticeship provision and the expansion of the joint venture partnership with ASTM. The senior management team had been presented with three budget options which were based on 'best case', 'likely case' and 'worst case' scenarios. The 'likely case' budget presented a forecast deficit of £885k; the 'worst case' would realise a deficit of £2,195k. The senior management team did not believe it could recommend a deficit budget because any deficit would be funded from cash reserves and, in the current environment, it was essential to preserve cash. SMT was therefore recommending the 'best case' budget option which would realise a balanced budget.

The following key points regarding the recommended budget were as follows: -

- Total budgeted income in 2018-19 would increase from total budgeted income in 2017-18 by £3,481k (14.2%) and from total forecast Outturn in 2017-18 by £2,238k (8.7%). This was predominantly due to the expectation of additional funding for adult classroom provision; increased HE tuition fees from additional take up of advanced learner loans for HE programmes delivered in partnership with ASTM; additional 19+ apprenticeship funding; and additional full cost income.
- Although the growth in projected income appeared to be large it should be noted that because additional growth bids had been secured in the current financial year, much of the increase in income was to secure a steady state position in core delivery. There was a risk, however, that the ESFA growth bid of £1m for 19+ non-levy apprenticeship funding, on which some of the forecast growth was based, might not be successful.
- Total budgeted pay expenditure in 2018-19 was set to increase from budgeted pay expenditure in 2017-18 by £2,211k (16.2%) and exceed total forecast Outturn in 2017-18 by £2,652k (20%). The pay budget for 2018-19 included a consolidated cost of living increase of 1%. In addition, teaching and teaching support posts and associated pay costs have increased in 2018-19 to deliver capacity for planned growth in a number of curriculum areas, particularly ASTM provision, in accordance with the Academic Strategy.
- It was noted that ASTM staffing was included in pay expenditure as it was a joint venture and therefore direct provision.
- Total pay expenditure was set to increase to £15,884k in 2018-19, comprising 68.9% of total College revenue expenditure using the ESFA pay expenditure metric. This was significantly above the FE commissioner's recommendation of 63%. This was an area of concern as staff costs had been steadily rising although it was noted that £1.5m of the increase in pay costs was because of the incorporation of ASTM in the pay budget.

- The proposed level of capital expenditure of £1.6m was less than in previous years; however, it ensured that the capital value of assets were maintained.
- The proposed budget was ahead of the Finance Strategy 2023 updated in April 2018, which indicated a budgeted operating deficit of £672k for 2018-19.
- The College would need to monitor the position regarding student recruitment very closely in September and take swift action to reduce staffing costs if the anticipated level of recruitment was not achieved.

Governors noted the details set-out in the circulated paper that gave assurance to the Board about the mitigating actions being taken in respect of the principal risks in the budget. These were to: -

- Reduce uncertainty in financial planning and place accountability for delivery with the correct staff.
- Increase income through student recruitment
- Increase income through commercial activity
- Reduce costs and increase efficiency

Governors asked what actions were being taken to address issues that had been outlined in critical areas which were central to the success of the budget plan. These included student recruitment and the management and delivery of apprenticeships. Whilst it was recognised that the College had re-structure plans in place and proposals to appoint to key positions as part of these arrangements, there was a concern that these positions would not, in all probability, be filled in time for the coming critical period. What arrangements were in place to fill gaps; was there a transition plan?

The College commented that robust additional management arrangements were in place in respect of the apprenticeship and business development areas with direct reporting into SMT members. In relation to higher education student recruitment through ASTM, the College said that it had confidence that the planned student numbers would be achieved.

Staff governors discussed the proposed pay award of 1% in 2018/19 and noted that staff had received a total of 3% pay increase over the past 10 years. Not only was this unfair but it was hampering the College's ability to retain and recruit the best staff: the College was currently experiencing high turnover of staff. A detailed review of staffing was required as part of a wider long-term strategy to ensure that the College had the right staff who were rewarded well to deliver a quality experience for current and future students of the College. Conversely, there was also a concern that as the budget was so tight for next year, would it be more prudent to delay the 1% award until the position on student recruitment was known given that it represented so little in cash terms to most staff. Comment was also made about the planned capital expenditure on the Skills Park building, which was a new build, and whether this was required at the current time.

The College management commented that it had much sympathy with the positions outlined. The Deputy Principal noted that an objective review of the proposed budget would probably conclude that the pay award was not affordable. The College, however, wanted to be fair to staff. It was recognised that staff morale was low at the moment – this would most likely be demonstrated when the results of the recent staff survey were presented to governors. It was also the case that the 1% award would not mean the difference between retaining or losing staff as bigger issues such as the success or otherwise of student recruitment as described would largely determine these. The reasons for the expenditure on the Employer Hub were described.

Other governors noted that the management actions described in the circulated paper involved implementation risks

Governors requested that a review of the cost base of the College, including staffing, be undertaken as there was a concern that opportunities for efficiency gains were not being realised **(ACTION: FR/MV).**

There was unanimous agreement given to the following resolution:

**RESOLVED:** that (i) the Budget for 2018-19 and One Year Forecast for 2019-20 be approved; and (ii) that a consolidated pay award of 1%, representing a cost of living increase, be paid to all College staff with effect from 1 September 2018.

| **81.17** | **DATE OF NEXT MEETING** |
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| To be held on Friday 05 October 2018 (09.00). | |

| **82.17** | **ANY OTHER BUSINESS** |
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| There was no further business. | |

Signed ………………………….	Date ……………………

**Professor Sam Luke, Chair of the Corporation**

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| Author | David Round |
| Title | NESCOT Corporation Minutes 26 July 2018 |
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