MINUTES OF THE FINANCE AND GENERAL PURPOSES COMMITTEE OF THE CORPORATION HELD ON FRIDAY 08 DECEMBER 2017 AT 09.00 IN THE SKILLS PARK BOARD ROOM (SP216)

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

* *Attendance = 100%*

13.17	**APOLOGIES FOR ABSENCE**
No apologies were received.	
14.17	**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.	
15.17	**MINUTES**
The minutes of the meeting held on 15 September 2017 were approved as a correct record.	
16.17	**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: - **27.16 Human Resources: Annual Performance Statement** It was reported that the workforce strategy will be presented to the meeting of the Committee as a sub-strategy of the NESCOT 2022 Strategic plan. The Deputy Principal explained that the workforce, finance and other sub-strategies should be driven from the academic strategy. **05.1.17 Management Accounts July 2017** It was noted that the joint venture with ASTM was on the agenda of today's meeting. It was also reported that the College was in discussions with another partner of the College regarding acquisition but this was not now likely to proceed on this basis although other arrangements may be sought. The Chair asked whether this posed a risk to the work being done with this partner in the future and received assurances from the Principal.	

05.5 Draft legal charge over property related to LGPS pension deficit
The College reported that it was awaiting to hear from Surrey County Council.

08.17 Accounting and Funding Matters
The Committee received the schedule of payments to staff in settlement. The Clerk advised that the Corporation was required to approve these as part of the Regularity Questionnaire.

RESOLVED: that the schedule of payments to staff in settlement of claims be approved.

17.17	**FINANCE MATTERS**
17.1 Draft Annual Report & Financial Statements 2016 – 17 (**COLLEGE ONLY)**	The Deputy Principal advised the Committee that the draft Annual Report and Financial Statements 2016/17 were for the **College only**. In 2016/17 NESCOT was the majority shareholder in NCL NESCOT and is therefore required to produce consolidated accounts for the NESCOT Group. NCL have yet to produce their accounts for 2016/17 which then have to be audited by NESCOT's auditors. In previous years NCL have produced accounts in time for the production of Group accounts. Contact has been made with the ESFA; it is understood they have been in touch with the other partners and now owners of NCL. The College had done everything in its power to encourage NCL to complete the accounts in time; however, for this reason the College's auditors are unable to give an audit opinion at this time. In response to questions from Governors the Deputy Principal commented that it was not clear when NCL would be able to present their accounts for review by the College's auditors, although a date of mid-December had been suggested. If this date was achieved the audit process would mean that final accounts would not be available for consolidation until January. The deadline for filing accounts was 31 December. The Corporation would be invited to approve the College-only accounts at its meeting on 14 December but that they would not be signed. The accounts would then be filed with ESFA. If consolidated accounts are able to be produced in January a special meeting of the Corporation would be called to or other arrangements made for the Group Financial Statements to be approved for signature by the Chair and the Principal as Accounting Officer. In discussion the Committee noted that if it was not possible to produce consolidated accounts by the end of January the College would also receive a qualified audit opinion in 2017/18 because of the absence of a reliable comparator. In

the event consolidated audited accounts could be produced later in the year, it was hoped however that it might be possible to treat this as a post-balance sheet event and avoid a second qualified opinion (**ACTION: MV to discuss with the auditors).**

The Committee's attention was drawn to the review by the Audit Committee at its meeting of 01 December 2017 of matters relating to:

- The Statement of Responsibilities of the Members of the Corporation.
- The Statement of Corporate Governance and Internal Control.
- The Statement on Regularity, Propriety and Compliance.
- The external audit opinions.

The Audit Committee had approved the Annual Report and Financial Statements for 2016/17 in terms of those matters that fell within its scope. The Deputy Principal highlighted the following points in the accounts: -

- A surplus of £106 was achieved (£78k restated 2015/16) – College only. This was ahead of the budget. After gains on the disposal of assets, and an operational deficit from a joint venture, the College generated a surplus for the year of £666k (£1,162k 2015-16 restated).
- Total income for the College was £24,184k (£21,214k 2015-16), increased by 14% from the previous year predominantly due to additional growth funding from the ESFA most noticeably in 19+ apprenticeships; additional tuition fee income from advanced learner loans in partnership with a private training provider; additional funding from local authorities for students with special needs; and donations from ICOM in recognition of the investment made by the College in the new Osteopathy clinic on campus.
- Total expenditure for the College was £24,077k (£21,137k 2015-16), increased by 14% from the previous year predominantly due to an increase in staff costs including uncontrollable pension scheme cost increases; subcontractor costs; and depreciation charges.
- Staff costs were too high and in the long-term were unsustainable. They were currently about 2% above the sector average and were forecast to converge with the

	sector average next year; however, they were significantly above the FE Commissioner's recommendation of 60% at 68%. Staff costs had increased by 10% because of a strategic decision last year to invest in in-house growth and quality. In-house growth had not been achieved and results had slipped in a number of areas and were slightly down overall. • The College was not achieving its target of 3% surplus per year as set out in the Finance strategy. Again this was not sustainable in the longer term. • Apprenticeships represented an area of great risk for the College going forward because of the introduction of the levy and the new funding regime. The College had had success in recruiting new levy-paying employers and details of these were given. It was, however, experiencing difficulties engaging with SMEs with whom it had worked in the past because of the new employer contribution and the bureaucracy of the system. • The College had just managed to achieve its 16-18 student recruitment target for 2017-18 but growth was not being achieved. • Estate costs had increased as had depreciation costs as a result of the improved facilities. The Committee discussed the need to be on the front foot in terms of winning apprenticeship levy business. Members of the Committee noted that many large employers were committed to utilising their levy pot and that universities were operating aggressively to attract business. The Principal explained that the Employer Hub and Business Development team was being restructured and would be in place by Easter. She commented that the College was generally good at employer engagement but could always do better. The Director of Business Development was to report directly to her. Thanks were extended to the Finance team at the College for the excellent outcome **RESOLVED:** that the draft Annual Report and Financial Statements for 2016/17 be commended to the Corporation for approval.

17.2 Draft Management Letter and Letter of Representations	The Committee noted the draft letter management letter of the external auditors and the letter of representations for signature by the Chair and Principal.
17.3 Post-16 Audit Code of Practice Regularity Questionnaire	The Finance and General Purposes Committee received the Regularity Questionnaire noting that it should be completed and signed by the College Accounting Officer and the Chair of Corporation in advance of the Corporation meeting where the Annual Report and Financial Statements are approved. The Audit Committee reviewed the Questionnaire at its meeting on 01 December 2017 and was satisfied that the self-assessment questionnaire supported the Corporation's statement on regularity, propriety and compliance in the draft annual financial statements for the year ended 31 July 2017. **RESOLVED:** that the Regularity Questionnaire be approved for signature by the Chair and Principal as Accounting Officer.
17.4 DRAFT Audit Committee Annual Report and minutes of the meeting held on 01 December 2017	F&GP Committee noted the Audit Committee's Annual Report to the Corporation. The report is required to be submitted to ESFA with the Annual Report and Financial Statements. F&GP noted the recommendation of the Chair of the Committee that Committee Chairs be invited to comment on the risk register in relation to matters that fell within their scope. The minutes of the Audit Committee held on 01 December 2017 when it considered the draft report and accounts.
17.5 ESFA Assessment of Financial Status & ESFA Financial Dashboard	The Committee was pleased to note the ESFA confirmation of the College's continuing financial health status of 'Outstanding'. It noted also the KPIs in the financial dashboard issued by ESFA which highlighted the robustness of the College's systems of financial forecasting. In discussing the significant increase in staff costs in 2016/17 – largely teaching and teaching support – the Committee noted the increasing challenges in recruiting good quality teaching staff and in retaining experienced staff. It also discussed that the increase in staff costs had failed to deliver the planned growth and quality improvements. The Committee was of the view that it would be happy with a position in which staff were well-rewarded where growth in student numbers was achieved with high quality teaching outcomes. However, it was of concern that the investment had not realised its objectives and this was

	not sustainable. The cost of living in Surrey was also a factor in recruiting staff because of high house prices and a shortage of affordable housing. The College assured governors that the College was paying close attention to these issues and was holding down staff costs and ensuring effective performance management.
17.6 Management Accounts, October 2017	The Management Accounts as at the end of October were received. It was noted that: • The College was forecasting a year-end deficit of £180k compared to a surplus of £14k. • The worst case scenario was a surplus of £20k and worst case a £830k deficit. • The decline in performance reflected the following - £222k unbudgeted LGPS interest charges; and £25k of additional unplanned external/ agency security services. • The College had also lost hire income from the use of the sport pitches following the closure of the Sports Pavilion. • Additional income of £540k growth funding had been received following a successful bid to the ESFA. • There was therefore an increase in £432k in non-pay expenditure to deliver the growth funding. Attention was drawn to the margin on this activity. • Student recruitment targets for 16-18 had been achieved and pre-census drop-out had been halved. • The number of cash days in hand showed a temporary decline because of management of cash in relation to the summer capital schemes. However, this was forecast to recover and the ratio for cash days in hand are 96 at 31 October 2017, ahead of the budget of 90 days and ahead of the College's minimum target of 60 days and the national benchmark of 62 days • The cash position was forecast to be strong at the end of the year despite the capital investments made; it was clear that the College was good at generating cash. The College was looking at freezing posts wherever possible; however, that had to be balanced against the need to ensure that teachers were available for classes and posts, where specialist expertise is required, were filled.

	In relation to the Sports Pavilion it was reported that the sports grounds represented approximately 25% of the College estate. As part of its longer-term estates strategy the College was looking at innovative schemes to enhance the sports facilities at the College but that this would not be achieved quickly and would require external funding and possible partnership working. This was being explored. In the short term discussion were being held with a local sports club to bring the Pavilion back into commission. The Chair urged the College to link these plans into the health and well-being agenda across the generations. The Committee noted that the additional pension costs were exceptional items outside of the College's control and that without this the College would be ahead of budget. The Corporation should be made aware of this in future reports **(ACTION: MV).**
18.17	**JOINT VENTURES**
The Committee moved to the item on the joint venture with ASTM. The history of the work with this long-standing partner was discussed and the terms of the commercial arrangements noted. A copy of the contract was made available to members of the Committee and it was noted that the initiative was on plan to achieve the expected returns this year. Details of the work with ASTM featured in the management accounts but would be reported separately in the accounts going forward. The Chair recommended that this and other College commercial ventures be reported as distinct business entities: information should be presented in standard business dashboard formats. The Committee noted the progress on the joint venture with ASTM.	
19.17	**COMMERCIAL ACTIVITIES AND GROWTH**
19.1 Internal Audit report on Commercial Activities	The Deputy Principal reported on the report prepared by the College's internal auditors on commercial enterprises set-up at the College. The report had been considered by Audit Committee. The Deputy Principal commented that it was a very helpful report that provided a roadmap to secure more control over these projects that included the restaurant, hair and beauty, motor vehicle, osteopathic clinic and other businesses. They needed to be put on a proper commercial footing with business plans and effective marketing. It was noted that the businesses operated with different models.

	The Committee requested confirmation that the Head of Commercial now in post had the capacity and skills to deliver improvements over these activities. The Deputy Principal confirmed that this was the case. There was a need to run the enterprises along commercial grounds following standard business accounting methods and reporting. It was suggested that software such as Microsoft's 'Power BI' be looked at. The report identified a number of worrying concerns. It was clear that the set-up of a number of the enterprises had been misplaced and may never be realised. For example the valeting centre was unlikely to be successful and the College should consider realising whatever it could in terms of the disposal of assets. The College confirmed that personnel had changed since a number of the businesses had been set-up and that the auditors would do a follow-up report. The consultant to the Growth Committee was focusing on these issues and bringing in specialist expertise where required. It was suggested that the Head of Commercial be invited to attend a future meeting to report on progress **(ACTION: MV).**
19.2 Growth Committee minutes 06 Nov 2017	The minutes of the Growth Committee of 06 November were noted.
20.17	**KEY PERFORMANCE INDICATORS**
20.1 Draft KPI Targets for 2017/18	The Committee discussed the proposed targets for the College. It was felt that many of the targets were lagging targets – there was nothing that the Committee could do to support the College to affect them i.e. student recruitment. 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. The Chair was happy to meet with appropriate College staff to help develop a number of appropriate indicators **(ACTION: MV).**
20.2 KPIs October 2017	The KPIs of the Committee were noted.

21.17	PROPERTY REPORTS

The Committee received and noted reports on Capital projects from 2016/17 and 2017/18. The overspend of £147k on the refurbishment of the Refectory owing to the discovery of asbestos and corroded pipework was noted; this would be partially offset by contingencies and savings elsewhere. The landscaping and car park project was delivered on budget.

The minutes of the Property Strategy Group were noted.

22.17	COLLEGE TUITION FEES POLICY 2018/19

RESOLVED: that the College tuition fees policy for 2018/19 was commended for approval by the Corporation.

23.17	SUBCONTRACTING SUPPLY CHAIN - FEES AND CHARGING POLICY/PUBLISHED FEES AND CHARGES 2017/18

The Committee reviewed details of the College's subcontracting partners and the financial arrangements in place noting that the decision to engage subcontractors to deliver learning programmes on behalf of the College was a strategic decision and took accounts of the following factors: -

- The strategic aims and targets of the College.
- Local, regional and national needs of employers and students. The breadth and mix of provision required to meet employer and learner needs.
- The current and planned capacity of the College to deliver its strategic aims and targets.
- The strategic fit of potential partners with the College's aims and targets.
- The quality of provision from subcontractors.
- Past performance of subcontractors.
- The financial health of subcontractors.
- The Training Provider is ESF compliant.
- Government and funding agency targets, priorities and regulations.
- Satisfactory completion of the College's due diligence process.
- If the contract is over £100,000, the subcontractor to be registered on the SFA's ROTO.

The Committee found the presentation of information helpful, clarifying the processes for monitoring performance and the strategic fit with the College's objectives.

RESOLVED: that the Subcontracting Supply Chain - Fees and Charging Policy and Published Fees and Charges 2017/18 be commended to the Corporation for approval.

24.17	COMMITTEE SELF-ASSESSMENT REPORT

The Committee reviewed its draft self-assessment report noting its strategic priorities for the next 12 months and the areas for development as being

- Oversight of business planning for College enterprises, financial reporting and the monitoring and scrutiny of performance.
- The growth of more diverse income streams (through the Growth Committee).

RESOLVED: that the self-assessment report of F&GP Committee be approved.

25.17	ANY OTHER BUSINESS

There was no further business and the meeting ended at 11.30.

26.17	DATE AND TIME OF FUTURE MEETINGS

Friday 02 March 2018	9.00am
Friday 08 June 2018	9.00am

Signed ……………………………………………………….

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

Date ……………………

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Version History	11/12/17
File Ref	C:\Users\david\Dropbox\NESCOT Folders\Nescot Corporation\Finance and General Purposes Committee\FGP 081217\Minutes of the Meeting\FGP 081217 Minutes Draft v2.docx