



MINUTES OF THE FINANCE AND GENERAL PURPOSES COMMITTEE OF THE CORPORATION HELD ON FRIDAY 15 SEPTEMBER 2017 AT 17.00 IN THE SKILLS PARK BOARD ROOM (SP215)

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%

01.17	APOLOGIES FOR ABSENCE
No apologies were received.	
02.17	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.	
03.17	MINUTES
The minutes of the meeting held on 27 June 2017 were approved as a correct record.	
04.17	MATTERS ARISING
<p>The matters arising report (Appendix B) from the previous minutes and other matters carried forward were received and noted. Other matters of report were: -</p> <p>28.16 Management Accounts (January 2017) - Commercial Activities Reporting Framework</p> <p>It was reported that this report was delayed and would be presented to the December meeting.</p> <p>27.16 Human Resources: Annual Performance Statement</p> <p>The Deputy Principal reported that that the College workforce plan would be presented following the completion of the strategic plan refresh and update of the Finance strategy.</p> <p>The Principal updated the Committee about the performance of the College's commercial outlets and related matters. She also noted that the college marketing function would be the subject of a deep dive review. There was discussion of the Motor Vehicle Testing Centre and it was confirmed that the Centre was able to do full emissions testing which should give it a competitive advantage and possible links with other commercial garages.</p>	

The Committee was also updated about the results of the NESTOTS Nursery inspection and the resulting actions.	
05.17	FINANCE MONITORING
05.1 Management Accounts July 2017	<p>The Committee received the July management accounts. It was noted that: -</p> <ul style="list-style-type: none"> • The forecast outturn was for a surplus of £100k (budget £41k; a movement from £48k in the May 2017 forecast) • The key variances in income lines which showed net in-year growth of £1,929k against the budget included: - <ul style="list-style-type: none"> - +£991k for classroom teaching and apprenticeships - Additional take-up of Advanced Learning Loans/SFE of £1,329k (FE and HE tuition fees) - High needs student support from local authorities (£162k) - £191k contributions from ICOM, the College's Italian partners in Osteopathic Medicine. • The key variances in expenditure against the budget (overspend of £1,881k; £1,795k June 2017; £1,832k May 2017) included: - <ul style="list-style-type: none"> - A shortfall of £448k in FE and HE tuition fees because of student under-recruitment, which has been offset by sub-contracted delivery at unplanned cost. - Undershoot on full cost fees of £191k - Under-performance on commercial income of £116k - Fee income from a franchised higher education programme of £41k because of lower than planned student recruitment. • There was a good margin on sub-contracting. The Committee drew attention to the risks in sub-contracting. • Pay expenditure was ahead of budget.

<p>05.2 Key Performance Indicators July 2017</p>	<ul style="list-style-type: none"> • The balance sheet was strong and performance ratios were favourable. It was commented that pay expenditure was slightly high compared to sector benchmarks and the College needed to continue to bear down on pay costs. This was against a background of increased staff turnover and recruitment challenges for teachers in some areas. These issues would be fed into the College workforce development plan which would incorporate broader issues of organisational and people development. <p>In discussion with members of the Committee the Deputy Principal commented that the final audited outcome could be more positive than that indicated in the accounts, although she stressed that there still were many variables that could affect the position particularly concerning LGPS year-end charges to the I&E account. It was also noted that the College had £13k in leasing costs. The College retained its financial health assessment of 'outstanding'.</p> <p>Governors discussed sub-contracting and partnership arrangements. There were specific rules regarding partnership delivery. Governors wished to understand where the liabilities lay and any implications from a charity law and VAT perspective. Internal auditors were due to report on this area shortly. Following discussion, it was AGREED to bring a report to the next meeting of the Committee about the structure of the partnership arrangements and the options that ensured compliance with the guidance whilst maximising the benefits for the College (ACTION: MW/FR).</p> <p>The Committee expressed its thanks to the Deputy Principal Finance and Resources and to the Finance Team for the effective management of the 2016/17 budget.</p> <p>RESOLVED: that the Management Accounts as at 31 July 2017 be noted.</p> <p>F&GP Committee noted the July KPIs for F&GP and the areas of identified risk. Staff absences were starting to increase and were amber-flagged for teaching and support staff; it was noted that HR operated a robust early intervention strategy. Absences because of maternity leave were not counted in absences.</p>
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<p>05.3 Student Recruitment 2017/18</p>	<p>Student recruitment was reported to be above the funding target; however, after taking account of predicted pre-census withdrawals, there was a significant risk that it would undershoot the ESFA allocation. Based on a 13% dropout (the sector average was 10%) this would result in a loss of student income next year of c.£715k. The reasons for early dropout were discussed. The College had a 'swap not drop' strategy to retain as many students as possible. HE recruitment was also below target currently although it was noted that the College was still enrolling on both FE and HE programmes and the figures could rise. In total, a potential shortfall of £1m in income could arise next year. A number of curriculum areas had large waiting lists and in some cases additional cohorts could have been enrolled if the College had the space and the teachers available. Student recruitment was strong in Hair and Makeup, Electrical, Creative Media; Sports and Osteopathy were down.</p> <p>The report on student recruitment was noted.</p>
<p>05.4 Financial Regulations</p>	<p>The Committee was invited to consider proposed changes to the College's financial regulations for commending to the Corporation for approval. The proposed changes concerned changes in College staff job titles; changes with names of external agencies; and some clarifications regarding processes, internal audit and the use of petty cash. An updated version of the regulations was presented with the proposed changes highlighted.</p> <p>RESOLVED: that the amendments to the College Financial Regulations be commended to the Corporation for approval at the next meeting.</p>
<p>05.5 Draft legal charge over property related to LGPS pension deficit</p>	<p>A detailed paper was presented to the Committee giving the background to the request that the Committee considers a proposal to secure significant ongoing cost savings related to the College's membership of Local Government Pension Scheme (LGPS) through a legal charge over College property. The College had challenged the LGPS actuarial assumptions and valuations in Surrey County Council's (SCC) triennial valuation of 2016. These had been agreed with the College's external auditors and were favourable to the College in terms of employer contributions and annual deficit reduction payments. These had been reflected in the 2015/16 financial statements and reduced NESOT's contribution by 0.9% as well as making a significant saving on the deficit reduction payment.</p>

	<p>NESCOT is now seeking to obtain category 2 employer status in the risk-based valuation methodology which will secure further reductions in contributions and deficit payments of 1.4%. SCC has determined that this would require the College to provide security for the value of the difference between the current deficit and that calculated on a prudent (gilts) basis. NESCOT's current FRS 102 pension deficit is £8.863m and therefore security to that value would need to be provided in the form of a legal charge on College property. Now that College was no longer obliged to provide performance bonds for the Saudi project, this was possible.</p> <p>The Committee was advised that the risks in this proposal were considered to be very small. A copy of the draft legal mortgage agreement was provided to members.</p> <p>Following discussion, the Committee urged the College to seek greater flexibility in the specification of the property assets on which the mortgage was secured so that potential opportunities for disposal and the receipt of assets were not prevented. It was also agreed that it was not reasonable for the mortgage to remain in place in perpetuity. It was proposed that the agreement be amended by the insertion of a terminal-point on the charge linked to the next valuation, at which point a decision could be made whether to extend the agreement or revert to category 3 employer status and pay the higher contributions and deficit repayments.</p> <p>RESOLVED: that the Committee gives its broad support for the proposal and requests that further discussions be entered into with SCC as outlined with a view to presenting proposal as amended to the Corporation for approval (ACTION: MV)</p>
<p>06.17</p>	<p>PROPERTY STRATEGY</p>
<p>06.1 Capital Programme for 2016/17 update</p>	<p>The Committee was advised of the status of projects in the 2016/17 capital investment programme. Against a budget of £3,073,300 the expenditure was forecast at £2,887,536, an underspend of £186k. However, additional unplanned works were necessary, most significantly for the relocation of the Employer Services team. The net position on the programme was forecast to be an underspend of £30k.</p> <p>The capital expenditure 2016/17 update report was noted.</p>

<p>06.2 Capital Programme for 2017/18 update</p>	<p>The Committee was advised about progress in implementing the 2017/18 capital expenditure programme. The budget for 2017/18 capital works was £4,266.9k. An overspend of £62,922 was forecast. Additional costs of c.£100k had been incurred on the Refectory refurbishment because of corroded pipework in the kitchens. Pre-project surveys had been undertaken but were not intrusive surveys. The absence of drawings was also a factor.</p> <p>Governors noted that for lessons learned log purposes, consideration be given on all major capital projects to commissioning a full intrusive pre-project survey. This, together with the discovery of extensive asbestos in the refectory and kitchen and other unexpected issues had caused the project to be significantly behind schedule. Consideration could also be given to including a larger contingency in future projects.</p> <p>It was confirmed that a new Director of Estates had been appointed.</p> <p>The capital expenditure 2017/18 update report was noted.</p>
<p>07.17</p>	<p>NESCOT GROUP: EXTERNAL AUDIT STRATEGY UPDATE</p>
<p>The Deputy Principal (Finance and Resources) gave an oral update about the external audit of the College's and Group accounts for 2016/17. It was confirmed that the College's auditors would undertake a review of NCL accounts in Saudi Arabia as last year. It was not yet known whether Group accounts would be required for 2017/18.</p>	
<p>08.17</p>	<p>ACCOUNTING AND FUNDING MATTERS</p>
<p>The Committee received for information the Post-16 Audit Code of Practice (ACOP) and Regularity Questionnaire that applied for 2016/17. It was regrettable that the Regularity Questionnaire was issued late in the year and applied retrospectively. The changes to the requirements were highlighted including the requirement that the Corporation receives assurance that where a settlement payment for an employee has been agreed the College has taken appropriate professional advice, has approved the terms of the agreement and has been brought all settlements to the attention of the reporting accountant.</p> <p>It was AGREED that a summary statement of settlements be presented to the Committee for noting (ACTION: MV). The requirement for staff to be trained in the requirements of the Bribery Act 2010 was noted and the College advised the Committee about the actions being taken.</p>	

09.17	DRAFT APPRENTICESHIP FEES POLICY
The draft apprenticeship fees policy was considered and commended for approval by the Corporation at its next meeting (ACTION: DR)	
10.17	GROWTH COMMITTEE
The CE and Principal gave an oral update to members of the Committee about the membership and plan for the Growth Committee. The first meeting of the group would take place after report to the Corporation on 06 October.	
11.17	ANY OTHER BUSINESS
There was no further business and the meeting ended at 10.50.	
51.16	DATE AND TIME OF THE NEXT MEETING OF THE COMMITTEE
Friday 08 December 2017 9.00am 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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