



MINUTES OF THE FINANCE AND GENERAL PURPOSES COMMITTEE OF THE CORPORATION HELD ON FRIDAY 16 SEPTEMBER 2016 AT 09.00 IN COMMITTEE ROOM A (SP215)

PRESENT¹	IN ATTENDANCE
Mr Peter Stamps (Chair) Professor Sam Luke Mr Chris Shortt Mr Cliff Hall	Ms M Vetrone - Deputy Principal, Finance & Resources Mr D Round - Clerk to the Corporation

¹ Attendance = 100%

01.16	APOLOGIES FOR ABSENCE
	Mr D Stevens, Vice Principal, Planning & Information Services, was unable to attend the meeting, and tendered his apologies.
02.15	DECLARATIONS OF INTEREST
	Declarations of interest were made by Mr Peter Stamps and Mr Cliff Hall relation to their directorships of NBS and NCL.
03.16	MINUTES
	The minutes of the meeting held on 29 June 2016 were approved as a correct record.
04.16	MATTERS ARISING
	The matters arising report (Appendix B) from the previous minutes and other items carried forward were received and noted. Other matters of report were: - English and Maths GCSE The disappointing GCSE results were reported and discussed by the Committee. SMT was to initiate a wide-ranging review looking at all aspects. The Deputy Principal (CM) was leading on this area. A specialist input would be commissioned to provide external review and advice. It had not been possible to appoint to the recently-vacated Head of Maths post, which was being re-advertised.
05.16	FINANCE MATTERS
05.1 Management Accounts for July 2016 (Appendix C)	The College management accounts for July 2016 indicated: - 1. A forecast operating surplus of £288k at year end (May 2016 = £413k; the approved budget was break-even).

2. The larger adverse variances that contributed to the month-on-month net change of -£125k from the May 2016 accounts included: -
 - a. The bonus payment to all staff (£157k)
 - b. Other approved costs.
3. Variance analysis of the budget to forecast highlighted a positive variance of £1,601k in income, largely attributable to additional SFA payments (traineeships and apprenticeships). Against this, there were shortfalls in budgeted income for full cost income, HE tuition fees, commercial activity and bank interest.
4. Total pay expenditure exceeded budget by £121k, overall as a result of the bonus payment made to all staff in July 2016.
5. Total non-pay expenditure exceeded the budget by £1,192k, largely as a result of payments to subcontractors to support the provision of additional SFA-funded activity.
6. The cash position was very strong as was the College Balance Sheet.
7. The automated financial health grade continued to be 'outstanding'.

Attention was drawn to the impact of the actuaries' FRS102 pension valuation statement for 2015/16 that had just been received and which had not yet been factored into the forecast outturn operating surplus. The impact on the I&E account would be significant, with additional costs of £194k. The College had no control over the valuation. Across the sector there was serious concern about the effect of the significantly increasing FRS102 actuarial valuation of pension liabilities on the financial health of colleges and it was anticipated that many more colleges would be pushed into deficit as a result for 2015-16 and in future.

The net effect on the College's forecast outturn was to reduce the surplus from £228k to circa £94k, subject to final reconciliation. Members of the Committee were advised that FRS102 was the only area of significant variance in the projected end-year position.

In discussion, Members noted: -

<p>05.2 KPIs July 2016 (Appendix D)</p>	<ul style="list-style-type: none"> • Room utilisation was 44% compared to a target of 50%. The calculation reflected the maximum potential occupancy of the available seats and not just whether the room was in use. Such a utilisation was considered to be good by sector standards. • Sub-contracting costs were high: it was a priority to move to more direct delivery. • The cancellation of the REED contract and the move to the in-house Employer Hub would result in savings. <p>RESOLVED: that the Management Accounts for July 2016 be approved.</p> <p>The Committee noted the strong financial KPIs as at year-end, July 2016. The known area of concern was student recruitment which was 34 below the funding target. Other points of note were: -</p> <ul style="list-style-type: none"> • HE student recruitment was an area for review. • The Average Class Size was slightly below the target. • There was a high level of business support staff turnover: it appeared that many staff were obtaining promotions elsewhere. • Teaching staff turnover was high but below the national average.
<p>05.3 Student Recruitment 2016-17</p>	<p>It was reported that student recruitment this year was generally strong given the demographic downturn in the numbers of young people aged 16-18. 1780 students had been recruited to date against a 1735 funding target. Enrolments were still continuing and the position was still changing. The key was pre-census date student retention which last year had been significantly lower than planned.</p>

<p>05.4 Treasury Management (Appendix E)</p>	<p>The Committee noted the low level of recruitment to Osteopathy courses from UK students which was an area of concern in the context of the recent capital investment in this area at the College. The partnership with ICOM supported this provision but there was a need to market Osteopathy programmes more aggressively. The competition from specialist providers in London was commented upon.</p> <p>The Finance and General Purposes Committee has delegated authority from the Corporation for the implementation and monitoring of treasury management policies and practices.</p> <p>The performance of the College in relation to the maximisation of value from its reserves was considered. The returns were below target, mainly as a result of additional capital expenditure during the year and the part-year impact of the investment holdings with the Metro Bank. Nonetheless, a positive return had been received compared to previous years. . It was also noted that the Bank of England had reduced its base rate from 0.5% to 0.25%, which would continue to adversely affect returns in 2016-17.</p> <p>At its previous meeting the Committee had requested that a review of alternative investment options be considered. Following discussion, there was broad support for further consideration of investment options in Mutual Funds, Property and Gold. The Deputy Principal (Finance and Resources) was requested to propose an investment portfolio that was consistent with the College's treasury management policies (ACTION: MV).</p>
<p>05.5 Financial Strategy 2020 Update Report (Appendix F)</p>	<p>The update to the Financial Strategy was presented to the Committee, noting that the College's internal auditors had commended the College for its exemplary practice in its recent audit assignment. The update took account <i>inter alia</i> of: -</p> <ul style="list-style-type: none"> • The new accounting standards • Updated management accounts (July 2016) • Funding assumptions based on CSR statements etc. • Changes to apprenticeship funding • The College's academic strategy and the latest curriculum plans

<p>05.6 Financial Strategy 2020: KPI Dashboard September 2016 (Appendix G)</p>	<ul style="list-style-type: none"> • Revised staff head counts and costs • Demographic factors (the number of 16-18 year old young people in Surrey begins to increase in 2019) • The impact of student loans and the reduction of core funding for adult and higher level students • More effective procurement and contract management to drive savings. <p>It was noted that income projections had increased up to 2019-20 but that the College's cost base had increased by a larger margin. This had resulted in the forecast outturn surpluses being revised down in all years. The Committee noted that the strategy was a dynamic document that would be updated in the light of changes to funding, government policy etc. The Deputy Principal Finance & Resources drew attention to the highly volatile nature of FE sector funding which made robust forecasting particularly precarious.</p> <p>The Committee noted the Financial Strategy report. It was AGREED that an update report taking account of the latest changes to FRS102 pension valuations and student number and funding income would be circulated to members by email for comment in due course. (ACTION: MV).</p> <p>The Finance strategy KPI Dashboard that reported on the Financial Strategy 2020 was considered based on the updated information from the July 2016 management accounts and other key assumptions. The areas for note included the following red-flagged items: -</p> <ul style="list-style-type: none"> • 2015/16 target of 3% surplus (forecast actual = 1.35%) • 2015/16 Non-pay expenditure (124%); note this is offset by increased income. • 2015/16 non-pay savings of 0.5% (forecast actual = 0%) • Average room utilisation (forecast 44%) • Achieve return on cash balances of bank rate +0.25 to 0.5% (actual = 0.5% £44k) <p>It was noted that although there were a small number of KPIs for 2015-16 that had not been achieved, performance in these areas were mostly ahead of 2015-16 Budget.</p>
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05.7 Financial Regulations – Proposed Revisions (Appendix H)

The Deputy Principal Finance & Resources confirmed, as requested, that action plans were in place in relation to red-flagged KPIs.

The Financial Strategy 2020 KPI Dashboard was noted.

The Committee is responsible for ‘maintaining a continuous review’ of the College’s financial regulations and for ‘advising the Corporation of any additions or changes’. The College’s internal auditors had reported some non-compliance in its 2015/16 review of Capital projects and had made a number of recommendations.

Pending a more comprehensive review of the Financial Regulations, the Committee was requested to consider a number of proposed limited amendments to section **3.9.4 Tenders and Quotations** as follows :-

1. Amend Order / Contract Values

Order/Contract Amount	Requirement
<i>£0 - £1,999</i>	<i>Two oral quotations* Form FINEXP07</i>
<i>£2,000 - £2,999</i>	<i>Two written quotations* Form FINEXP08</i>
<i>£3,000 - £24,999</i>	<i>Three written quotations* Form FINEXP08</i>
<i>£25,000 - EC OJEU threshold</i>	<i>Member of Senior Management Team invites tenders provided expenditure is within the College's approved budget. Form FINEXP10</i>
<i>above EU OJEU threshold</i>	<i>The Corporation invite tender. Form FINEXP14</i>

2. Delete / amend

	<p><i>The College is a member of a number of procurement consortia. As much procurement as possible should be carried out through consortia arrangements to achieve best possible value for money. The College is expected to comply with consortia procurement requirements.</i></p> <p><i>If the budget holder does not wish to place an order with the organisation offering the lowest price, a written statement of the reasons should be given.</i></p> <p><i>Members of the Senior Management Team or the Corporation may invite tenders in one of two ways:-</i></p> <ol style="list-style-type: none"> <i>1. By invitation to at least three organisations from a list of approved contractors.</i> <i>2. By invitation to at least five organisations under restricted procedure responding to a prior contract notice, where the EU OJEU threshold applies.</i> <p>RESOLVED: that the Corporation be invited to approve the amendments to the College Financial Regulations as set-out.</p>
<p>06.16</p>	<p>PROPERTY STRATEGY</p>
<p>06.1 Capital Planning Update Report (Appendix I)</p> <p>06.2 Capital Monitors</p> <p>06.2.1 Major Capital Schemes (Appendix J)</p>	<p>The status of all work packages in the capital plan were reported and noted. Attention was drawn to the delayed campus landscaping scheme including the car park. The College considered that revised tendered costs did not represent value for money and the timing of works would have caused considerable disruption to enrolment and to students starting the new academic year. A request had been submitted to the Planning authority to delay the completion of the works and to permit a re-tendering of the scheme. The College was awaiting a response from the local authority.</p> <p>The Committee noted the capital planning update report.</p> <p>The capital monitor that reported on the major capital scheme was considered. The Committee was advised that: -</p> <ul style="list-style-type: none"> • The forecast overspend on the major scheme was £1.371k, which could rise to £1,500k (approved cap).

<p>06.2.2 Capital Programme (Appendix K)</p>	<ul style="list-style-type: none"> • A sum held in an escrow account in relation to the Highway works had been delayed from release. It was expected it would be released in October 2016. • The Motor Vehicle workshop was completed and is within budget • The training restaurant was due to open in November 2016. <p>The capital programme monitor report was noted.</p> <p>The Committee reviewed the financial status of the current capital schemes. The small overspends on the Osteopathy clinic and Power upgrade projects were noted.</p> <p>AGREED: that consideration be given to the affordability of the engagement of a part time Painter/Decorator/Multi-skilled trades person to work across the College on a continuous maintenance programme (ACTION: SMT).</p>
<p>07.16</p>	<p>NESCOT GROUP: EXTERNAL AUDIT STRATEGY UPDATE</p>
	<p>The revised external audit strategy was presented, reflecting the additional scope of work in relation to NCL matters. This followed from the recommendations of this committee, NBS and the Corporation to permit closer oversight of year-end matters in the Saudi entity. The College's external auditors would work with Ernst and Young, the NCL auditors in Saudi Arabia, to ensure that the work was completed effectively and on-time to meet the UK filing schedule.</p> <p>RESOLVED: that the revised external audit strategy be approved.</p>
<p>08.16</p>	<p>ACCOUNTING AND FUNDING MATTERS: JOINT AUDIT CODE OF PRACTICE (JACOP), JUNE 2016</p>
	<p>The Committee received the updated JACOP (June 2016). There were no substantive changes other than a requirement that the self-assessment questionnaire be reviewed and signed by the Accounting Officer and the Chair in advance of the reporting of the year-end audit work.</p> <p>The appropriate arrangements would be made (ACTION: Clerk/MV).</p>
<p>09.16</p>	<p>ANY OTHER BUSINESS</p>
	<p>There were no further items of business and the meeting ended at 10.40.</p>

09.16	DATE OF THE NEXT MEETING
The next meeting would take place on Friday 25 November 2016 at 09.00.	

Signed

Peter Stamps, Chair of the Finance & General Purposes Committee

Date

Author	David Round
Version History	19/09/16
File Ref	C:\Users\dround\Dropbox\NESCOT Folders\Nescot Corporation\Finance and General Purposes Committee\FGP 160916\Minutes of the Meeting\FGP 190916 Minutes Draft v3.docx