

## Agreed Minutes

### MINUTES OF THE MEETING OF THE FINANCE & GENERAL PURPOSES COMMITTEE

Held on Friday 27<sup>th</sup> November 2020 at 9.00am in Committee Room B and Via MS Teams

Present: Peter Stamps (Chair), Frances Rutter (Principal) Professor Sam Luke, Margaret Martin, Vince Romagnuolo, John Willis

In Attendance: Maria Vetrone (Deputy Principal Finance & Resources), Sandra Dessent (Clerk)

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|--------------|---|
| <b>9.20</b>  | <b>1.0 Apologies for Absence</b>  |
|              | No apologies for absence were received  |
| <b>10.20</b> | <b>2.0 Declarations of Interest</b>   |
|              | <p>The Chair reminded Members to declare any interest they may have in any of the items on the agenda.</p> <p><u>Professor Luke</u>: unremunerated Director of NESCOT Enterprises Ltd, North East Surrey College of Technology Trust, NESCOT Holdings Ltd and Epsom Downs Business Centre Ltd.</p> <p><u>Mr Stamps</u>: unremunerated Director of NESCOT Enterprises Ltd.</p> <p><u>Mrs Rutter</u>: unremunerated Director of NESCOT Enterprises Ltd, North East Surrey College of Technology Trust, NESCOT Holdings Ltd and Epsom Downs Business Centre Ltd.</p> <p><u>Ms Margaret Martin</u>: member of Ewell Rotary Club and a trustee of Age Concern.</p> <p><u>Mr John Willis</u>: Council member of Chartered College of Teaching, trustee of I can and governor at Meath School Ottershaw and St. Johns School, Leatherhead.</p> |
| <b>11.20</b> | <b>3.0 Minutes of the Previous Meeting and Matters Arising</b>  |
|              | <p>The minutes of the meeting of 25<sup>th</sup> September 2020 were agreed as a true record and duly signed by the Chair.</p> <p>The following matters arising from the Minutes were addressed as follows :</p> <p><b><u>3.1 Headline Student Number Trends</u></b></p> <p>Following a request for information on student number trends at the previous meeting, the Deputy Principal (Finance &amp; Resources) presented an Excel spreadsheet detailing student numbers by faculty for the past five years and RAG rated the changes.</p> <p>It was noted that the document was updated regularly and informs management decisions in curriculum planning. Through RAG rating the areas that needed attention were highlighted, and the Committee were advised that the criteria for</p>  |

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|   | <p>assessing the eligibility of a course included analysing trends; LEPS and profitability.</p> <p><u>3.2 Curriculum Outturn 2019/20</u></p> <p>The Committee received an analysis of the financial contribution by course and were advised that contributions needed to be 50% to cover the costs of running the course. It was noted that the average contribution for 2019/20 was £243,096 against a target average of £257,700 and the difference between the two across all Curriculum areas represented the gap between the budget and the actuals reported outturn figures for the College.</p> <p>The relation between these figures and employability was discussed and it was noted that the figures help to highlight anomalies for example Computing where market trends indicate it is a growth area whereas the outturn showed decline and has led to a deep dive analysis into the reasons why.</p> <p>Headline student numbers and trends were discussed, and the Chair requested that an analysis of student contribution by faculty for the past 2-3 years be presented at the next meeting</p> <p>Other matters outstanding were as follows:</p> <table border="1" data-bbox="313 940 1286 1182"> <tr> <td data-bbox="313 940 800 1098">Update on potential updates with removing phones from the college</td> <td data-bbox="800 940 1286 1098">Ongoing – an exercise on overall Estate cost savings in progress and will be reported back to the Committee in due course.</td> </tr> <tr> <td data-bbox="313 1098 800 1182">Full evaluation of the Investment Fund</td> <td data-bbox="800 1098 1286 1182">See item 4.7</td> </tr> </table> | Update on potential updates with removing phones from the college | Ongoing – an exercise on overall Estate cost savings in progress and will be reported back to the Committee in due course. | Full evaluation of the Investment Fund | See item 4.7 |
| Update on potential updates with removing phones from the college | Ongoing – an exercise on overall Estate cost savings in progress and will be reported back to the Committee in due course.   |   |  |  |              |
| Full evaluation of the Investment Fund                            | See item 4.7   |   |  |  |              |
| <b>12.20</b>  | <b>4.0 Finance Matters</b>   |   |  |  |              |
|   | <p><u>4.1 Draft Group Financial Statements &amp; Annual Report 2019/20</u></p> <p>In compliance with section 33 of the Post-16 Audit Code of Practice, the Committee received the draft Group and Financial Statements &amp; Annual Report which was discussed page by page alongside the covering report and the following comments were made and amendments agreed:</p> <ul style="list-style-type: none"> <li>• Page 8 – League Tables: Due to Covid-19 the ESFA did not publish league tables for 2019/20 and the information in the report related to 2018/19. It was noted that the College was in a much better position since the sales team had liaised with employers and subsequently satisfaction rates had improved. However, as the information had been previously reported it was agreed to take out the paragraph relating to League Tables and just leave the first sentence.</li> <li>• Page 10 – Student Number Headcount: It was agreed to add a reference relating to 19+ devolution of AEB and the impact on student numbers in 2019-20.</li> <li>• Page 21 – Events after the end of the Reporting period: No events were reported up to the end of the reporting period (31.07.20) and the Deputy</li> </ul>  |   |  |  |              |

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Principal Finance & Resources agreed to update the Corporation of any events up the 10<sup>th</sup> December.

- Page 28 – Stakeholder Relationships: It was agreed to change the number of student representatives from four to two.
- Page 37 – Senior Staff Performance and Remuneration Committee: It was agreed that the report being submitted to the Corporation Committee on 10<sup>th</sup> December outlining the College’s compliance with the AoC Staff Remuneration Code would be amended to include more evidence on how the code is adhered to. A revised report will be submitted to Audit Committee on 4 December for review and commending to Corporation.

The draft Group Financial Statements and Annual report for the year ended 31<sup>st</sup> July 2020 were agreed, subject to the agreed amendments above.

### 4.2 Draft Management Letter and Letter of Representation 2019/20

The Committee received the draft External Management letter for the year ended 31<sup>st</sup> July 2020 which confirmed audit findings and external audit opinion. Also, a draft letter of Representations for approval which stated that all the information submitted for external audit was accurate and all material information had been disclosed.

The highlights were as follows:

- an **unqualified opinion** in respect of the financial statements will be issued.
- there were no material weaknesses in the accounting and internal control systems identified during the course of the audit.
- the College’s financial statements for the period under review meet the regularity requirements set by the relevant funding body.
- no inappropriate accounting policies or practices were identified.
- no instances of fraud or irregularity were found.
- no areas were identified where the College had not complied with laws and regulations; and
- there are no other relevant matters to draw to the Corporation’s attention other than those included in the Management Letter.

Following consideration, the Committee noted the External Audit Management Letter for the year ended 31 July 2020 and agreed to recommend the draft Letter of Representations for signature, subject to the agreed amendment, to the Corporation on 10<sup>th</sup> December 2020.

### 4.3 Post-16 Audit Code of Practice 2019/20

The purpose of the Audit Code of Practice was to inform the Finance & General Purposes Committee of the changes that were published in July 2020 relevant to accounting periods ending on or after 1<sup>st</sup> August 2019, and therefore the guidance was required to be applied retrospectively for the year ended 31 July 2020.

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It was noted that the College maintained a comprehensive and documented assurance and accountability framework including input from an independent internal audit service.

There were seven relevant changes that were detailed in the report which were reviewed and noted by the Committee.

### 4.4 Post-16 Audit Code of Practice Regularity Questionnaire 2019/20

The Committee received and reviewed the ACOP Regularity Questionnaire which had been completed for year ending 31<sup>st</sup> July 2020.

It was noted that the most notable change was in relation to the conflicts of interest and related parties in the College's procurement processes; and procedures in place to identify fraud, theft, bribery, corruption, irregularity or major weaknesses in accounting or other control frameworks.

In addition there were additional questions relating to the College's management arrangements during Covid-19 pandemic and lockdown particularly around the implementation of PPN 02/20 government guidance on procurement and contractual relationships with suppliers; the use of the government job retention scheme and compliance with conditions of grant funding; confirmation of any interruption to College internal control procedures; and confirmation of measures taken to adjust the impact of Covid-19.

The Committee was informed that the College had reported compliance for all questions raised in the Questionnaire and that the Auditors had not raised any issues arising from their review.

Therefore, it was agreed that the Post-16 Audit Code of Practice Regularity Questionnaire be signed following the meeting by the Chair of the Corporation ahead of the Audit Committee meeting to be held on 4<sup>th</sup> December and the Corporation meeting to be held on 10<sup>th</sup> December.

### 4.5 Association of Colleges (AoC) Senior Staff Remuneration Code

The Senior Staff Remuneration Code was had been developed by the Association of Colleges (AoC) to be reviewed every three years with the purpose of assisting Governors to ensure that senior postholder pay is well controlled and that decisions were being made in an appropriate way.

The report set out the principles of transparency and accountability of pay for senior postholders and college processes that aligned with the code.






To give further assurance to the Governing Body it was agreed that additional information would be added to evidence compliance with the code prior to submission to the Audit Committee and Corporation.

### 4.6 October 2019 Management Accounts

The Committee received a report and detailed management accounts setting out the forecasted outturn for 2020/21 as at 31<sup>st</sup> October 2020.

The headline numbers for the College group were presented as follows:

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| College Group                | Best case forecast<br>(£000) | Best case budget<br>(£000) | Variance<br>(£000) | Movement in forecast since September 2020<br>(£000)                                      |
|------------------------------|------------------------------|----------------------------|--------------------|--|
| Total income                 | 29,837                       | 30,121                     | (284)              |  £284 |
| Total pay expenditure        | (17,364)                     | (17,694)                   | 330                |  £330 |
| Total non pay expenditure    | (12,749)                     | (12,409)                   | (341)              |  £341 |
| Total expenditure            | (30,113)                     | (30,103)                   | (10)               |  £10  |
| Operating surplus/ (deficit) | (276)                        | 18                         | (294)              |  £294 |

\*Table contains some rounding error

A best-case operating deficit of £276k was forecast at year end against a best-case budget of £18k operating surplus. Total forecasted income behind target by £284k (0.9%) and total expenditure was expected to exceed budget by £10k (0.3%).

It was reported that there were gains that fell below the operating line and reduced the operating deficit by £25k to a total deficit for the year of £251k.

The College's financial forecasting demonstrated that it was more likely that an operating deficit of £509k would be delivered at year end and the main reasons for the College underperformance was under enrolment against curriculum plan for apprenticeships and under enrolment against curriculum plan from full cost and HE self-paying learners.

The College maintains its 'outstanding' financial health status for the year to date and projected to year end.

### 4.7 Investment Fund Update

The purpose of the report was to inform the Committee of the latest position regarding the College's investment fund managed by Smith & Williamson, the College's external cash manager.

The following high-level summary was presented alongside a summary of asset allocation as of 30 September 2020

| Asset              | Market Value £   | %          |
|--------------------|------------------|------------|
| All securities     | 1,393,885        | 69.5       |
| Cash               | 612,949          | 30.5       |
| <b>Total value</b> | <b>2,006.834</b> | <b>100</b> |

This compared to the latest value of the fund at 13 November 2020

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| Asset              | Market Value £   | %          |
|--------------------|------------------|------------|
| All securities     | 1,566,143        | 75.9       |
| Cash               | 498,525          | 24.1       |
| <b>Total value</b> | <b>2,064,668</b> | <b>100</b> |

The recent quarter had been positive for the College's investment portfolio, which had appreciated by +1% on a net total return basis. This represented a capital gain of £10,933 and income received of £6,165 which equated to a combined total return of £17,098 since 1<sup>st</sup> July 2020.

### 13.20 5.0 Key Performance Indicators

The proposed KPIs for 2020/21 were received by the Committee having been finalised by the Executive Leadership team based on a review of the previous years' performance.

The Committee agreed to adopt the KPIs in principle and feedback back any questions or concerns to the Deputy Principal (Finance & Resources).

### 14.20 6.0 Property Matters

#### 6.1 Capital Expenditure Programme Update 2019/20

The Committee was advised that this was the final report for 2019/20 and were reminded that the original budget was £1,044.4k for replacement works across the estate but to ensure affordability and the preservation of the cash reserves a number of capital projects had been withdrawn from the 2019/20 programme for consideration in the 2020/21 programme. The programme was aligned with the College's Estate Strategy 2023.

There had been several budget variances in the planned capital expenditure programme which were covered in the report and four unplanned capital projects relating to:

- Refurbishment of the HE Common Room
- Replacement of the main hot water generator
- Replacement of guttering at the PA2 building
- Replacement of the large electrical panel adjacent to the common room

Overall the forecasted cost of all planned and unplanned capital works on completion was £922.8k which is £121.6k underspent against the original budget.

#### 6.2 Capital Expenditure Programme Update 2020/21

The Committee received an update on the Capital Expenditure programme for 2020/21 for which the budget totalled £1,617.1k. The report detailed the forecasted spends for planned works and the forecasted spend for three unplanned works (totalling £81,866k), as follows:

- Installation of perimeter fencing around the sports pitches to address continuing issues of vandalism and unauthorised use

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|              | <ul style="list-style-type: none"> <li>• Installation of conference facilities in the Skills Park Board Room to allow more mixed remote and onsite video link communications to take place</li> <li>• Creation of two examination pods in the Skills Zone of the Learning Resource Centre</li> </ul> <p>The overall forecast cost for all planned and unplanned works was £1,699k which represents £81.k overspend against the original budget.</p>  |
| <b>15.20</b> | <b>7.0 HR Reports</b>  |
|              | The Committee noted a summary of all settlement payments to staff for 2020/21 which totalled £9,130.00.  |
| <b>16.20</b> | <b>8.0 College Fees Policy 2021/22</b>   |
|              | <p>The Committee received the College's updated Fees Policy for the year ending 31 July 2022 (a tracked amended version and a clean version) alongside a supporting table of fees and charges for both Further and Higher Education.</p> <p>The headlines for 2021/22 were:</p> <ul style="list-style-type: none"> <li>• Freezing tuition fees for FE courses for adult learners on part time courses at Level 2 and below to respond to the current economic climate and forecasts.</li> <li>• Additional clarity around fee remission</li> <li>• Removal of references to 'direct debit' facility, replaced by 'instalment payment' method, to allow for additional flexibility for payment</li> <li>• Additional flexibility in the FE refund policy to allow for students to receive a full refund within 21 days of their first attendance before withdrawal</li> </ul> <p>The Committee reviewed and approved the College Fees Policy 2021/22.</p> |
| <b>17.20</b> | <b>9.0 Committee Self-Assessment Report</b>  |
|              | <p>The Committee received the annual Self-Assessment report for 2019/20 outlining the work of the Committee and recommending the following key priorities for 2020/21:</p> <ul style="list-style-type: none"> <li>• The financial impact of Covid-19 on income and expenditure and potential for long-term cost savings</li> <li>• The Estates strategy including long-term projections and potential asset disposal</li> <li>• Growth and costing implications arising from the Strategic Review including all new initiatives</li> <li>• New trends in the education sector and comparison with previous years through segmental analysis</li> <li>• Financial contribution and growth of partnerships</li> <li>• Self-Evaluation framework (To be set up by the Clerk)</li> </ul>   |
| <b>18.20</b> | <b>10.0 Any Other Business</b>   |
|              | There being no further business the meeting concluded at 11.00am   |
| <b>19.20</b> | <b>Date and Time of the next meeting: 25<sup>th</sup> January 2021 at 6.00pm</b>   |

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### Decisions:

1. Agreed to recommend the Draft Letter of Representations, subject to an agreed amendment for signature to the Corporation on 10<sup>th</sup> December 2020.
2. Agreed for the Chair of the Corporation to sign the Post-16 Audit Code of Practice Regularity Questionnaire
3. Approved the College Tuition Fees Policy 2021/22

### Actions:

1. Add additional evidence to the Aoc Senior Staff Remuneration Code of Practice to give assurance to the Governing Body that the College is compliant with the code.
2. Analysis of student contribution by faculty for the past 2-3 years to be presented at the next meeting