



**MINUTES OF THE FINANCE AND GENERAL PURPOSES COMMITTEE OF THE CORPORATION HELD ON FRIDAY 5<sup>th</sup> JULY 2019 AT 09.00 IN THE SKILLS PARK BOARD ROOM (SP216)**

<b>PRESENT *</b>	<b>IN ATTENDANCE</b>
Mr Peter Stamps (Chair) Professor Sam Luke Mrs Frances Rutter Ms Margaret Martin	Ms M Vetrone - Deputy Principal, Finance & Resources Mrs J Carr - Clerk to the Corporation

\* Attendance =67 %

<b>38.18</b>	<b>APOLOGIES FOR ABSENCE</b>
Apologies were received from Chris Short and Vince Romagnuolo.	
<b>39.18</b>	<b>DECLARATIONS OF INTEREST</b>
Declarations of interest in NESCOT Enterprise Ltd, a wholly-owned subsidiary of NESCOT Corporation, were given by Frances Rutter, Professor Luke and Peter Stamps. In relation to NBS Ltd, an application to Companies House for the company to be struck off has been submitted.	
<b>40.18</b>	<b>MINUTES</b>
The minutes of the meeting held on 8th March 2019 were approved as a correct record and duly signed by the Chairman.	
The Chairman of Governors asked the Deputy Principal whether the professional advice regarding VAT and the commercial activities of the College were being followed. The Deputy Principal confirmed that they were.	
<b>41.18</b>	<b>MATTERS ARISING</b>
There were no matters arising from the meeting of 8 <sup>th</sup> March that were not included within the agenda items for the meeting of 6 <sup>th</sup> July.	
<b>42.18</b>	<b>FINANCE MATTERS</b>
<b>42.1 Management Accounts, May 2019</b>	<p>The Deputy Principal advised the meeting that May Management accounts were maintaining the forecast operating surplus £20K with worst case as 180K deficit. The Deputy Principal was confident that the numbers and assumptions are realistic and that the College year end position will generate a small surplus or at worst, break even.</p> <p>The Finance Department is under pressure at the busiest time within the finance cycle with budgeting for 2019-20. However, they are</p>

	<p>maintaining control and workload, but hence the need for the additional Finance and General Purposes meeting on 19<sup>th</sup> July immediately before the Corporation meeting.</p> <p>The new finance system, originally scheduled for implementation on 1<sup>st</sup> August 2019 has been delayed until 1<sup>st</sup> August 2020. Some concerns regarding its integration with other College systems have been raised and the Deputy Principal needs assurance from the supplier that the system will link with existing College systems. Whilst the delay is not ideal, the Deputy Principal assured the meeting that the delay will enable the College to have a fit for purpose finance system in 2020. A member of the Commercial Team is managing the project from the client-side perspective.</p> <p>The Head of Finance is looking for additional resource (member of staff) to support the team and its workload. Sector wide, finance is becoming increasingly complex. The base budget has now been set for 2019/20 and this includes an additional member of staff within the Finance Team.</p> <p>The Chairman of Governors asked for assurance that the projected surplus of £20K has been calculated after all known costs have been accounted for. The Deputy Principal assured him that all known costs and accruals had been accounted for. However, the final figure is dependent upon student achievements (as in previous years) and will not be known until October time when final funding claims have been agreed.</p> <p><b>42.2 KPIs</b></p> <p>KPIs will be tabled at the 19<sup>th</sup> July meeting.</p>
<b>43.18</b>	<b>Finance Strategy and Budget</b>
<b>43.1 Budget 2019/20</b>	<p>The Deputy Principal outlined the 2019-20 budget-setting process to date. Further to the loss of £4M funding in the current year, the first 2019-20 budget draft last month resulted in a shortfall of £2.1M. The second draft resulted in a shortfall of £1.2M which by yesterday had been reduced to £250K. This work has entailed reviewing every line of income and expenditure.</p> <p>An urgent meeting with Directors of Faculties (DoFs) requested that they identify some £660K curriculum/staffing savings. The Directors produced a plan within 24 hours which now needs review and refining.</p> <p>The Principal advised the meeting that there had been a recent change in the structure of SMT which now includes the DoFs. The</p>

change reflects the collated data from the 360 appraisals and We Thrive feedback. The merging of the College SMT and the SLG should close the perceived gap and encourage DOFs to understand and own the issues which the College faces. SMT will continue to meet for strategic discussions (new name – Executive Leadership Team).

SMT have agreed that from 2019/20, the direct delivery apprenticeships will be administered by the curriculum departments as opposed to the central Apprenticeship Team. Currently the numbers of direct delivery apprenticeships are relatively small and action (removal of) regarding low performing areas evidencing a 4-year decline will increase direct delivery apprenticeship achievement rates up by about 10%. The disbanding of the central Apprenticeship Team and closure of low performing direct delivery apprenticeships is expected to generate savings of some £100K. Furthermore, it will evidence decisive action for the OFSTED Inspectors.

The Deputy Principal advised the meeting that the Director of Apprenticeships, despite additional training and mentoring, had not proved successful in his outward facing apprenticeship role; the decision to disband the Apprenticeship Team is an efficient rationalisation decision. Going forward it is essential to ensure a good understanding and working relationship between the Sales Team and Director of Faculties and Heads of Department; this is a priority to ensure professional and productive employer engagement. The new Head of Sales, Stephanie Burlinson is making good job in these areas together with building a user-friendly and current CRM system.

The Deputy Principal advised the meeting that the achievement rates for Subcontracted apprenticeships remain high.

The meeting noted the variation regarding Curriculum contribution from a target of 50% compared to catering, motor vehicle and plastering generating only 10%. Whilst the meeting acknowledged that some courses were more resource and teacher intensive than others, the College should continue to review group sizes together with looking for efficiencies in both curriculum (teaching models) and support areas. Different Curriculum areas should also share best practice solutions. Long-term proposals should include blended learning and different delivery levels but the contact hours for FE also need to be maintained. However, the current teaching model is not sustainable going forward.



	<p>With College management accounts showing further ESFA dashboard improvement. Nescot is one of only 50 colleges adjudged by the ESFA to have outstanding financial health.</p> <p>With regard to the ESFA questions, the Deputy Principal assured the meeting that the 2018-19 College finances were not at risk. The Deputy Principal reminded governors of the lagged ESFA funding for 16-18-year-old students together with the College's increased reliance on ESFA funding in 2017/18 and 2018/19 because of the Saudi enterprise release.</p> <p>The FE Commissioner is encouraging Colleges to focus on their current ratio. Nescot is currently maintaining a good ratio of 3x while the national FE average is currently 1.4. The College's performance ratio is dropping but continues to be significantly higher than the national average.</p>
<b>44.18</b>	<b>Property Strategy</b>
<b>44.1 Capital Programme for 2019/20</b>	<p>The proposed planned Capital programme 2019/20 has been developed following the submission of capital bids by departments and so responds to staff and student needs. The Deputy Principal confirmed that there is a contingency of £75,000 (compared to £50,000 in 2018/19) in the budget and that the total budget of £1.044M will be funded from the College's cash reserves and thus no borrowing will be required.</p> <p>The meeting recommended the approval of the Capital Programme 2019/20 to the July Corporation meeting.</p>
<b>44.2 Capital Projects Update 2018/19</b>	<p>The Deputy Principal advised the meeting that there were cost savings of £241K and the contingency of £50K unused generating a saving of £291K on planned capital expenditure.</p> <p>However, a number of unplanned capital works, including security measures for the Sports Pavilion, emergency lighting, CCTV and signage for the Indian Restaurant (Rasika) amounted to some £48.7K. Thus the net cost savings regarding Capital Expenditure are forecast to be £241.2K at year end.</p> <p>The Deputy Principal assured the meeting that the Capital Programme was just above the minimum needed to support/maintain the College asset values.</p> <p>In response to a governor question, the Deputy Principal advised the meeting that costs relating to the October 2018 IT cyber-attack were</p>

	being treated predominantly as capital expenditure as college systems needed enhancement.
<b>45.18</b>	<b>Estates Strategy</b>
	<p>The Deputy Principal acknowledged that the Estates Strategy had been delayed, principally due to changes in staffing. The Strategy had been prepared based upon the key assumptions of:</p> <ul style="list-style-type: none"> <li>• No major curriculum changes,</li> <li>• Assumed increase in apprenticeships,</li> <li>• Opportunity for growth in commercial courses.</li> </ul> <p>The College currently has more space than it currently needs provision with inefficient use of space.</p> <p>The Condition Survey reported that 76% of the College estate is as new or sound which is excellent news and reflects the benefits of the £55M invested in the estate during the last 5 years.</p> <p>6% of the estate was deemed inoperable; essentially the Sports Pavilion.</p> <p>In response to a governor question, the Deputy Principal confirmed that there is asbestos within the caretakers' workshop but that this is safe as long as it is not disturbed. The College is planning to demolish and rebuild the workshop in 2020/21.</p> <p>The meeting approved the Estates Strategy 2023.</p>
<b>46.18</b>	<b>Accounting and Funding Matters</b>
<b>46.1 Changes to College Financial Regulations and waiver.</b>	<p>The Deputy Principal informed the meeting that the proposed changes to the College Financial Regulations which are highlighted in yellow reflect the statutory requirements for e procurement of goods and services. The College has some 200 contracts and the e-portal will provide tools to manage these contracts centrally.</p> <p>The meeting approved the changes to the College Financial Regulations.</p>
<b>46.2 Draft Contract Management Strategy</b>	<p>The Deputy Principal introduced the draft policy which defines the College contracting and contract management process and will be owned by the Commercial and Contract Team. In response to a Governor question, the Deputy Principal confirmed that the policy included e-tendering processes including the e-portal.</p>

<p><b>46.3 ESFA College Accounts Directive for 2019/20</b></p> <p><b>46.5 ESFA Funding rules 2019-20 and Summary Changes</b></p>	<p>The meeting noted the draft Contract and Management Strategy Policy.</p> <p>The Deputy Principal advised the meeting that the ESFA Accounts directives which must be applied to 2018/19 final accounts which must be submitted to the ESFA no later than 31<sup>st</sup> December 2019. The Deputy Principal assured the meeting that the College maintains a comprehensive and documented process for the preparation and reporting of the statutory accounts. The timeline for submission of the 2018/19 accounts is currently after Corporation consideration on 12<sup>th</sup> December 2019.</p> <p>The Deputy Principal advised the meeting that there were no major changes in the 2019/20 Funding rules save devolution of AEB funding resulting in new GLA funding rules.</p> <p>A discussion ensued regarding the complexity of the apprenticeship reforms and their impact upon both direct-provision and subcontracted provisions.</p>
<b>47.18</b>	<b>External Audit Strategy 2018/19</b>
<p>The Deputy Principal advised the meeting that the Audit Committee of 15<sup>th</sup> July will be meeting with the External Auditor to discuss the External Audit Strategy 2018/19 which sets out their approach to the audit of the College's 2018/19 financial statements. In response to a governor question, the Deputy Principal advised that the External Auditor's materiality level for reporting remained at £13,950, 5% (as with 2017/18). Overall financial statement materiality is estimated at £279K based upon 2019 projected outturn.</p> <p>The Deputy Principal advised the meeting that the activity within Nescot Enterprises Ltd 2018/19 remains small enough not to require a separate set of accounts, rather it is included within the Nescot Group accounts.</p> <p>The Deputy Principal confirmed that an abridged set of Nescot Enterprises Ltd accounts will be filed with Companies House.</p> <p>The meeting approved the draft External Audit Strategy which will be further discussed at the July Audit Committee and tabled at the July Corporation meeting.</p>	
<b>48.18</b>	<b>SUB-COMMITTEE AND SUBSIDIARY COMPANY REPORTS</b>
<b>48.1 Growth Committee minutes</b>	<p>The minutes of the meeting of the Growth Committee held on 3<sup>rd</sup> June 2019 were received and noted. Curriculum Planning was the main item of the agenda.</p>

<p><b>48.2 NESCOL Enterprises Ltd</b></p>	<p>A meeting of the Nescot Enterprises Board is scheduled for 19<sup>th</sup> July having been delayed awaiting the Internal Auditor’s report on commercial activities.</p> <p>The Deputy Principal advised the meeting that matters for this meeting will include:</p> <ul style="list-style-type: none"> <li>• Rasika continues to make losses, albeit less than 2017/18; £35K in 2018/19 compared to £45K in 2017/18. The Internal Auditors have advised that as an exempt charity, if Rasika continues to make a loss as a subsidiary of College then the College must inform HMRC and together with a business plan to address the deficit. The Committee Chairman agreed that this item should be discussed at the Nescot Enterprises Board meeting.</li> <li>• Sports pitches and gym and theatre moving to Enterprises. Governors need to be happy with new arrangements for Rasika and the model going forward.</li> </ul>
<p><b>49.18</b></p>	<p><b>ANY OTHER BUSINESS</b></p>
<p>There was no further business and the meeting closed at 11.00.</p>	
<p><b>50.18</b></p>	<p><b>DATES OF FUTURE MEETINGS</b></p>
<p>Friday 19<sup>th</sup> July at 08.00 – Margaret Martin tendered her apologies. Friday 13<sup>th</sup> September at 09.00.</p>	

Decisions:

1. The meeting recommended the approval of the Capital Programme 2019/20 to the July Corporation meeting.
2. The meeting approved the Estates Strategy 2023.
3. The meeting approved the changes to the College Financial Regulations.
4. The meeting noted the draft Contract and Management Strategy Policy.
5. The meeting approved the draft External Audit Strategy which will be further discussed at the July Audit Committee and tabled at the July Corporation meeting.

Signed .....

**Mr Peter Stamps, Chair of the Finance & General Purposes Committee**

Date .....



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