MINUTES OF THE FINANCE AND GENERAL PURPOSES COMMITTEE of the NESCOT CORPORATION held on Friday 6th December 2019 at 09.00 in the Skills Park Boardroom (SP216)

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

* *Attendance = 100%*

12.19	**APOLOGIES FOR ABSENCE**
No apologies were received.	
13.19	**DECLARATIONS OF INTEREST**
Declarations of interest in NESCOT Enterprise Ltd, a wholly-owned subsidiary of NESCOT Corporation, were given by Frances Rutter, Professor Luke and Peter Stamps.	
14.19	**MINUTES and MATTERS ARISING**

The minutes of the meeting held on 5th July were approved as a correct record.

The minutes of the meeting held on 13th September 2019 were approved as a correct record and duly signed.

A member asked for an update regarding the administration of apprenticeships: The Principal advised that the priority this term has been to ensure that all apprentices are fully enrolled before the ILR R04 was submitted to the ESFA on Friday 29th November. The Principal confirmed that the apprentices are now fully enrolled with very few exceptions. Having achieved this significant milestone, the College is now able to concentrate on apprenticeship administration. Sam Lunn and Dario Stevens are currently managing this. In the longer term the College may need a co-ordinator (but a significantly different role to that of the former Head of Apprenticeships). A number of issues have arisen since the restructure. There is an apprenticeship transition group to ensure that everyone understands their role in the process.

Going forward ELT will be undertaking an in-depth review of apprenticeships; establishing whether they are financially viable, whether delivery methods the most appropriate and cost efficient and improving how might achievement rates.

A member asked whether more support staff have been employed via Nescot Enterprises Ltd offering the NEST stakeholder pension as opposed to LGPS. Currently there are some 4 members of staff employed via Nescot Enterprises Ltd. These staff receive a higher basic salary than staff employed via the College and are offered the Nest Pension Scheme and less holiday provision. The overall balance between the two employment packages is equitable and similar.

Matters arising from the meeting of 13th September:

1. The rate of interest paid on the cash element of the £1M Investment Fund is 0.3% which is exactly the same as the College's bank, HSBC, money market rate. There is currently £167K of the £1M fund remaining in cash and this will be invested next week. The Investment Fund will be considered later in the meeting, Item 4.7.

2. Achievement of the 2019-20 budget and the £660K staff savings will be discussed later in the meeting, Item 4.5. **New ESFA Financial Model:** The Deputy Principal advised the meeting that the ESFA have just published a new financial model which Colleges must submit no later than 28th February 2020. This is a significant additional commitment for the College's Finance Team. The Chair advised that this new model also applies to schools and the additional workload has been raised as a concern. However, for schools, the model is voluntary for 2019-20 and mandatory in 2020/21. The Deputy Principal will be reporting to Governors regarding the new model in January. In summary, the current ESFA model requires Colleges to submit their final accounts by 31st December and their budget and two-year plan by 31st July. The new model requires the year end and two-year budget plans to be submitted by 28th February. In February 2020 the College will submit the annual accounts for 2018/19, management accounts, and the budgets for 2020/21 and 2021/22. There will be no budget submission in July 2020 although the College will still need to deliver a budgeting process. This represents a significant change to the calendar of events for Finance. The Chair of Governors asked the Deputy Principal if she had sufficient capacity to meet these new requirements. The Deputy Principal advised that the new model will provide a major challenge for all college Finance Departments who are already struggling with the increasing volume and complexity of finance and funding in the sector. In response to a member question regarding the delayed replacement College finance system which was delayed due to its apparent lack of integration with existing College IT systems, the Deputy Principal advised the meeting that the College is starting afresh as the proposed system was not fit for purpose and the College has received a refund of cost paid. The implementation date for a new finance system has been set for 1st August 2021, but unfortunately the Project Manager in the Commercial Team has subsequently left the College. There are no further software updates for the existing finance system. Production of financial information is extremely resource intensive, but on a positive note the ESFA recommend the College's Management Accounts format. A member who has project management experience offered to assist with the project management of implementing a new finance system. There will be two vacant posts in the Finance Team in the early new year, and the Deputy Principal is looking to review the existing structure of the Finance Team before looking to fill these vacant posts.	
15.19	**FINANCE MATTERS**
15.1 Draft Group Financial Statements and Annual Report 2018-19	The Deputy Principal tabled the draft Group Financial Statements and Annual Report 2018-19 advising the meeting that the ESFA at their meeting with the Principal and Deputy Principal last week had commended the new format. The External Auditors have audited the 2018-19 accounts and given an unqualified opinion. The External Auditor's management letter reflects their very detailed analysis of the numbers. The Audit Committee will also receive the Statement and Annual Report on Monday 9th December and will focus on the governance process and statements. This Committee will concentrate on numbers, audit process and the notes. The Deputy Principal will input any amendments requested from this Committee and Monday's Audit Committee before the Corporation meeting on Thursday. There are also a few typographical errors. P4. The College complies with the definitions required by ESFA regarding key management personnel. The Deputy Principal confirmed that the Investment Fund

	Managers, Smith and Williamson do not need to be included as Professional Advisors to the College. P5-8 "*Strategic Report of the Members of the Corporation*" includes narrative regarding the legal status of College, its vision statement, strategic plan and 6 key priorities. <u>P9. Corporate Performance</u> League Tables: A member enquired how may Nescot aspire "to be the College of choice for students, employers and staff" when the College was ranked 76th out of 184 Colleges with learner satisfaction 81.4% compared to the national average of 81% and employer satisfaction of 85.8% compared to the national average of 81% which does not read particularly well given Nescot's aspirations. A discussion ensued regarding the plethora of data available regarding student satisfaction, student achievement, student experience and employer statistics. However, most Colleges use the FE Choices' data, and this is an ESFA requested metric. The meeting agreed that everyone within the College needed to work on improving this metric. Action Point. P9. <u>Funding targets</u> • The College did not achieve its 16-18 ESFA targets. • However, it over delivered on its Adult Education Budget. • Like many Colleges, Nescot did not achieve its non-levy Apprenticeship funding target. Many employers are reluctant to engage apprenticeships under the new system. • The College over-achieved HE income target by 10%. • Confirm the student headcount of 9,398. P11 <u>Financial Performance:</u> The College is performing well against ESFA KPIs, having moved £1M from cash reserves to an investment fund. Had this money been retained within College Cash reserves, the current ratio would have been around 4.1 compared to a national average of 1.48. With regard to Cash days in hand and the adjusted current ratio, the College exceeds national averages but has not met its own targets (92 days and 3.16 respectively). The Deputy Principal agreed to insert an additional line to indicate that these targets would have been met if the £1M had not been taken out of cash reserves and invested in the medium risk investment fund. P11 <u>College KPIs for stability and growth:</u> As discussed at Committee and Corporation meetings in 2018 and 2019, the College has not achieved its target of 3% surplus of total income generated. A discussion ensued whether the College should reduce this target and included the following points: • Are the ESFA targets the right measures to concentrate on? • The sector was expecting a new set of metrics to accompany the new ESFA finance model but these have not transpired and the ESFA metrics have remained the same. • The College achieved 1% operating surplus in 2018-19, whilst much of the sector has an operating deficit.

- The Deputy Principal suggested that the target should remain and be set at between 3-5% - allows for re-investment in the estate and infrastructure; ensures asset values; and future sustainability. There is a finance debate in the sector at the moment about this.
- 1% operating surplus is not enough to maintain asset values and longer-term sustainability. The College invests 3% of income in the estate, facilities and infrastructure annually, funded from cash reserves, to maintain asset values and a fit for purpose campus.
- The College should not lower the target simply because it is currently not able to achieve the 3% target. The Deputy Principal stated that 3% is a minimum expectation to ensure long term sustainability and achievement of corporate objectives and needs to be pursued.
- The College needs to review the cost base of the curriculum to ensure efficiency and effectiveness.
  What are the consequences of not meeting these targets: 1% represents a longer-term degradation of the estate and disinterest from banks in providing any loan facilities if required; In 5 years-time the value of the estate will be less because of not investing 3% of income in capital expenditure every year.

The Committee agreed that the target of 3% operating surplus should be maintained.

P12. Academic and Curriculum Performance
"HE achievement rates are in decline from 84% to 74%". The meeting requested further details regarding this statement particularly in the light of increased HE student numbers. This was discussed at Curriculum and Quality and relates to a cohort of ASTM students who completed one study module outside of the year. The December Corporation will be advised of this. The new narrative is: "*HE achievement rates were in decline during the year from 84% to 74% due to the timing of achievements for the ASTM provision. The College's forecast based on students attending the final Assessment Board is for HE achievement rates to increase to 88% for the year.*"

P13. 14-16 curriculum offer with Blenheim High School pupils.
The recent Governor Link Visit highlighted the interest and achievement of this programme which is currently specific to Blenheim High School and is designed to achieve a successful transition from school to college for these students.

The Achieve students are a different group of students who are usually 14-16-year olds with high needs who are managed on a 1-2-1 basis with LSAs. The recent link visit raised concerns that the inclusion of Achieve Students may be disrupting other students in the classroom.

The College currently supports some 45 Achieve students. A governor asked whether the College received sufficient funding for these students to warrant the challenges which they may present. The Deputy Principal advised that the funding for the Achieve Students is highly beneficial for the College. The College needs to balance the additional income with ensuring quality and minimising potential disruption to other students. The Principal advised the meeting that there is a delicate balance of maintaining teaching group sizes and ensuring that the income is utilised to support these Achieve students and minimise potential classroom disruption. The Principal suggested speaking to the Vice Chair of Governors for her professional advice.

The Principal advised that recent staff CPD sessions have included teaching strategies to identify how best to manage these challenging pupils.

	P15-20 Financial Review for the year ended 31st July 2019; the audited results The Nescot College and Nescot Group (consolidated with Enterprises) are shown in tabular format. The Deputy Principal confirmed that the final audited results were better than the forecast discussed at the July Finance and General Purposes Committee and Corporation meetings. The principal reason is because the LGPS actual costs were less than expected by nearly £200k, confirmed in the actuarial valuation issued in September 2019. The Deputy Principal confirmed that a reconciliation with the July forecast is included in the October management accounts. The Committee agreed that the income and expenditure summary charts on p16 were useful. P25 Principal Risks and Uncertainties The list of the College's 8 most significant strategic risks are those identified in the College Strategic Risk Register (presented to the termly Audit Committee and Corporation meetings). P30: Trade Union Facility Time Publication of this facility within the College Financial Statements and Annual Report is a mandatory requirement. P31, P39, P40 Signatures of the Chair of Governors and the College's Chief Accountable Officer (Principal and CEO) will be provided once the Corporation has approved the document on Thursday. The Deputy Principal highlighted the importance of the statement in the Members' Report that the College is a Going Concern. P45 the External Auditors give two opinions: on regularity and the financial statements. P61 Note 8 Senior Staff: The Committee Chair asked for clarification that there are 2 Senior Post Holders. The Principal confirmed that the Principal and Deputy Principal (Finance and Resources) are the designated Senior Post-holders. P61 relates to Key Management Personnel, of which the Deputy Principal (Curriculum) is the third key management personnel within the College. The Deputy Principal (Curriculum) is not a designated Senior Post-holder of the College. P62-63 The Deputy Principal confirmed that the Accounting Officer salary is £151K which aligns with the previous pages. Total remuneration should be amended from 182K to 171K. The meeting had no further comments or questions. The Committee recommended the draft Group Annual Report and Financial Statements 2018/19 to the Audit Committee meeting of 9th December and to the Corporation meeting of 12th December.
15.2 External Auditors' Management Letter	The Deputy Principal introduced the External Auditors Management Letter for the year ended 31st July 2019 which confirms audit findings and their formal external audit opinion, and a draft Letter of Representation. The letter includes two minor recommendations: 1. The charging of depreciation on fixed assets in Enterprises Ltd; and

	2. Determining the status of an historic loan of £58K from Nescot Trust to Nescot College. There is no paperwork supporting this loan which is estimated to be some 10 years old. It is proposed that the loan be written off. The Deputy Principal advised the meeting that the Letter of Representation requires Governors to confirm that they have provided the external auditors with all required information and documentation for audit purposes. Corporation is required to sign and provide the letter to the External Auditors. The letter is a standard external audit requirement and states that all the information submitted for external audit is accurate, and that all material information has been disclosed to the auditors. The Committee accepted the External Auditor's Management Letter and the draft Letter of Representation and recommended them to the December Corporation meeting.
15.3 Post-16 Audit Code of Practice Regularity Questionnaire	The ESFA requires the Corporation to self-assess itself against a number of statements in order to ensure that governors are best informed and able to sign the Annual Report and Financial Statements. The Corporation must provide a signed copy of the questionnaire (Chair of Governors and Accounting Officer) to the External Auditors. This item is also discussed at the Audit Committee. The meeting reviewed the questionnaire and discussed the question on P6 "Do you understand the implications of the new insolvency regime". In addition to the points supporting this response, the Governors received a presentation from RSM at the October Governors' Conference. The meeting confirmed that members were happy with the completed questionnaire and the Deputy Principal asked that the Chair of Governors and Accounting Officer to sign the questionnaire.
15.4 ESFA Financial Health Grade and dashboard	The College's ESFA financial health grade is confirmed as 'outstanding' for 2018-19 and is currently assessed as 'outstanding' for 2019-20 as per the submitted plan in July 2019. Only 20% of GFEs have been graded as outstanding for 2018/19. The College Cash position whilst reducing as planned with capital building projects remains healthy and the College is still generating cash. Cash reserves are projected to increase in 2019/20 and 2020/21. Reliance on income streams: The ESFA is expecting colleges to increase their non-ESFA funded income. The College is increasing its income derived from full-cost programmes, levy apprenticeships and commercial activities. The College's Current ratio is in excess of both the sector average (1.4) and ESFA expectations. Similarly, the EBITDA is significantly ahead of sector and the ESFA guide of 8% being outstanding. The College staff costs increased in 2016/17 but are reducing in line with sector trends and are below national averages. NESCOT has no borrowing or debt save for some low value finance leases for gym equipment. It was noted that few Colleges are debt-free, and that the FE sector is trying to reduce its debts. The meeting noted the ESFA financial health grade and accompanying dashboard.

15.4 Budget 2019-20 Risk Register and Action Plan	The Budget 2019-20 Risk Register and Action Plan focus on the achievement of a balanced budget this year. The Risk Register assesses the seven key risks to the successful achievement of a balanced budget and the Action Plan details specific activities and any movement in the assessment of each key risk. The Deputy Principal confirmed a net 5% adverse movement in risk. A discussion regarding ASTM, in particular the validation of the BA top-up degree and the QAA audit ensued. It is disappointing that the Open University (OU) did not approve the top-up BA programme. The Deputy Principal advised the meeting that the Partnership may not re-submit the current proposal. The OU have indicated that the primary problem is the suitability of the delivery centres (ASTM). The College is now exploring the option of delivering the top-up degree at the Nescot campus, which the OU have indicated that they would be supportive of this. The OU have given organisational validation/approval to Nescot. Given that Pearsons had validated the ASTM Centres for HNC and HND programmes, the Partnership had not been unduly concerned that the OU would not validate the ASTM centres for delivery of the top-up degree programme. As a result, the risk of achieving the ASTM income and associated surplus in 2019-20 has increased. ASTM is a high risk, high reward model which is closely managed. A member asked whether the College might have done anything else to mitigate this risk with the benefit of hindsight. The Principal advised that there is an element of subjectivity in the “feel factor” of OU assessors, or any assessors when inspecting delivery centres. Because Pearson’s had approved the ASTM centres for HNC and HND courses, the Partnership did not anticipate the delivery centre assessment to be an issue for the OU. ELT are now managing this as an open issue. The OU have not approved the ASTM Centres for the delivery of OU validated programmes but have indicated that they would be supportive of the top-up degree programme being delivered at the Nescot campus and this option is being actively pursued despite the distance between Nescot and Oldham. However, travel to Nescot for ASTM students currently studying at Hounslow and Aldgate East may be feasible. The QAA undertook an HE Quality Inspection on behalf of the Office for Students (OfS) this term. Previously QAA acted in its own right but is now contracted by OfS who have implemented a new inspection framework. As a result of these organisational and inspection framework changes, many existing staff have left the QAA. Therefore, many of its current inspectors are new to their role and inexperienced as inspectors. Five QAA inspectors visited Nescot for 3 days reviewing the College HE processes and documentation, talking to staff, and HE students. The QAA inspection concentrated specifically on the ASTM and Osteopathy programmes and four College core practices including complaints and retention. The Audit framework advises that the focus of the audit is that of student outcome. The College provided the QAA inspectors with 235 documents, having been asked for 30 documents at the outset of the audit. In the final wash-up meeting on Day 3, the

	Principal was surprised to be asked seemingly basic process questions, such as who advertises vacancies for ASTM teaching staff. The initial draft QAA audit report contained significant errors, factual mistakes and misunderstanding of College processes and advised that 3 of the 4 processes audited did not meet with OfS requirements. The initial report also contained a number of typographical errors. Despite the QAA advice regarding the College's response to the draft, the College submitted a full response disputing the QAA points and conclusions within the initial draft. It has subsequently transpired that the College would not be able to challenge any points which were not included in the initial response to the draft report. The second QAA report accepted one factual error, but also removed a significant number of positive points included in the first draft. After taking advice from the Association of Colleges, the second draft QAA report has been referred back to the QAA and independent reviewers are now looking at the report and the College's two responses. The College is not the only HE provider in this challenging position. Barking and Dagenham College and others in East London have received damning reports. It appears that the Office for Students is not supportive of HE programmes being provided in FE settings. The AoC are aware of this identified position and are looking to resolve this apparent bias. Whilst the AoC originally stated that they would not lobby QAA and OfS regarding specific College audit reports, they have supported Nescot in its refuting of the QAA audit report. The Nescot audit and subsequent reports have been referred to Douglas Blackstock as CEO of QAA. The meeting questioned why the QAA audit looked at such specific and specialist areas of the College's HE provision and then applied its findings to all of the College's whole HE provision. Currently the College has no indication of the timescales for the next steps of the process. The Principal advised the meeting that the governors looked at the QAA issue in greater detail during the Scrutiny Day on Friday 29th November. The meeting acknowledged the significant effect upon the Nescot/ASTM partnership, and the College's overall financial position, if the QAA audit report was not resolved. The Deputy Principal confirmed that the December Audit Committee will receive both the 2019-20 Budget Risk Register and Action Plan and the College strategic risk register which will then be reported to the December Corporation. The Key 7 risks to achieving a balanced budget in 2019-20 are: 1. Failure to deliver the ASTM joint venture budget. 2. Failure to reduce the target staff costs efficiency saving of £660K. 3. Failure to achieve the ESFA Growth bid for advanced learner loan facility. 4. Achieve the apprenticeship levy and full cost funding targets. 5. Failure to recover the recharging of high needs students and to achieve the increase in targeted student numbers. 6. Failure to operate within budgeted non-pay costs. 7. Clawback of non-levy Apprenticeship funding.

Currently there is a 62% risk of the College not delivering a balanced budget for 2019-20. The Governors confirmed that they were happy with the scoring of the risks and then considered specific actions within the Action Plan.

The Deputy Principal advised that the 2019-20 Budget Action Plan details specific tasks and an indication of the achievement of the targets (as aligned to Management Accounts).

1. ASTM joint venture is budgeted to achieve £1.866M profit/surplus. The forecast is currently £1.421M principally as a result of the Open University not validating the BA top-up degree originally planned to commence in Spring 2020 and the delay of 2 cohorts of students scheduled to commence their HNC/HND studies in September 2019 and now delayed until January 2020 with a resultant impact upon income received in 2019/20. In summary, the ASTM venture income is forecast to be £1M less than the agreed budget, the corresponding expenditure has been reduced by £621K resulting in a shortfall of £445K on the operating line.
   The Principal assured the meeting that the QAA issue (outcome awaited) will not affect 2019-20 as the College has an on-going obligation to prepare existing students for the completion of their studies during 2019/20.
   The meeting enquired whether there is any scope to improve the ASTM income generation during the current year. The Principal advised that the joint venture has requested that the awarding body, Pearsons, review and lift their current cap on student numbers at each ASTM Centre of 120 (360 in total).

2. Targeted pay cost efficiency savings of £660K. The Deputy Principal advised the meeting that the College has identified savings of £331,915 (as reflected in the October Management Accounts and the Action Plan). The Deputy Principal does not envisage that the £660K target will be met by year end. The primary reason being the additional 200 16-18-year old students who enrolled in September 2019. The College has incurred teaching costs for these students during 2019-20 but will not receive ESFA funding for these 200 additional students until 2020/21 because of the ESFA lagged funding model. Furthermore, the College has incurred a loss of fee revenue of £47,759 as a direct result of its “cuts and splits” process following the September 2019 enrolment where under-recruited courses are removed from the 2019-20 provision but not all students are accommodated on alternative courses. – take out courses. The Deputy Principal advised the meeting that the College is looking to drive income up during 2019-20 to mitigate/counterbalance not meeting the efficiency savings target of £660K.
3. The ESFA growth bid of £230k: The College may not submit the bid until 31st March 2020. The Deputy Principal assured the meeting that the College is highly likely to achieve this target.
4. Full cost and levy apprenticeship income is budgeted for £2.5M. The College is currently forecasting income of £2.744M, generating an additional £186K extra. The additional funds are predominantly generated by the Schools link and progression pathways. As discussed earlier in the meeting the College needs to balance quality and the potential impact on other students.

Item 15.4 October 2019 Management Accounts	5. £550K is budgeted for recharges to Local Authorities for High Needs students and the forecast update is £948K. 6. The constraint of non-pay expenditure shows a favourable variance of £467K in the October management accounts. 7. Non-levy Apprenticeship clawback of funding: the Deputy Principal advised the meeting that the audit timeline for the clawback has now passed and there is no risk of clawback to the College. The meeting thanked the Deputy Principal for her detailed approach and requested a monthly update of the 2019/20 Budget Risk Register and Action Plan. ACTION The Deputy Principal proposed focussing on the accompanying October management accounts cover sheet which details the pertinent points for discussion. The table on P1 indicates that as at 31st October a deficit of £785K is forecast at year end. This consists of: • A negative variance of £892K in fee income • A negative variance of £360K in staff pay (2.25%) • A positive variance in non-pay of £467 less than budget • Total expenditure forecast as £107 k less than budget. With regard to income there are two positive and 2 negative variances which have been discussed earlier in the meeting: 2 positive variances 1. High needs £398K 2. School links £238K 2 negative variances 1. ASTM £1M 2. £151K in-house HE With regard to variances against total pay there are two principal variances: 1. £224K shortfall of the staff costs efficiency target of £660K (principally due to the additional 200 16-18 students enrolled in September 2019 and the associated ESFA lagged funding model. 2. £136K additional LGPS as a result of the September 2019 valuation (received after 2019/20 budget had been agreed in July). The savings forecast in Non-pay of £467K relate predominantly to the reduction in the ASTM cost base as a result of the drop in student fees of £1M and corresponding student numbers. This forecast is aligned with the Budget Risk Register and Action Plan and the shortfall surplus of £444k. P3 Segmental Analysis Table Curriculum is forecasting an operating surplus of £6.9M (43% margin). This includes £744K for additional student numbers this year but will not be received until next year. The income is accrued in 2019/20 accounts. The negative variance for Sub-contractors and partnerships relates predominantly to ASTM as discussed earlier. Commercial/ Enterprises forecast of a £37K deficit as planned/budgeted.

	Support is forecasting an adverse variance of £482K. The Cash reserves of £6.1M are forecast to increase to £6.7M by 31st July 2020 plus investment fund (£1.033M) which has generated a return of 3.9% in 9 months. The Deputy Principal advised the meeting that she wishes to consider investing more cash in the investment fund. The Committee requested that this decision be deferred until one more quarterly report had been received which would then enable them to be able to make a decision. In summary, the Balance sheet is healthy and whilst a little behind College targets it is currently significantly better than the sector average. The Deputy Principal highlighted the key points on P5: that the College is reporting against the best-case budget scenario of £785K. The worst-case budget forecast is £1.285M deficit and the most likely-case budget forecast is a £1.285K deficit. In conclusion, the Deputy Principal reminded the meeting of the 4 principal reasons for the College's current under financial under-performance: 1. ASTM under recruitment of students. 2. College under recruitment of HE, full-cost programmes and other FE self-paying learners. 3. Slower than planned achievement of pay cost efficiency targets (over recruitment of 16-18 tear old students). 4. Additional unplanned costs of LGPS. The Deputy Principal is confident that cash reserves can support this deficit if the operating line could not be improved. The meeting was reminded that any savings in the Capital budget would not impact upon the revenue budget deficit as the monies would revert to cash reserves. The meeting noted that the FE Sector is struggling and that the further increases in LGPS employer contributions may impact upon the solvency of some colleges. The Chair of Governors noted that likely case budget forecast deficit, summarising that it will be a tough year for the College, but it continues to aim high. Looking forward the review of the College cost base will not impact upon the 2019/20 budget but should benefit the College in subsequent years. The Principal, referred to the conversation on 21st November regarding the College cost base and the conclusion of the meeting that the College needs to reduce its cost base to in order to remain financially sustainable in the long term. However, the College should also undertake a full review the College's exiting offer, establish whether this remains pertinent and identify new courses and delivery models. This review should identify process efficiencies where possible. A member commended this approach and recommended the co-design and co-delivery approach and ensuring that all College staff understand their sales role for the College.

	The meeting agreed that a resolution regarding how the College is seeking to turnaround the forecast deficit, and the review of provision should be tabled, after the October Management Accounts item for the Corporation Board to consider this proposal and, if agreed formally task ELT. The Chair of Governors left the meeting at 11.00. Investment Fund Update The value as at 30th September 2019 is £1,033,389 with £196,383 in cash currently retained by the fund managers. The Deputy Principal confirmed that the total return as at 30th September was not quite as originally expected and that this was because not all of the £1M, £196K, has been invested in funds. It is anticipated that this final element of the monies will be invested this month. A discussion ensued regarding whether the College should invest more of its cash reserves. The following points were made: • Yes, the College has effectively tested the water. • Wait until new year as the remaining £196K is yet to be invested and post general election. • Wait for next valuation in March 2020. • The College is pleased with the performance of the invested funds to date. The meeting agreed to discuss possible further investment at the March 2020 Committee meeting.
16.19	**Key Performance Indicators**
16.1 Draft KPI Targets for 2019-20	The meeting agreed that the financial performance of the College had been considered in depth earlier in the meeting using both ESFA and College KPIs. Key Priority 6: Employer of Choice 6.2 compared to the target of 3%. The actual support staff absence to available working days is currently 4.2%. Whilst the management staff absence to available days is currently 3% compared to the target of 1.5%. These measures have been skewed by a small number of staff on long-term sickness (not stress related). The Deputy Principal confirmed that the HE income as a percentage of budget has dropped to 84% because of the ASTM shortfall this academic year.
17.19	**Property Matters**
17.1 Capital Projects 2018/19 Update **17.2 Capital Projects Update 2019/20**	The Deputy Principal advised the meeting that this was the last occasion that she would table the 2018/19 Capital Projects report. The Deputy Principal referred the meeting to pages 2 and 3 where each capital project had been RAG rated. In summary, £1.03M had been budgeted for Capital Building Projects and the actual spend was forecast to be £773K which will generate a total saving of £281K. The saving will revert to cash balances. The Building Capital Projects for 2019-20 report follows a similar process including the table of projects RAG rated. The Building Capital Projects budget for 2019/20 is just over £1M and is currently forecast to be £1.1M. This is due to an overspend of £69K due to one unplanned project, the refurbishment of the HE common room (£94K) to match the newly refurbished FE common room which has proved very successful.
18.19	**HUMAN RESOURCES REPORTS**

18.1 Settlement Payments to College Staff	The Deputy Principal advised that there have no changes since the September report. Three staff have been made redundant costing £15K.
19.19	**College Tuition Fees Policy 2020/21**

The Deputy Principal presented the policy advising the meeting that these were reviewed each year and that the paper highlights the tracked changes from the previous year.

The accompanying Tuition, Exam and Affiliation Fees Table demonstrates the costing elements of various courses.

In response to a Governor question, the Deputy Principal confirmed that BREXIT will impact upon the College international fees in 2 years' time. International Fees are protected for two-year post Brexit.
The Committee recommended approval of the College Tuition Fees Policy 2020-21 to the December Corporation meeting.

20.19	**Sub-contracting Supply Chain, Fees and Charging Policy 2019/20**

The Deputy Principal advised the meeting that the annual Sub-contracting policy review timeline needs to be brought forward and so the 2020/21 policy will be tabled at the July 20202 Finance and General Purposes meeting.

The coversheet details why and how Sub-contracting fits within curriculum planning; the College mission and charging policy.

The Deputy Principal advised the meeting that the College may not use the terminology of "College management fees" with regard to sub-contractors, rather they are listed as "Quality Assurance and Administration Fees to ensure that VAT is no applicable.

The Committee recommended approval of the Sub-contacting Supply Chain, Fees and Charging Policy 2019-20 to the December Corporation meeting.

21.19	**Confirmation of Registration of Nescot Company Accounts at Companies House**

The Clerk confirmed that the registration and submission of annual accounts for the Nescot companies had been duly submitted for the four companies currently registered.

- Nescot Trust
- Epsom Downs Business Centre
- Nescot Enterprises
- Nescot Holdings

Nescot Business Services Ltd was dissolved during 2018/19.

21.19	**SUB-COMMITTEE AND SUBSIDIARY COMPANY REPORTS**
21.1 Growth Committee minutes	The minutes of the meeting of the Growth Committee held on 25th November 2019 were received. In response to a member question, the Deputy Principal advised that the College is exploring a range of options for the Rasika facility together with establishing the contractual or planning constraints impacting upon each option. A detailed report will be presented to the January Growth Committee.
22.2 NESCOT Enterprises Ltd minutes	The minutes of the Board meeting of NESCOT Enterprises Ltd (NEL) held on 19th July and 28th November 2019 were received.
23.19	**Committee Self-Assessment Report 2018-19**

The Clerk presented the report. It was confirmed that Vince Romagnuolo had effectively replaced Chris Shortt.

A potential governor, Lee Widdows, Associate Director of Fashion at UCA has been interviewed by the Search and Governance Committee on 14th November and her appointment is recommended to the December Corporation meeting. If appointed, Lee will join the Curriculum and Quality Committee.

The Principal advised the meeting that the College was looking for a new governor(s) with finance experience. However, it is not easy to find good candidates with finance experience who have the time to become a governor. Two potential candidates have been approached, but sadly both have declined due to pressure of work and/or family commitments. If governors are aware of possible candidates, please advise the Principal and Clerk.

24.19	**ANY OTHER BUSINESS**
There was no further business and the meeting closed at 11.20.	
25.18	**DATES OF FUTURE MEETINGS**
Friday 13th March 2020 at 09:00 Friday 17th July 2020 at 09:00	

Decisions:
1. The Committee recommended
2. The meeting agreed that a resolution regarding how the College is seeking to turnaround the forecast deficit should be tabled, after the October Management Accounts item for the Corporation Board to consider this proposal and, if agreed formally task ELT.
3. The Committee recommended the draft Group Annual Report and Financial Statements 2018/19 to the Audit Committee meeting of 9th December and to the Corporation meeting of 12th December.
4. The Committee accepted the External Auditor's Management Letter and the draft Letter of Representations and recommended them to the December Corporation meeting.
5. The meeting confirmed that they were happy with the completed questionnaire and the Deputy Principal asked that the Chair of Governors and Accounting Officer sign the questionnaire.
6. The meeting agreed to discuss possible further investment at the March 2020 Committee meeting.
7. The Committee recommended approval of the College Tuition Fees Policy 2020-21 to the December Corporation meeting
8. The Committee recommended approval of the Sub-contacting Supply Chain, Fees and Charging Policy 2019-20 to the December Corporation meeting.
9. The Committee agreed that the target of 3% of income surplus should be maintained.

Actions:
1. The meeting agreed that everyone within the College needed to work on improving the FE Choices learner and employer satisfaction metrics.
2. The December Corporation meeting should be advised of the reasons (ASTM cohort) behind the reduction of HE Achievement rates from 84% to 74%
3. The meeting requested a monthly update of the 2019-20 Budget Risk Register and Action Plan.

Signed …………………………………
Mr Peter Stamps, Chair of the Finance and General Purposes Committee

Date ……………………

Author	Josephine Carr
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