



Minutes of the Finance and General Purposes Committee held on Friday 13th March 2020 at 09.00 in the Boardroom, Skills Park, NESCOL.

Present:	In Attendance:
Mr Peter Stamps (Chair) Professor Sam Luke Ms Margaret Martin Mr Vince Romagnuolo Mrs Frances Rutter (Principal and Group CEO) Attendance 100%	Ms Maria Vetrone – Deputy Principal (Finance and Resources) Mrs Josephine Carr – Clerk to the Corporation

Meeting Reference	Agenda Item
26.19	1. Apologies for absence
No apologies were received.	
27.19	2. Declarations of Interest
The Chair reminded Members to declare any interest they may have in any of the items on the agenda. <u>Professor Luke</u> : unremunerated Director of NESCOL Enterprises Ltd, North East Surrey College of Technology Trust, NESCOL Holdings Ltd and Epsom Downs Business Centre Ltd. <u>Mr Stamps</u> : unremunerated Director of NESCOL Enterprises Ltd. <u>Mrs Rutter</u> : unremunerated Director of NESCOL Enterprises Ltd, North East Surrey College of Technology Trust, NESCOL Holdings Ltd and Epsom Downs Business Centre Ltd. <u>Ms Margaret Martin</u> declared her interest as a member of Ewell Rotary Club and a trustee of Age Concern.	
28.19	3. Minutes and Matters Arising
In response to a member question the Deputy Principal advised that there had been no further progress regarding the implementation of the new finance system. The minutes of the meeting held on 6 th December 2019 were approved as a correct record and duly signed.	
29.19	4. Finance Matters
4.1 January 2020 Management Accounts The Deputy Principal advised the meeting, as per the summary table on Page 1 of the January Management accounts, that the forecast operating deficit for the Group at year end had reduced by £62K since the December Management Accounts to £851K. The primary reason being a receipt of unexpected ESFA funds relating to 2018-19. Forecast Income reports a shortfall of £1.367M principally relating to <ul style="list-style-type: none"> • ASTM tuition fees - £1,895k • HE tuition fees - £301k • Levy apprenticeships - £289k • FE tuition fees - £107k • Full cost fees - £54k • HE franchised - £27k • Osteopathic Clinic fees - £25k • Rasika restaurant rental income - £24k Favourable income forecast variances include: <ul style="list-style-type: none"> • High needs recharging to local authorities - £468k • School Links and 14-16 Progression Pathways - £238k • Non-levy apprenticeships - £443k • ESFA funding for Area Costs for Advanced Learning Loans delivered in 2018-19 - £168k • ESFA Adult Education - £42k 	

Principal staff expenditure variations are:

- Additional LGPS costs - £289k relating to the increased employer liabilities as advised in September 2019
- Overspend against wages budget - £4k

The short fall in the achievement of the £660K Staff efficiency savings of £328K and the additional - £50K staffing costs to deliver the additional Schools Programmes and 14-16-year old provision (£328K) have largely been offset by the ASTM staff savings of £346K.

The February Management accounts will be available shortly. The March Management Accounts will provide a more complex set with the initial cost implications of COVID-19. At this stage it is not known whether there will be any Government support during or after the pandemic. The Deputy Principal assured the meeting that the College will apply for any additional funding should this become available and the College is eligible for such funding.

The Chair of Governors asked whether the forecast ASTM income and contribution is likely to reduce further? The Deputy Principal advised that there will be an improvement in the February management accounts.

In response to a member question the Deputy Principal advised that it was not possible to increase the Subcontractor contribution of £1.9M. This figure is based upon allocations fixed at beginning of the academic year and the College is looking to reduce its subcontractor activity as per Government recommendations and increased restrictions regarding funding. The Government has introduced geographical subcontracting restrictions of a 30-mile radius with effect from 1st August 2020 and further restrictions are anticipated. The Deputy Principal assured the meeting that these restrictions do not apply to ASTM as they are working in partnership with the College.

The Chair of the Committee advised the members that whilst the Committee reviews the Nescot Group management accounts which include Nescot Enterprises Ltd summary position, if members have any questions regarding Nescot Enterprises Ltd these should be directed to the Nescot Enterprises Board and not the Finance and General Purposes Committee.

In response to a member question the Deputy Principal assured the meeting that the accounting treatment of the £1M invested in the medium risk investment fund is a fixed asset and not a current asset (cash item).

In response to a member question the Deputy Principal advised the teaching staff utilisation of 103 is at the top of the range of the sector norm of 97-103. The Deputy Principal will try to establish why room utilisation has reduced from 50-42% but this may be down to recording of actual usage.

A member enquired why the forecast contribution for the Undercroft catering facility had been reduced from £20K to break even especially as the facility always seems busy. The Deputy Principal advised that as discussed at the Growth Committee, ELT were advocating a more cautious forecast for all of the commercial activities.

A member reported the challenge incurred when making an appointment for the Innovation salon. The Salon should advertise its manicure services, in particular gel nails, which she could not find advertised anywhere.

A member asked if a sensitivity analysis of the likely impact of COVID-19 might be undertaken to enable governors to have a feel for the potential impact. The Deputy Principal advised that the first visibility of the financial impact would not be available until the March Management accounts. To date the College has cancelled two student trips to Tenerife and Barcelona, one costing £30K. It is not known whether these monies will be covered by the College insurance.

The January forecast includes the full impact of LGPS triennial valuation. The Deputy Principal is in negotiation with the Surrey LGSP to reduce the employer risk categorisation to 2 by offering the

pension scheme security worth some £7-8M which would reduce the forecast operating deficit by some £200-300K.

The Deputy Principal assured that the College was still looking to achieve a balanced budget at year end however, with the additional challenges of COVID this will be a significant challenge.

4.3 Investment Fund update – teleconference with James Boycott and Richard Griffith of Smith and Williamson.

The Investment advisors advised that the College should not add or withdraw from the fund during this unsettling stage; rather the College should wait for the market to settle and re-position itself.

In response to a member question the advisors do not think that the effects will be as severe as the banking crash of 2008 which was a systemic problem. COVID-19 will impact upon an unsettled market. The US markets will be challenging, but they believe that the market will bounce back in due course.

With workers either office or home bound due to social distancing measures, and the increased use of virtual meetings this will impact upon the markets, particularly transportation companies and potentially impact upon the Heathrow Airport development plans. James Boycott specialises in airline and logistics and is observing huge change in dynamics for these markets. Airlines depend upon volume and are now under pressure regarding pricing and he expects some consolidation within the industry together with the existing pressure regarding carbon intensity.

The changes in working will also impact upon real estate as less office space will be needed. However, the investment advisors do not expect this to impact upon current levels of rent. Technology companies will also benefit from the changes in working patterns and locations.

The investment advisors noted that these crises tend to speed up the change processes.

It is hoped that the new flexible approach to working will improve the productivity of UK which has not been good for the last 5-10 years. Together with Brexit and the resulting deregulation the change in working environment could be quite powerful.

Nescot investment: The College needs to look to the medium and long-term. Most investments are taking a 10-15% hit in the current crisis:

- Bonds are over-valued at the moment and so investors are locking into a negative growth if held until maturity.
- If fiscal stimulus comes through and COVID-19 is better managed and resistance developed, the world will return to a solid economic position.
- The composition of the Nescot portfolio is reasonable given the current market circumstances.
- It is notoriously difficult to find the bottom of the market.
- Possible alternatives are gold and currency hedge funds.
- The Nescot equity content is 62% split almost 50/50 between the UK and overseas (mostly US).
- A cash element of £63.94K has yet to be invested, paying less than 1% interest.
- Screen 10 of the presentation documents recent sales and purchases within the Nescot portfolio. Equities of companies principally concerned with supply chains and support systems to specific groups have been sold together with Relx, previously Elsevier, which have a large academic conferencing and exhibition business which will be written off during COVID-19. Equities have been purchased of companies more likely to be able to maintain their activities during COVID-19 including the London Stock Exchange which has previously performed extremely well when markets are volatile.

The investment advisors informed the meeting that details of Smith and Williamson's Environmental, Social and Governance (ESG) and responsible investment policies may be viewed in the appendix to their report.

In response to a member question, the investment advisors suggested that COVID-19 had initially been considered as an Asian specific problem. However, given that some 22 million people in America do not have medical insurance and that a COVID-19 test costs some \$1,500, greater challenges within the

American economy are anticipated than most European countries.

In summary, the College investment is long-term provision which is currently out-performing market benchmarks. The advisors recommended that the College adopts a long-term pragmatic view regarding these funds and waits for the market to reposition itself. The advisors will report every quarter regarding the fund and are happy to meet (virtually or in person) with the College at least twice a year for more detailed discussions. The Investment advisors recommend that the College waits before investing further funds and assured the meeting that they will contact College when they deem it is a good time to invest more money, most likely on a drip feed basis into the market.

The conference call with the investment advisors finished.

The meeting concurred with the Smith and Williamson ethical approach to investment and found the presentation very helpful.

The Deputy Principal advised the meeting that the valuation of the £1M investment fund had fallen from £1.051M (5.1%) at the end of January 2020 to £985K as at 28th February. The meeting agreed in principle to invest up to a further £1M in the medium risk investment fund managed by Smith and Williamson and will be guided by Smith and Williamson regarding the optimum timing for the additional funding. The meeting noted that this was likely to take a drip feed as with the original £1M. The Committee recommended this approach to the March Corporation meeting.

The meeting noted that the College was fortunate to be in the position to have cash to invest.

4.2 Budget 2019-20 Risk Register and Action Plan

The Deputy Principal tabled the Budget Risk Register and advised the meeting that there had been no movements in the categorisation of net risk since the report to the 7th February Corporation meeting.

P6-7 of the coversheet RAG rates the eight defined risks:

1. The ASTM contribution is expected to improve but is highly unlikely to achieve its target.
2. The £660K staff savings will not be achieved principally because the additional 220 students enrolled in September 2020.
3. ESFA growth funding bid of £223K (increased advanced learner loan facility) The ESFA have indicated that it is likely that the College will be awarded this additional funding but it is essential that the pipeline of ASTM student numbers materialises to utilise this provision.
4. Failure to achieve Levy apprenticeship target of £812K with £522K generated to 31st January 2020. This target of £812K is unlikely to be achieved but the Sales Team and Curriculum are engaging with levy-paying employers and are hoping to generate significant improvements in 2020/21.
5. Full cost programmes have exceeded their target of £1.458M by £184K (£1.642M). The majority of this provision has been generated by the 14-16 pathways and Foundation learning. The Blenheim 14-16 programme is budgeted to break even but includes full costs and provides a robust student pipeline for the college. The Capital Programme includes the redevelopment of portacabins specifically to increase the number of 14-16 and Foundation students. However, the College must ensure that this does not impact or dilute upon the overall student experience.
6. High Needs recharges have exceeded budget targets but may have plateaued.
7. Failure to operate within budgeted costs will be further challenged by COVID-19.
8. The time limit for possible clawback of non-levy apprenticeship funding has passed.

The Committee noted the Budget 2019/20 Risk Register update and awaits the March Management accounts for the first visibility of the financial impact of COVID-19. The Committee Chair suggested an additional meeting in late April to discuss the March Management Accounts.

30.19

5. Key Performance Indicators

The Deputy Principal tabled the Committee KPIs as at December 2019. The meeting discussed the sickness KPI's which are slightly above target and national averages. The meeting requested that these be split into short-term and long-term absences in future to avoid skewing of the data by long-

term sickness. The Deputy Principal advised the meeting that the College has been successful in managing long-term sickness, however, certain illnesses such as cancer, may not be managed.

31.19	6. Property Matters
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The Deputy Principal confirmed that a Capital Projects adverse variance of £22.6K is forecast at year end. However, the contingency element within the Capital Projects budget of £75K, is greater than the forecast adverse variance of £22.6K.

Unplanned works tend to relate to repairs and for 2019/20 also include the refurbishment of the HE Common Room which has been instigated following HE Student feedback and the high satisfaction levels of FE students with their refurbished common room (Starbucks) and the replacement of the College's main hot water generator. The two projects are expected to cost £146K. Further details of specific projects may be viewed in Annex A of the Coversheet and the excel spreadsheet.

In response to a member question the Deputy Principal advised that it was highly unlikely that Nescot would be eligible for the FE College Capital funds announced in the recent Government budget. DfE officials have assessed the Nescot site as good. The Deputy Principal assured the meeting that the College will apply to this fund but should not be hopeful of securing any monies given the current good quality of the Nescot estate. Nescot may only be eligible if it applies for contribution towards new facilities to deliver new curriculum to meet LEP priorities and skills shortages, i.e. for new provision.

The Committee Chair voiced his concern regarding the structural safety and aesthetic perspective of the pavilion which is no longer fit for purpose. The pavilion is boarded up and is included in security patrols of the campus. There is currently £15-20K in the budget for security costs in regard to the pavilion. An estimate of £160K has been received to demolish the pavilion. However, there are no proposals or accompanying business plan to construct and maintain a new pavilion.

One option would be to start again with prefabricated building however any decision regarding the pavilion is dependent upon the possible redevelopment of the College playing fields. The pavilion is not well-sited/positioned for potential development.

The Principal advised the meeting that the Epsom and Ewell Planning Officers were extremely positive regarding the College site but the Local Plan has been further delayed/put on hold by Brexit, impending local elections and now COVID-19.

Members discussed the Local Plan.

The Principal reminded the meeting that there is currently no certainty regarding these proposals and any potential capital receipts will not be generated for another 3-5 years.

32.19	7. HR Reports
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The Deputy Principal advised the meeting that one statutory payment had been made since the December report.

33.19	8. HE Fees
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The Deputy Principal confirmed that the FE and HE fees policies follow separate processes. The HE fees are included in the College's Access and Participation Plan (APP) and monitoring statement, both documents must be approved by the Office for Students.

The covering paper provides an overview of the HE fees together with the rationale applied to fee changes and holding of fees and the supporting spreadsheet detailing market testing comparing Nescot HE fees 2019/20 with other institutions.

A member asked whether higher fees affected student numbers (price elasticity) e.g. Performing Arts fees are higher than Kingston and East Surrey Colleges. The Deputy Principal advised that Performing Arts had increased student numbers in recent years which suggests that other considerations counterbalance fee considerations on HE applications.

The meeting found the market testing spreadsheet very useful.

The Deputy Principal confirmed that she was confident that there will not be a reduction in HE student numbers as a direct result of the fees increase.

The Committee recommended approval of the HE Fees Policy 2021/21 to the March Corporation meeting.

34.19 **9. Sub-Committee Reports**

The Chair of the Growth Committee advised the meeting that the January and March Growth Committee meetings had discussed the draft Commercial Strategy and Action Plan which Simon Matthews is currently finalising.

Once the draft Commercial strategy and accompanying Action Plan have been agreed the Corporation should review and agree the rational of Growth Committee going forward (Terms of Reference). The Chair of the Growth Committee requested that this item be added to the 27th March Corporation Meeting.

In response to a question regarding the use and value added of Simon Matthews as an external consultant, the Principal advised that the College has reduced its use of Simon Matthews but maintains a line within the budget as a precaution should a short-notice bid writing requirement occur.

The College is working with Tribal to develop both the Business Development Module of a new CRM and a College-wide CRM system which encompasses the complete student journey from visiting the College website for course information to alumnae. The Business Development module will go out to tender next term with a view to being in place for 1st August 2020. The College-wide CRM is a longer-term project.

In response to a member question the Chair confirmed that no decisions regarding the Rasika Restaurant space had been made whilst alternative options are investigated. The College may delay a decision until the Caterlink contract renewal discussions commence next year.

35.19 **Committee Self-Assessment**

The Clerk introduced the Committee Self-evaluation questionnaire advising the meeting that at the members evaluate each Corporation meeting but to date no formal evaluation is recorded at Committee level. Curriculum and Quality Committee have undertaken a self-assessment questionnaire this academic year and the responses will be used to plan member training.

The meeting agreed to complete the questionnaire immediately after the meeting with the Clerk collating the responses.

36.19 **Any other business**

Coronavirus: As part of the social distancing measures the COBRA meeting might close schools and colleges following the recent Irish Republic measures. The closure may commence two weeks before Easter. The Principal confirmed that the College will not close unless directed to do so by the Government.

In the interim the College is preparing for a series of potential outcomes, with priority being given to the provision of online learning and ensuring that staff are able to work from home with the creation of virtual desktops. This has created additional work for the IT Team and additional resources requirements. This week the Vice Principal, Dario Stevens, is working from home.

The meeting was reminded that the Animal Care Unit requires constant staffing, particularly with the impending lambing season.

It is vital that the College promotes the message, that while parts or all of the College campus may be closed, the College is still open for business and providing online learning for all students.

The College has cancelled two student trips to Tenerife and Barcelona because of the virus and is checking with its insurer whether any monies may be reclaimed regarding both the cancelled trips and partial and full closure of the College due to COVID-19.

There was no further business and the meeting closed at 11.21.

37.19 **Dates of future meetings**

Friday 17th July at 9.00am

Decisions:

1. The Committee agreed to recommend to the March Corporation that the £1M is left in the investment fund and that further cash balances up to £1M may be invested in the future when advised to do so by the investment advisors.
2. The Committee suggested an additional meeting in late April to discuss the March Management Accounts.
3. The Committee recommended the draft HE Fees Policy 2021/22 to the 27th March Corporation Meeting.
4. The Committee agree to undertake the Committee Self-Assessment questionnaire.

Actions:

1. The Deputy Principal will try to establish why room utilisation has reduced from 50-42%.
2. The Committee sickness KPIs will be recorded separately for short-term and long-term sickness going forward.

Signed Date

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