

## Agreed Minutes

### MINUTES OF THE FINANCE AND GENERAL PURPOSES COMMITTEE
















Held on 25<sup>th</sup> September 2020 at 9.00am in Committee Room B and via Teams

Present: Peter Stamps (Chair), Professor Sam Luke, Margaret Martin, Vince Romagnuolo, John Willis, Frances Rutter (Principal), Maria Vetrone (Deputy Principal Finance & Resources)

In Attendance: Sandra Dessent (Clerk)

No.	Discussion and Actions		
<b>1.20</b>	<b>1.0 Apologies for Absence</b>		
	No apologies for absence were received		
<b>2.20</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>3.20</b>	<b>Minutes of the Previous Meeting</b>		
	The minutes of the meeting held on 17 <sup>th</sup> July were agreed as a true record and duly signed by the Chair.		
<b>4.20</b>	<b>Matters Arising from the Previous Meeting</b>		
	<p>The following matters arising were discussed and actions agreed as follows:</p> <table border="1" data-bbox="331 1591 1455 1797"> <tr> <td data-bbox="331 1591 704 1797">Segmental analysis to be discussed with SMT</td> <td data-bbox="704 1591 1455 1797">Completed and the Deputy Principal Finance &amp; Resources confirmed that it was an ongoing action discussed at every Senior Management (SMT) meeting at which the management accounts are reviewed.</td> </tr> </table>	Segmental analysis to be discussed with SMT	Completed and the Deputy Principal Finance & Resources confirmed that it was an ongoing action discussed at every Senior Management (SMT) meeting at which the management accounts are reviewed.
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	Curriculum plans for 2020/21 – comparison with actuals	Discussed in item 5 and was agreed to carry over to the next meeting once the curriculum plans were finalised.																														
<b>5.20</b>	<b>Finance Monitoring</b>																															
	<p><u>5.1 Management Accounts July 2020</u></p> <p>The Board received the management accounts for 2019-20 detailing the final forecast outturn for 2019-20, as at 31 July 2020. The reports included variances against budget, commentary and performance and performance against Key Performance Indicators (KPIs).</p> <p>The Deputy Principal presented headline numbers as follows:</p> <table border="1"> <thead> <tr> <th>College Group</th> <th>Likely case forecast (£000)</th> <th>Best case budget (£000)</th> <th>Variance (£000)</th> <th>Movement in forecast since May 2020 (£000)</th> </tr> </thead> <tbody> <tr> <td>Total income</td> <td>27,319</td> <td>29,048</td> <td>(1,729)</td> <td> 29</td> </tr> <tr> <td>Total pay expenditure</td> <td>(15,873)</td> <td>(15,807)</td> <td>(66)</td> <td> 74</td> </tr> <tr> <td>Total non pay expenditure</td> <td>(11,280)</td> <td>(13,241)</td> <td>1,961</td> <td> 464</td> </tr> <tr> <td>Total expenditure</td> <td>(27,153)</td> <td>(29,048)</td> <td>1,895</td> <td> 538</td> </tr> <tr> <td>Operating surplus/ (deficit)</td> <td>166</td> <td>0</td> <td>166</td> <td> 567</td> </tr> </tbody> </table> <p>The College was aware of several large variances which were likely to affect the previous best-case scenario for the year, which had indicated a best-case operating deficit of £709k in the February 2020 management accounts.</p> <p>Between the end of March and the end of the academic year in July 2020, the College site was largely closed, with most operations being operated remotely. Most teaching, safeguarding and support services continued in this way, but other operations, including some teaching, commercial and other income generating activities, had to cease. The impact of these changes was explained to the Board.</p> <p>With the year-end approaching, financial forecasting was switched from a worst-case scenario in March and April 2020 to a likely case scenario for the remainder of the year.</p>		College Group	Likely case forecast (£000)	Best case budget (£000)	Variance (£000)	Movement in forecast since May 2020 (£000)	Total income	27,319	29,048	(1,729)	 29	Total pay expenditure	(15,873)	(15,807)	(66)	 74	Total non pay expenditure	(11,280)	(13,241)	1,961	 464	Total expenditure	(27,153)	(29,048)	1,895	 538	Operating surplus/ (deficit)	166	0	166	 567
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<p>The management accounts for 12 months to July 2020 indicated the following (previously reported values in brackets):</p> <ul style="list-style-type: none"> <li>• A final outturn <b>operating surplus of £166k</b> (the previous report to Corporation indicated: £401k deficit May 2020) is forecast against a budgeted operating surplus of £NIL. The forecast has improved by £567k since the last report to Corporation.</li> <li>• <b>Total income of £27,319k</b> (£27,290k May 2020) is forecast as final outturn, which falls short of budget with an overall <b>adverse variance of £1,729k</b> (£1,758k adverse May 2020). The forecast has improved by £29k.</li> </ul> <p>The report included a detailed breakdown of the favourable and adverse income variances against budget and the specific impact of Covid 19 on the forecast final outturn was reported as £537k. It was further noted that the forecast adverse variance for total income had impacted the forecasted ESFA pay expenditure ratio of 61.9% which was 3.73% above the college's target but below the pre Covid 19 sector benchmark of 62.4%</p> <ul style="list-style-type: none"> <li>• <b>Total expenditure (including pay and non-pay expenditure) of £27,153k</b> (£27,691k May 2020) is forecast as final outturn, which is ahead of budget with an overall <b>favourable variance of £1,895k</b> (£1,357k favourable May 2020). The forecast has improved by £538k since the last report to Corporation.</li> <li>• <b>Total pay expenditure of £15,873k</b> (£15,947k May 2020) is forecast as final outturn, which is behind budget with an overall <b>adverse variance of £66k</b> (£140k adverse May 2020). This has been caused by additional LGPS costs of £151k, overspend against wages budget of £17k and underspend against contingencies of £102k and a detailed explanation of the variances were included in the report.</li> <li>• <b>Total non-pay expenditure of £11,280k</b> (£11,744 May 2020) is forecast as final outturn, which is ahead of budget with an overall <b>favourable variance of £1,961k</b> (£1,497k favourable May 2020). There are several variances against budget within the non-pay expenditure lines the most significant favourable variances not related to Covid 19 were derived from ASTML cost savings from courses not running not at all or later £749k; central administrative and teaching support cost savings £187k. There were also a number of additional costs including, subcontracted costs £118k and LGPS interest charges £43k.</li> </ul> <p>It was noted that the specific impact of Covid-19 on the total non-pay expenditure forecast outturn was a cost saving of £1,187k including cost savings from teaching and teaching support areas £546k and from the physical closure of the main College site £641k.</p> <ul style="list-style-type: none"> <li>• <b>Segmental analysis</b> of the College's business at 31 July 2020 forecast as final outturn was summarised as follows:</li> </ul>
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Full year forecast	Total Income (£000)	Total expenditure (£000)	Operating Surplus/(Deficit) (£000)	Margin (%)	Variance against budget (£000)
Curriculum	15,399	(9,082)	6,318	41.0	(530)
Subcontract/ Partners	7,020	(5,356)	1,664	23.7	(634)
<b>Sub total</b>	<b>22,419</b>	<b>(14,438)</b>	<b>7,982</b>	<b>35.6</b>	<b>(1,164)</b>
Commercial/ Enterprises Ltd	750	(869)	(120)	(16.0)	(83)
Support	4,152	(11,845)	(7,693)		1,415
<b>Total</b>	<b>27,321</b>	<b>(27,152)</b>	<b>168</b>	<b>0</b>	<b>168</b>

\*Table contains some rounding error

- A key business partner for the College is ASTML, delivering predominantly level 3, HNC and HND Business programmes jointly with the College through a direct provision partnership arrangement. **ASTML's financial performance at 31 July 2020** was summarised as follows:

Income	4,639	4,653	6,264	(1,611)
Pay Expenditure	(1,392)	(1,433)	(1,666)	(233)
Non Pay Expenditure	(1,987)	(1,982)	(2,731)	(749)
<b>Total Expenditure</b>	<b>(3,379)</b>	<b>(3,415)</b>	<b>(4,398)</b>	<b>(983)</b>
<b>Operating Surplus/ (Deficit)</b>	<b>1,260</b>	<b>1,237</b>	<b>1,866</b>	<b>(628)</b>
<b>Margin</b>	<b>27.2%</b>	<b>26.6%</b>	<b>29.8%</b>	

\*Table contains some rounding

- The total **cash balance** at 31 July 2020 was £6,683k, which is behind budgeted levels of £7,552k due to reduced levels of activity during lockdown. Cash balances were expected to outturn at 91 cash days in hand (budget – 97 days), ahead of the College's minimum target of 60 days and the national pre-COVID-19 benchmark of 65 days
- The **Balance Sheet** had overall weakened at 31 July 2020, as a result of the LGPS actuarial valuation received in September 2020. The valuation confirms an LGPS deficit of £11,326k, an increase of £5,181k since the last valuation, impacting adversely on the College's net assets. Net assets at 31 July 2020 reduced by

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£6,702k to £47,533k. There were net current assets of £5,842k at 31 July 2020 and an adjusted current ratio of 1:4.01; 93 cash days in hand; and total funds/reserves of £47,533k. Balance sheet forecasts for net current assets were strong and moving ahead of budget, increasing to £6,134k and favourably influencing the forecast adjusted current ratio to 1:4.04, well ahead of budget of 1:3.43.

- The accounts for **NESCOT Enterprises Ltd (NEL)** were included in the College Group management accounts and the Committee was asked to note that the value of the outstanding debt on the original loan of £50k to NEL is £46,275 as of 31 July 2020.
- The automated financial health grade was confirmed as '**outstanding**' at 31 July 2020 and is expected to be delivered as final outturn.
- The forecasting methodology provided three forecasts: best, likely case, and worst case forecasts. It was noted that the College was measuring and reporting in detail against the likely case budget scenario. In accordance with a number of key assumptions, these forecasts were set as follows as of 31 July 2020 against case budgets:

	Budget (£000)	Forecast (£000)
<b>Best case forecast</b>	0	216
<b>Likely case forecast</b>	(995)	166
<b>Worst case forecast</b>	(2,062)	66

- The College remained confident that the likely case forecast could be achieved at 31 July 2020 as final outturn, although a number of uncertainties would remain until the audit of the financial statements in October 2020, including the value of achievement funding which will only be known around that time. The working assumption was little achievement funding at risk.
- The risk of failure to maintain effective financial management was **low**. However the risks of deteriorating financial health and financial deficits due to emerging issues beyond the control of the College in a complex and changing sector operating environment were **high**.

The Deputy Principal Finance & Resources concluded that the final outturn was still an estimate and the College had a deadline of 19 October 2020 to collect evidence of learner achievement and additional learning support for submission in its final outturn. However, the College was set to retain its outstanding health status for the year ending 31 July 2020.

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Accordingly, the Committee reviewed and noted the management accounts for July 2020 and made the following points for clarification:

- The cost savings made associated with the Covid-19 campus closure were attributed in the main to estates related budgets for utilities, repairs and maintenance. Permanent costs savings could be made in future by taking out physical telephones from campus and the same service being provided through Teams. This initiative was being investigated. An update to be provided at the next meeting.
- It was reported that in addition the blended learning programme was being accelerated and once implemented would also result in pay cost savings as curriculum would become more efficient.
- The Principal advised that a strategy review was underway which would include a focus on the estate potential and ways to keep overheads down.
- The Deputy Principal Finance & Resources agreed to respond to a question regarding the policy for refund of College fees outside of the meeting.
- It was noted that the payment from the ESFA of £136k was unexpected however it was regular practice for them to reconcile their payments at different times of year. It was confirmed however this income had not been included in the 2019/20 budget.
- The Principal confirmed that staff were made aware of the overall financial status of the college and regularly updated through the Senior Management Team.

### 5.2 KPIs July 2020

The Committee received the financial KPI's for July 2020 detailing the College's performance against key performance indicators of stability and growth and employer of choice.

A correction was noted for indicator 2.10 – cash days in hand – which should have been rag rated green and it was noted that the 2019/20 forecast was for 92 days in hand compared with 75 for 2018/19.

### 5.3 Investment Fund Update

The College had placed £1m of cash funds with Smith & Williamson in January 2019 in a medium risk mixed portfolio investment fund, and the Committee was advised that following approval from the Corporation Board in July 2020, a further £1m was deposited in the fund in August 2020 to take advantage of opportunities for investment in rapidly rebounding financial markets, which had experienced significant volatility caused by the coronavirus pandemic. The core objective of the investment fund was

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to balance income and growth over a one to five year time horizon, and the investment fund target was RPI+3%.

The first of the three tables below provides a high level valuation summary at **31<sup>st</sup> July 2020** on a £1m investment fund, the second for **31<sup>st</sup> August 2020** on a £2m investment and the third the latest summary up to **15<sup>th</sup> September** (taken from Smith & Williamsons online portal).

Asset	Market Value £	%
All securities	952,750	96.1
Cash	38,913	3.9
<b>Total value</b>	<b>991,663</b>	<b>100</b>

Asset	Market Value £	%
All securities	1,400,160	69.6
Cash	610,548	30.4
<b>Total value</b>	<b>2,010,708</b>	<b>100</b>

Asset	Market Value £	%
All securities	1,418,751	69.9
Cash	611,052	30.1
	<b>2,029,803</b>	<b>100</b>

The report included a summary of asset allocations for 31<sup>st</sup> July 2020 and 31<sup>st</sup> August 2020, and it was noted that there were controls in place to manage the risk including cash flow forecasting over 24 months, use of external cash managers and bank sweep into an overnight money market to increase interest earned on current cash reserves.

The Deputy Principal Finance and Resources advised that a full evaluation would be available at the end of the September and would be circulated prior to review at the next meeting.

### 5.4 Student Recruitment 2020/21 Report and Impact on budget monitoring

The Committee received a presentation on the latest recruitment figures and it was noted that due to the changes made in the process for 2020/21 whereby all applicants were given a conditional offer it wasn't possible to provide a like for like comparison to

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	<p>the 2019/20 figures. In addition, there had been substantive changes in the enrolment process i.e. online processing.</p> <p>Predicted grades resulting in grade inflation had also impacted the enrolment process and many of the level 3 vocational students had changed their aspirations and decided to stay on at school or go to sixth form college.</p> <p>The following 2020/21 recruitment figures were reported as of 17<sup>th</sup> September 2020.</p> <table border="1" data-bbox="331 531 1458 785"> <tr> <td data-bbox="331 531 1328 615">ESFA 16-18 ESFA students – 1,729 allocation against 2,115 plan – 2% growth from last year</td> <td data-bbox="1328 531 1458 615"><b>1,862</b></td> </tr> <tr> <td data-bbox="331 615 1328 699">OfS HE Students (Excludes ASTML/ABA) – 330 plan – 16% decrease from last year</td> <td data-bbox="1328 615 1458 699"><b>290</b></td> </tr> <tr> <td data-bbox="331 699 1328 785">New apprentices – 136 plan targets (Sep. starts) – 40 at same point in 2019 – 43 currently in enrolment process.</td> <td data-bbox="1328 699 1458 785"><b>28</b></td> </tr> </table> <p>The feedback from students regarding the new online enrolment was discussed and dissatisfaction around the enrolment process (7% of respondents) had been mainly due to IT compatibility issues.</p> <p>It was emphasised that the enrolment process was still in progress and the numbers were changing daily. It was agreed that for the Corporation Conference/Board meeting on 6<sup>th</sup> November the updated numbers would also include an historical analysis of student recruitment and financial contribution per faculty against plan so that it could be established if there was an emerging trend.</p>	ESFA 16-18 ESFA students – 1,729 allocation against 2,115 plan – 2% growth from last year	<b>1,862</b>	OfS HE Students (Excludes ASTML/ABA) – 330 plan – 16% decrease from last year	<b>290</b>	New apprentices – 136 plan targets (Sep. starts) – 40 at same point in 2019 – 43 currently in enrolment process.	<b>28</b>
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<b>6.20</b>	<b>6.0 Property Strategy</b>						
	<p><u>6.1 Capital Programme 2019/20 Update</u></p> <p>The capital programme for 2019-20 included a range of planned refurbishment and replacement works across the estate to the budgeted value of £1,044.4k. To ensure affordability and the preservation of the College's cash reserves, several capital projects were withdrawn from 2019-20 and have been considered again for 2020-21.</p> <p>The report included a RAG rated outline of the current financial position for each capital project included in the capital expenditure programme for 2019-20 and the Committee was informed that the forecast cost for all planned and unplanned capital works on completion was £922.8k, which was £121.6k underspent against the original budget. (11.6%)</p> <p>The only remaining outstanding works related to the replacement of the Sports Hall auto-doors which were expected to be installed by December 2020. The cost was estimated at £10k and had been included in the forecasted expenditure figures.</p> <p>The HE Common Room refurbishment had been put on hold and will be reconsidered as part of the 2020-21 capital programme.</p>						



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	<p><u>6.1 Capital Programme 2020/21</u></p> <p>The capital programme for 2020-21 included a range of planned refurbishment and replacement works across the estate to the budgeted value of £1,617.1k (£1,044.4k 2019-20). To ensure affordability and the preservation of the College's cash reserves, several capital projects had been withdrawn from 2020-21 and will be considered again for 2021-22.</p> <p>The report included a RAG rated outline of the current financial position for each capital project included in the capital expenditure programme for 2020/21, and the current forecast cost of all planned and unplanned capital works on completion was £1,699.2k representing an overspend of £82.1k against the original budget.</p> <p>It was noted that quotes had been received for the demolition of the pavilion and suggestions for the use of the site would be included in the strategy review on 6<sup>th</sup> November 2020.</p>
<b>7.20</b>	<b>7.0 Any Other Business</b>
	<p><u>7.1 Memorandum of Understanding (MoU) -Epsom Hospital Parking</u></p> <p>The Committee were informed that the College had been approached by Epsom District Hospital to lease 50 parking spaces which were needed whilst they were building a multi-storey car park on the existing car parking site. The proposed terms were for parking weekdays 07.30 to 19.30 Monday to Friday and the spaces would not be available overnight, weekends or Bank Holidays. NESCOT would employ an additional parking attendant who would be present on site during the agreed hours above and the role would be funded by a fee charged by NESCOT to the Trust and the attendant would be directly managed by NESCOT.</p> <p>The fee payable to NESCOT would be £4.70 per car per day and therefore assuming a 12-month contract this would generate an income of £61,000. An additional one-off fee of £10,000 would be paid to cover the cost of a parking attendant.</p> <p>The Deputy Principal informed the Committee that the College was awaiting planning permission from Epsom &amp; Ewell Borough Council to proceed with the project. It was further noted regular logs of the number of cars in the car park were being kept in order to determine that there was sufficient capacity for the extra cars.</p> <p>On the basis of the terms set out in the MoU the Committee agreed in principle for the College to proceed with the proposal.</p> <p>There being no further business the meeting closed at 10.53am</p>
<b>8.20</b>	<b>Date and time of the next meeting: Friday 27<sup>th</sup> November 6.00pm</b>

## Decisions

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1. The Committee agreed to proceed with the lease of 50 car parking spaces to Epsom District Hospital on the basis of the terms set out in the draft Memorandum of Understanding

### Actions:

1. Once the final enrolment figures were available, a comparison of the targets for 20/21 with the actuals to be prepared for the next meeting.
2. An update on potential cost savings associated with removing phones from the college
3. Full evaluation of Investment Fund to be circulated prior to discussion at the next meeting.
4. A historical analysis of student enrolment and financial contribution per faculty.

Signed: .....  
Peter Stamps – Chair

Date: .....