MINUTES OF THE FINANCE AND GENERAL PURPOSES COMMITTEE OF THE NORTH EAST SURREY COLLEGE OF TECHNOLOGY FURTHER EDUCATION CORPORATION HELD ON TUESDAY 23 JUNE 2015 AT 14.30 IN THE PRINCIPAL’S ROOM.

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<tr>
<th>PRESENT†</th>
<th>IN ATTENDANCE</th>
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<tr>
<td>Mr Peter Stamps (Chair)</td>
<td>Mr C Hall – Head of College</td>
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<td>Professor Sam Luke</td>
<td>Ms M Vetrone - Deputy Chief Accounting Officer</td>
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<td>Mr Chris Shortt</td>
<td>Mr B Wastnidge – Vice Principal College Services &amp; Deputy Clerk to the Corporation</td>
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<td>Mrs Sunaina Mann (via Skype)</td>
<td>Mr D Stevens – Vice Principal, Planning &amp; Information Services</td>
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<td>Mr C Hall – Head of College</td>
<td>Mr D Round - Clerk to the Corporation</td>
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† Attendance = 100%

19.15 APOLOGIES FOR ABSENCE

No apologies for absence were received.

20.15 DECLARATIONS OF INTEREST

Declarations of interest were made by Sunaina Mann and David Round in relation to NESCOT Consortium Ltd.

21.15 MINUTES

RESOLVED: that the minutes of the Committee meeting held on 13 March 2015 (Appendix A) be approved and be signed by the Chair.

22.15 MATTERS ARISING

The meeting received and noted a paper (Appendix B) that provided an update about the status of action items referred from the previous meeting. The Vice Principal Corporate Services confirmed that Caterlink had confirmed that they were content that the College could offer training restaurant retail facilities as part of the campus capital project. They had also indicated that they would offer up to 15 traineeships with NESCOT. The new 5 year contract also provided for an investment in the refectory facilities of £70,000 by the company.
Cashless payment systems were also due to be introduced including providing a Parents’ portal.

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<th>23.15</th>
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<td><strong>23.1 Management Accounts to 31st May 2015 (Appendix C)</strong></td>
<td>The Committee received the Management Accounts showing the position as at the end of May 2015. The accounts showed the following forecast outturn position: -</td>
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|  | - A forecast surplus of £287,000 (a surplus of £27,000 was forecast in the original budget). This was attributable in particular to growth funding for additional delivery in 19+ traineeships and 19+ apprenticeships  
  - £110,000 of full cost income had been excluded from the forecast which could, if achieved, increase the net position  
  - There was a large variance in franchised costs  
  - There had been significant savings in total pay costs  
  - The automated financial health grade was forecast to be ‘outstanding’ with all metrics at the high end of the range.  
  - The College’s cash position was very strong |

Governors commented on the accounts. It was pleasing that the outcome was anticipated to be a very good one.

The College confirmed that the variance was largely because of the additional growth funding but it was also the case that the College had been very prudent and rigorous in pressing down on costs. There had also been some grant release and release of provision in year. The College commented that the Colleges’ auditors had been consulted on the matter of the variance in the forecast and it was not considered to be a matter of major concern and reflected practice in the colleges sector.
Governors noted the revised forecast, produced by the Deputy Chief Accounting Officer, which shown significant improvement since the last forecast. The Deputy Chief Accounting Officer advised that forecasts were done on a monthly basis. Governors requested, and the Senior Management Team agreed to keep the governors informed of any changes or risks to the forecast outturn.

Other matters raised by the Committee included staff utilisation and room utilisation. In discussion it was reported that staff utilisation did fluctuate at various times of the year; the College was also very focused on utilising staff resource fully and getting staff up to hours. It was further pointed-out that the room utilisation indicator was based on a formula that took into account the occupancy of the room compared to the capacity of the room as well as the frequency of occupation. It was noted that NESCOT’s room utilisation was very high for the sector and that a benchmark of 60% was adopted across colleges.

**RESOLVED:** that the Management Accounts for May 2015 be received.

The KPI Scorecard for F&GP were received by the Committee covering the period up to May 2015. Attention was drawn to the red and amber-flagged issues. The number of accidents was above the target although it was emphasised that these were not reportable ‘RIDDOR’ incidents. The Committee were advised that there were no adverse trends that they should be aware of and that the accidents were not attributable to the building work taking place at the College. The above-target rate of management staff turnover was noted and it was commented that in the current environment conversely, this was helpful.

The Vice Principal for Planning and Information Services noted that the KPIs would be reviewed next year to reflect the new strategic plan.

**RESOLVED:** that the KPIs for May be received.
The proposed budget for 2015/16 was presented to the Committee for review and for recommendation to the Corporation.

The Deputy Chief Accounting Officer commented that the proposed budget was stretching but achievable. A number of detailed scenarios had been reviewed by SMT: the proposal was for a balanced budget with no surplus of income over expenditure. It was also explained that the budget was for NESCOT UK College only and no assumptions had been made about potential remittances from the Jeddah College project.

The key features of the budget were outlined:

- Budgeted income was set to decline by £607k (3%) as a consequence of reduced core grant funding to the College.
- EFA income for 16-18 year old students was forecast to reduce by 6%; the adult skills budget had reduced by 8.4%. The sector was aware that there was a threat that EFA core income could reduce further in-year which would give rise to a major structural challenge to the budget for next year.
- Budgeted pay to income was set to reduce by 1.8% but it exceeded the total forecast expenditure in the current year by £52k. Overall the ratio of staffing cost to total income was forecast to be 62.4% which was slightly below the FE sector benchmark of 63.2%; the FE Commissioner was advising colleges to aim for a 60% figure going forward. Teaching posts and associated pay expenditure had been largely maintained in order to provide capacity for future curriculum growth and development. Vacant support and management posts would be frozen providing that the did not have an impact on teaching and learning; teaching staff posts would be fractionalised where deployment was low.
- Significant savings had been achieved in non-pay expenditure (17.9%).
• Additional provision £430k had been made for higher FRS17 pension contribution costs: this was an increase of 11.4% on the current year and it reflected actuarial direction to reduce the pension deficit.

There was a detailed discussion about the reduction in EFA student numbers and the effect of lagged funding on the allocation in the budget. Members of the Committee asked about the robustness of the income targets and the projections for recruitment of young students next year. The raising of the participation age had given rise to a very competitive environment and schools were being very aggressive in their strategies to retain students into sixth forms. Young peoples’ access to impartial advice and guidance was a major problem and NESCOT had found it very difficult to visit schools to make young people aware of the opportunities to study at College. The conversion of students from the offer of a place to study at NESCOT to actual enrolment was a key variable and the College was undertaking a number of activities to engage students under offer by bringing them into college for ‘taster’/induction days. 600 students under offer were expected to attend an event this week. The Principal commented that she believed that the College was potentially reaching the limit of student demand in the area (i.e. 1700 16-18 student enrolments); the need to develop new curriculum areas such as motor vehicle engineering and A levels was therefore critical going forward. She reflected that when she joined the College in 2005 student numbers for 16-18 students was 1000. The Head of College commented that a recent letter sent to College Principals and Chairs from the FE Commissioner had drawn attention the need for colleges to consider responding to the more difficult financial environment by considering collaborative solution including federations.
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<th>23.4 Treasury Management (Appendix F)</th>
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<td>Members of the Committee who were employers and who provided training through apprenticeship schemes commented that the effect of the funding changes was to drive employers out of 19+ provision of apprenticeships; funding was available for apprenticeships for younger people.</td>
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<td>The Deputy Chief Accounting Officer and the Principal advised the Committee that the budget would stretch the College and that achieving the forecast budget outcome represented a risk. There had been extensive debate at SMT about whether immediate action now was required to take out more cost from the budget including seeking redundancies. Many colleges were currently announcing redundancies. The risk was that if the difficult decisions were not taken now it would not be possible to make the savings in-year. The Principal believed that for the budget to be delivered there would have to be collective commitment by the whole of SMT to the continuous review and monitoring of the budget. The Deputy Chief Accounting Officer’s role was to ensure that the savings equivalent to the level of the grant release were achieved and that the budget was managed prudently. Income shortfalls and/or expenditure over-run would have to be addressed decisively and immediately. If early indications were that the budget could not be achieved the College would need to come back to the Committee with recommendations that could involve staff redundancies.</td>
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<td>The 2016/17 forecast and the SFA data sheets were noted.</td>
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<td><strong>RESOLVED:</strong> that the Committee draws the attention of the Corporation to the risks associated with the 2015-16 proposed budget and the requirement for careful and regular monitoring; further that it recommends to the Corporation that the budget as presented be approved.</td>
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The Chair introduced the discussion and commented that he was aware that the College was currently receiving very low levels of interest in return for large banked cash reserves. The Deputy Chief Accounting Officer reported that the current arrangements should be reviewed particularly as budgets were under considerable pressure.

Following discussion is was **AGREED** that F&GP authorise the College to review the current arrangements and to develop a clearly defined treasury management policy which should include UK and European banks and building societies. The Committee were happy to receive a recommendation for implementation in the short-term if that was considered to be prudent, provided an improved return and was consistent with public sector practice. This could be considered at the July Board meeting (**ACTION: MV**).

### 24.15 PROPERTY STRATEGY

#### 24.1 Capital Project Update (Appendix G)

The Vice Principal, Corporate Services, presented a paper that updated members of the Committee about the development of the College campus and furthermore to scope additional works that it proposed to action now that the size of the capital receipts were known. The elements of capital grant and bid funding were identified over the lifetime of the project viz.

1. Demographic Growth Fund (EFA): Seasons Learning Hub 1
2. Enhanced Renewal Grant (SFA): various campus refurbishments, infrastructure and essential building works
3. College Capital Investment Fund (CCIF – SFA): new build, refurbishment, infrastructure, highways works, relocations and other building works
4. Demographic Growth Fund 2 (EFA): Creation of Seasons Hub 2 project to provide additional facilities for students with learning difficulties and disabilities
5. Coast to Capital (LEP) Capital works: to develop facilities for catering and motor vehicle courses (final approval expected in July 2015)
6. Coast to Capital LEP Capital Allocation (Learning Facilities Fund): an allocation had been made subject to the College providing details of its proposals for teaching facility upgrades

The remaining works to be carried out to bring the remainder of the College campus up to modern standards were identified. This included landscaping works, other internal refurbishments and the uplift of the College refectory. Curriculum planning had also identified other improvement works to curriculum facilities and essential health and safety improvements.

Details of the sale of a surplus asset were given and information about possible partnerships with local sports clubs was outlined.

The priority for the Property Strategy Group was now to identify those works that could be afforded within the available remaining funding whilst ensuring that all available capital grant was drawn down. The Capital Project Management Group was meeting weekly to manage this matter.

**RESOLVED:** that the Campus Capital project report be received.

Members of the Committee received an update report about the funding of the campus masterplan project. Detailed financial information was presented.

**RESOLVED:** that the Capital Projects and Expenditure report be received.
## ACCOUNTING AND FUNDING MATTERS

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<td>25.1 HE/FE SORP and FRS102 Requirements (Appendix I)</td>
<td>The College’s plans to comply with the accounting changes as part of the new HE/FE Statement of Recognised Practice (SORP) and FRS102 requirements were reported to the Committee. The new rules would apply for the forthcoming financial year. The financial statements for this current year would be presented following the current practice and under FRS102 rules in order to provide comparative information. The Committee were advised about the main changes in the new SORP and an implementation plan and timetable was presented. <strong>RESOLVED:</strong> that the report on the HE/FE SORP and FRS102 requirements be received.</td>
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<td>25.2 New Draft Accounting Policies (Appendix J)</td>
<td>The new draft accounting policies were presented to the Committee and the major changes were described including the different treatment of capital grants which could have implications for unspent capital monies. The implications of the new policies for the College were set-out in detail. <strong>RESOLVED:</strong> that the implications of the changed accounting policies be noted and approved.</td>
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<td>25.3 Accounts Direction 2014-15 Financial Statements (Appendix K)</td>
<td>The SFA direction relating to the 204-15 Financial Statements were noted.</td>
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<td>25.4 SFA Funding Rules 2015-16 (Appendix L)</td>
<td>The main changes to the SFA funding rules for the next academic year were presented and noted. The main changes related to the approval of sub-contractors and funding contributions. It was noted that the governing body was required to approve the use of sub-contractors who were determined to be of high quality and represented minimal risk.</td>
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The proposal from the College’s external auditors for the organisation of the audit of the College’s accounts in the current year was presented to the Committee. The arrangements had been reviewed by the Audit Committee at their recent meeting and approved. The Committee had no comments and approved the paper.

A report was presented with details of the proposed capital allocation to departments. A budget of £600k had been approved in the 2014-15 budget. The capital bidding and allocation process was set-out which, the Committee were advised, was robust. The Committee reviewed the process and allocations.

RESOLVED: that the capital allocations report be received.

RESOLVED: that the terms of reference of the Committee were reviewed and recommended for approval by the Corporation.

Subject to ratification by the Corporation in July, the next meeting would take place on 18 September 2015 at 09.00.

There being no other business the meeting ended at 16.55.

Signed

Peter Stamps, Chair of the Finance & General Purposes Committee

Date

Author: David Round