

FAREHAM COLLEGE

FINANCE AND RESOURCES COMMITTEE

9th March 2016

MINUTES

Present: Mr N Duncan
Mr P Grimwood
Mrs K Janagal
Mr R Kew (Chair)
Mr M Mansergh
Ms K Woods

In attendance: Mrs E Baxter (Director of Finance & Funding)
Mrs J Eayrs (Clerk)
Mrs A Hinton (Executive Director HR)

01/16 Declarations of Interest

Members of the Committee were reminded of the need to declare any personal or financial interest in any item of business to be considered during the meeting. No interests were declared.

02/16 Apologies for Absence & welcome to new members

Apologies for absence were received and accepted from Mr Fielon and Mr Hoban. In addition, the Chair welcomed Mrs Baxter, Director of Finance & Funding, to her first meeting of the Committee.

03/16 Minutes of the Meeting held on the 16th November 2015

The minutes of the meeting held on the 16th November 2015 were agreed as a true and accurate record and were signed by the Chair. There were no matters arising from them which were not covered elsewhere on the agenda.

04/16 Confidential minutes of the meeting held on the 16th November 2015

The confidential minutes of the meeting held on the 16th November 2015 were agreed as a true and accurate record and were signed by the Chair. There were no matters arising from them which were not covered elsewhere on the agenda.

05/16 Strictly confidential minutes of the Meeting held on the 16th November 2015

The strictly confidential minutes of the meeting held on the 16th November 2015 were agreed as a true and accurate record and were signed by the Chair. There were no matters arising from them.

06/16 Correspondence

- (i) **SFA Letter dated 29th February 2016** – Members of the Committee received a letter from the SFA in connection with the Fareham College Financial Statements 2014/2015 and the Financial Health assessment. Members noted that, following a review of the College's audited financial statements and finance record, the SFA had concluded that the appropriate assessment grade for 2014/2015 was 'Good';
- (ii) **2016-2018 Fees Policy and Guidance** – Members of the Committee received the revised Fees Policy and Guidance for the academic years 2016-2017 and 2017-2018 for consideration and review. The Principal spoke to the paper and advised members that the

Policy and Guidance had been updated in the light of:

- **QAA Recommendation** - Feedback received as part of the QAA process regarding the need to declare fees at least 12 months prior to the start of the course;
- **Apprenticeship Levy** – The changes in the funding methodology for apprenticeships;
- **Voluntary Contribution** – The reintroduction of a voluntary contribution (proposed £50 for full-time students) for trips and visits which were currently either free or massively subsidised.

The Chair questioned how competitive the proposed fees were with the rest of the market and the Principal responded by saying that, compared to HE (which charged £9k annually), the College fees were extremely competitive. Ms Janagal suggested an incremental increase between HNC and HND and members discussed this. The Principal explained that there was the same input for HNC and HND which totaled 18 units overall which was why both had been set at the same fee.

Members of the Committee reviewed the contents of the Fees Policy and Guidance 2016-2018 and agreed to recommend it for formal approval by the full Corporation at its meeting on the 21st March 2016.

07/16 Termly Risk Management Report

Members of the Committee received a paper on Risk Management which outlined the risks which were the responsibility of the Committee to monitor and review and which provided an update of the College's current risk exposure and the mitigation which had been put in place to reduce them.

The Principal spoke to the paper and advised the Committee that Mazars, the Internal Audit Service provider, had identified some areas for development within the risk management framework and, as a result, a thorough review had recently been completed (2nd March 2016). He continued by saying that the majority of 'high' risks were related to either quality, lack of student numbers, funding or financial issues. He drew the following to members' attention:

- **Risk 1: Area Based Review** – Members acknowledged that it was too early in the process to properly assess the potential risk to the organisation but agreed that the College should participate and consider any arising options fully and carefully;
- **Risk 9: Finance: Lack of Understanding of student number targets** – Members noted the intention to include financial indicators and contribution targets in the SAR process. The Principal stated that further funding cuts were inevitable and there was a discussion about diversification of income and alternative funding streams;
- **Risk 28: Communication in the event of a hostage, terrorist or fire arm threat** – The Principal advised members that Lockdown Procedures had been drafted but had not yet been tested. He stated that, although this eventuality was deemed low risk, he assured Governors that it was being taken seriously and a rehearsal would be planned in the near future. Governors suggested that support or guidance be taken from other educational institutions or the military regarding their procedures and the involvement (or not) of students etc;
- **Risk 34: Demolition** – Members noted that completion was possible during the original timeline and that close monitoring and liaison with Bouygues continued;
- **Risk 35: Out of Hours Drill** – Members noted that an out of hours drill and procedures needed to be communicated and practiced. The Principal added that difficulty communicating with the current radios was being experienced due to the new cladding on the buildings and the purchase of new radios was currently being explored;
- **Risk 36: Deterioration of student behaviour** – Members noted that extra rigour had been added to the admissions procedures;
- **Risk 37: EHCP administration process** – The Principal outlined the plans for future involvement in EHCPs and the required resourcing to manage it;
- **Risk 39: Pandemic Outbreak** – The Principal identified the likelihood of this as low risk but advised the Committee that careful monitoring of symptoms of staff and students linked with the

infected areas (Brazil) was essential.

The Principal advised members that HCC had notified colleges of their intention to de-group colleges from April 2017. There was a brief discussion about the employer contribution, the valuation and the potential liability. The Principal advised members that a legal advisor from Eversheds had confirmed that HCC were entitled to take this action as they had given consultation notice. Members acknowledged this as yet another austerity measure in the public sector. The Principal stated that he would keep members updated on this matter.

Members of the Committee reviewed and noted the contents of the paper and the mitigation in place to reduce the risks identified.

08/16 Management Accounts at 31st January 2016

Members of the Finance Committee received a confidential paper which outlined the Management Accounts at the 31st January 2016.

Mrs Baxter, Director of Finance & Funding, spoke to the paper and advised Governors that:

- At the half-year point, the Management Accounts reported an operating deficit of £96k (compared to the previous year surplus of £77k);
- EFA income was less than last year but this reduction had been planned in the budget;
- The SFA Adult income figures had been prepared using the RO6 return with an estimate for achievement;
- The SFA 16-18 Apprentice income was higher than last year but was under achieving against budget by £360k year-to-date. This was because the budget assumed growth of £720k for the year, and the SFA had not approved the first growth request due to an issue with the College's registration on the register of training organisations (ROTO). Members were advised that the next point for a growth request was 1st April 2016 and it was anticipated that this would be, at least, partly agreed. There was a discussion about whether to continue to recruit and the risks associated with this. Members referred to Appendix 1b to the paper which outlined the worst case scenario if the apprenticeship growth was not secured (operational deficit of £276k) and the likely scenario if the request for an additional £800k was approved (surplus £505k). The Chair sought clarification on the lessons learnt regarding the ROTO registration and the Principal provided an overview of the events which had affected the situation. He advised members that this area was now being managed and monitored by the Deputy Principal;
- Additional income of £135k from the Solent Leadership Academy, which was not in the original budget, was noted;
- Bank Covenants – members noted that all were compliant;
- Staff to income ratio year-to-date of 57.5% compared to budget of 58.4%;
- Actual cash - £1.46m per cash flow statement (excl. CEMAST) compared to £2.09m in the previous year;
- Balance sheet (reconciled cash excl. CEMAST) - £1.5m (43 cash days);
- Trading Accounts – Members noted an increase turnover of 7% compared to the previous year, although it was acknowledged that further development was required in this area. Overall, members acknowledged that it was costing the College £1500 a year to run the trading businesses;
- YTD staffing costs were £79k below budget and £77k higher than the same period in the previous year;
- Total non-pay costs were £180k less than budget mainly due to underspends on subcontracting costs (i.e. the additional growth request issue) and £176k less than the previous year mainly due to savings on campus running costs and maintenance.

Members of the Committee reviewed the contents of the paper and the related appendices in detail and noted the current position.

09/16 2016-2017 Budgetary Considerations

Members of the Committee received a confidential paper on the 2016-2017 Budgetary Considerations. Due to the confidential nature of the contents of the paper and the related discussions, this item is recorded as a separate confidential minute for Governors only.

10/16 HR Strategy Update: Position Statement

Members of the Committee received the HR Strategy Update 2016-2017. Mrs Hinton, Executive Director HR, spoke to the paper and advised the Committee that the draft HR Strategy would not be finalised until the Strategic Plan update had been completed. She drew to Governors' attention some aspects of the HR Strategy Update which had been taken into account as part of the review process:

- **Solent Area Based Review (ABR)** – The current ABR process opened up significant opportunities and challenges. Members were aware that there were currently a number of proposed collaborative projects with Eastleigh College which were being explored;
 - **'Politics of Grievance'** – Mrs Hinton highlighted the fact that there had been an increase in the complexity of staff cases with continuous changes in employment legislation and potential direct impact of EU 'rulings' on the sector;
 - **The EU question** – the need to consider what the impact to the institution might be;
 - **The millennial generation** (individuals born between 1982 and 2004) – Members were advised that this generation was forecast to be the largest in history and had grown up in a time of rapid change. As a result, this had given them a set of priorities and expectations significantly different from previous generations;
 - **Ageing Working Population** – Mrs Hinton highlighted the fact that society's response to an ageing workforce was to delay the retirement age of workers;
 - **Promoting a management culture which is both supportive and transparent** – Mrs Hinton advised members that development of the 'softer skills' of managers had taken place along with personality profiling. Members were advised that the recent annual staff survey had indicated that the staff were increasingly happy with the management style. The Chair questioned how staff perceptions and culture could be measured. Mrs Hinton responded by saying that staff surveys were undertaken and comparison data was available going back 4 years with the results also being benchmarked against other colleges. The Chair requested sight of the outcomes of the most recent staff survey;
 - **Shortage of workers with advanced skills** – Mrs Hinton stated that this was cited as the biggest challenge for HR professionals. She advised the Committee that an HR database had just been purchased which would help target specific roles and that this situation would only worsen going forward;
 - **Costs of recruiting** – Mrs Hinton highlighted the fact that 'head hunting' to key posts was increasingly popular. It was important for the College to focus more on the retention of talented people and develop strategies for 'growing our own';
 - **Impact of Social Media on reputation and recruitment** – Members were advised that future retention issues were forecast as 'job hopping' increased. Mrs Hinton highlighted the fact that social media/technology had enabled people to easily find new jobs and for 'recruiters' to 'steal' talent from the organisation. The staff survey outcomes had illustrated that staff did not think the College had a good reputation with the survey results for this area being in the bottom 17% of all results;
 - **Other Staff Survey Results: potential areas for development:**
 - communication at department level;
 - more welfare considerations which lead to the College being considered as a good place to work;
 - Listening to staff and involving them in planning improvements and setting targets;
 - Perceived lack of job security, although generally staff felt the College had a bright future.
- Governors acknowledged that the ABR would also generate uncertainty amongst staff and members agreed it was essential that staff were listened to and involved in the change process.

In summary, Mrs Hinton stated that the College had considered potential future changes and implemented a revised HR resource within the College which was designed to work in partnership with College managers to help develop the culture which delivered positive change. She concluded by saying that the next stage for the HR Strategy was to follow the development of the College Strategy and then plan to deliver targets within the 'key influencers for change' as detailed in the paper.

Members of the Committee endorsed and provided feedback on the considerations raised in the HR Strategy Update.

11/16 Proposed Changes to the Funding Strategy for the HCC Pension Fund

Members of the Committee received a paper which outlined the proposed changes to the funding strategy for the HCC Pension Fund. Members acknowledged that this had been fully discussed under a previous agenda item (Risk Management, agenda item 5).

Members agreed to note the contents of the paper and acknowledged that future updates would be provided by the Principal.

12/16 Termly Health and Safety Report – Spring Term 2016

Members of the Committee received the Termly Report of the Health and Safety Operational Group.

Members reviewed the contents of the paper and noted that the Health and Safety Operational Group had last met on the 24th February 2016. Members noted the key issues which had been discussed at this meeting as follows:

- First Aid Provision;
- Accident and Near Misses;
- Fire Management;
- Property Inspections;
- Risk Assessment;
- **Business Continuity Planning** – Members noted that a Lockdown training exercise had been undertaken with staff on 23rd October 2015 and the lessons learnt were currently being incorporated into the policy and procedures;
- Training;
- Pest Control;
- Waste.

Members of the Committee reviewed and noted the contents of the report.

13/16 Annual Review of IT Strategy – 2016

Members of the Committee received a confidential paper on the 2016-2017 IT Strategy Update: Position Statement. Due to the confidential nature of the contents of the paper and the related discussions, this item is recorded as a separate confidential minute for Governors only.

14/16 Annual Review of the Financial Regulations – February 2016

Members of the Committee received a paper on the Annual Review of the Financial Regulations – February 2016. Members were reminded that a full and detailed review had been completed in the Summer term 2015. As a result, there were no significant amendments proposed at this time for the Committee's consideration other than cosmetic changes related to job titles and general updates to match the regulations to the current structure of the College. Members were assured that there had been no changes to threshold limits or areas of responsibility.

Members of the Committee reviewed and noted the contents of the paper and agreed to recommend the changes outlined above to the full Corporation for formal approval at its meeting on the 21st March 2016.

15/16 6-9 Month Review Report – Deputy Principal

Members of the Committee received a strictly confidential report on the 6-9 Month Review of the Deputy Principal. Due to the strictly confidential nature of the contents of the paper and the related discussions, this item is recorded as a separate strictly confidential minute for Governors who are not Staff and Student only.

17/16 Performance Review of the Principal 2013/2014

The Principal withdrew from the meeting for this item.

Members of the Committee received the Performance Review 2014/2015 for the Principal. Members discussed the report and agreed that it was a fair and accurate representation of the achievements secured through what had been a very turbulent but ultimately successful year. Members acknowledged that the ABR process would influence the strategic direction of the College going forward.

Members reviewed, noted and endorsed the contents of the Performance Review 2014/2015 for the Principal.

18/16 Performance Review of the Clerk 2014/2015

The Clerk withdrew from the meeting for this item.

Members of the Committee received the Performance Review 2014/2015 for the Clerk. Members discussed the report, noted there were no issues of concern and agreed that it was an excellent representation of the previous year's performance.

Members reviewed and noted the contents of the Performance Review 2014/2015 for the Clerk.

19/16 Date of next meeting

Members noted that the next meeting of the Finance & Resources Committee was scheduled to take place on **Wednesday 8th June 2016 at 5.30 pm.**