FAREHAM COLLEGE

# **FINANCE AND RESOURCES COMMITTEE**

8th June 2016

# **M I N U T E S**

Present: Mr N Duncan

Mr P Grimwood

Mr M Hoban

Ms K Janagal

Mr R Kew (Chair)

Mr M Mansergh

Ms K Woods

In attendance: Mrs J Eayrs (Clerk)

Mrs E Baxter (Director of Finance & Funding)

Mrs A Hinton (Executive Director HR)

Mr A Kaye (Deputy Principal)

**20/16 Annual Election of Chairman**

Members of the Committee elected Mr Russell Kew as Chair to serve until the first meeting after the 1st April 2017 in accordance with the Corporation’s Standing Orders.

**21/16 Annual Election of Vice-Chair**

Members of the Committee elected Mr Peter Grimwood as Vice-Chair to serve until the first meeting after the 1st April 2017 in accordance with the Corporation’s Standing Orders.

**22/16 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.

**23/16 Apologies for Absence**

There were no apologies for absence. The Chair welcomed the Deputy Principal, Mr Kaye, to the meeting. Members noted that he was attending the meeting as an observer for CPD.

**24/16 Minutes of the Meeting held on the 9th March 2016**

The minutes of the meeting held on the 9th March 2016 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.

**25/15 Confidential Minutes of the meeting held on the 9th March 2016**

The confidential minutes of the meeting held on the 9th March 2016 were agreed as a true and accurate record and were signed by the Chair. There were no matters arising which were not covered elsewhere on the agenda.

**26/16 Strictly Confidential Minutes of the meeting held on the 9th March 2016**

The strictly confidential minutes of the meeting held on the 9th March 2016 were agreed as a true and accurate record and were signed by the Chair. There were no matters arising from them.

**27/16 Termly Report on Risk Management – June 2016**

Members of the Committee received a paper on Risk Management which provided an update of the College’s current risk exposure, provided assurance to Governors that the risks had been evaluated and outlined the mitigation which had been put in place to reduce them.

The Principal spoke to the paper and advised members that a robust discussion had taken place at the last TSC&Q Committee meeting regarding the number of ‘high’ and ‘very high’ risks on the register and the scoring. At that meeting concern had been expressed that, after relevant mitigation, there were still a large number of high and very high risks which could either be interpreted as meaning that the College was in an extremely precarious position or that the mitigation being put in place was not effective. As a result of those discussions the Principal had reviewed the scoring of the risks and he referred members to the summary chart provided. Members noted that, under the revised scoring system, there was now only 1 very high risk and 4 high risks. The Principal drew the key risk themes to the Committee’s attention as follows:

* **Area Based Review –** Members were reminded that the final Solent ABR meeting was scheduled to take place the following afternoon;
* **Apprenticeship funding** – The Principal outlined the changes which were due to come into effect from April 2017;
* **Apprenticeship Recruitment** – The Principal confirmed that the late receipt of the apprenticeship growth funds had made recruitment and the achievement of the target (1000 apprentices) difficult;
* **Lack of in-house IT capability and capacity** – The Principal advised members that a review of the IT Services structure was currently being undertaken and that any transition period would need to be carefully managed;
* **Delays in the completion of the demolition for the south side of the campus leading to a breach of contract with the developer** – The Principal confirmed that the biggest risk lay with the completion of the road access. He advised the Committee that he had been assured that it would be completed by 17th June 2016;
* **CEMAST capacity** – The Principal confirmed that although capacity was an issue it was not critical but it was a challenge. He went on to say that the entry grades for certain programmes had been increased and a bid for a new classroom block was being developed. Members discussed the potential impact of the new UTC due to be opened in Portsmouth in September 2017.

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

**28/16 Management Accounts at 30th April 2016**

Members of the Committee received a confidential paper on the Management Accounts at 30th April 2016. The paper provided an update on the performance year-to-date at April 2016.

The Director of Finance and Funding spoke to the paper and drew the following key points to the Committee’s attention:

* The April Management Accounts reported an operating deficit of £364k (compared to a previous year surplus of £228k);
* EFA income was less than the previous year but this reduction had been planned in the budget;
* The SFA Adult income figures had been prepared using the R09 return with estimated achievement lower than budget by £59k due to lower than anticipated learner numbers (17k) and assumed growth not being approved by the SFA (£42k);
* The SFA 16-18 Apprentice income was higher than the previous year but was under achieving against budget by £392k year-to-date. Mrs Baxter reminded members that the budget had assumed growth of £720k for the year. In addition, the SFA had, in May 2016, partially approved the College’s growth request and a further £278k of apprenticeship funding had been provided which equated to a £590k reduced revenue compared to the previous year. Mrs Baxter reported that, since the preparation of the Management Accounts, a further £63k had been received. Members noted that it would be a challenge to make sure the College spent as much of the allocation as possible before the year-end. Governors sought clarification on the strategy to ensure as much of the £63k was spent as possible. The Principal confirmed that there were currently 140 apprenticeship vacancies. As a result, there would be a significant recruitment drive during the remainder of June and July;
* Staff Ratio YTD – 61.7% (compared to budget of 58.4%);
* Actual Cash - £1.6m per cash flow statement compared to £3.1m the previous year;
* Balance sheet - £1,243k (36 cash days);
* Members had previously been made aware that the debt service covenant would be breached during April 2016. Mrs Baxter reminded members that this was due to lower than expected surpluses and the repayment of the LEP loan of £575k. Mrs Baxter confirmed that this breach had been discussed and approved by the Bank. She explained that Santander had confirmed that they only tested the loan covenant once a year based on Statutory Accounts and they had acknowledged that they had been informed of the potential breach. As a result, there had been no penalties as the Bank had not seen it has a breach of covenant. Mrs Baxter informed members that she was currently working with the bank to formalize the position with the bank and, as a result, a re-wording of the covenant was currently being developed. The External Auditors had requested that this matter be concluded by year-end on the 31st July 2016;
* The staffing costs were currently under budget by £31k. Mrs Baxter added that the rate of Employers National Insurance for teaching staff had increased in April 2016 by 3.4% so it was not anticipated that this under-spend would continue into the second half of the year;
* Members were referred to Appendix 1b which outlined a worst case scenario year-end position and which showed an operational deficit of £202k. Mrs Baxter explained that this scenario assumed only 50% of the SFA funding was utilized before the end of the academic year. It also assumed full cost work was slightly lower than budgeted and anticipated savings in non-pay were not achieved. Mrs Baxter also drew members’ attention to the detail of a likely scenario which showed a year-end surplus of £77k. This scenario assumed full utilization of the SFA growth request funding by year-end and anticipated non-pay savings were achieved. In addition, Mrs Baxter highlighted the fact that the College would receive income for the Solent Leadership Academy of £115k which was not in the original budget;
* Mrs Baxter reported a budget error related to the bus income and costs which had now been restated. Members were advised that the bus subsidy of £157k had not been included in the original budget. The Principal confirmed that the College could not now afford this subsidy and, as a result, it would be removed next year and all associated costs transferred to the student;
* Members reviewed the Balance sheet at Appendix 2 and noted that the College reported a net balance sheet position of £29.2m and £24.9m after the LGPS pension deficit;
* Members reviewed the Trading Accounts at Appendix 4. Mrs Baxter confirmed that, in total for all commercial activities, there was a small surplus of £2k year-to-date. The Principal confirmed that business plans were currently being developed which included realistic and challenging targets. He reminded members that the end of the academic year was not the end of the business year.

**Members of the Committee reviewed and noted the contents of the report and noted the current position.**

**29/16 The Financial Plan 2016/2017 and 2017/2018**

Members of the Finance Committee received a confidential paper on The Financial Plan 2016/2017 and 2017/2018. 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.

**30/16 Health and Safety Summer Term Report 2016**

Members of the Committee received the Health and Safety Summer Term Report 2016 which provided a termly update for Governors since the last report in March 2016 and which covered the following topics which had been discussed at the H&S Operational Group meeting which had taken place that day (8th June 2016):

* **Communicating Health and Safety** – Members noted that copies of the minutes from the Operational Group had been distributed on the College Health and Safety notice boards across the Bishopsfield Road campus and CEMAST. In addition, a Health and Safety newsletter had been issued at the end of March 2016 giving staff a brief update on health and safety matters;
* **First Aid** – Members were advised that a first aid course had been held in April 2016. As a result, there was now an additional first aider within the Learning Support team and at the Gosport Salon. Members noted that the first aider meeting had been held on 19th April 2016 and the main issue raised had related to feedback on accident logs within departments;
* **Accidents and Near Misses** – Members reviewed and noted the details of the 2 reportable injuries which had occurred since the last report to Governors in March 2016. The Principal confirmed that a claim had been received for the injury involving a student who broke his toe when a marine engine toppled onto his foot whilst moving it into the workshop. Members noted the claim had been sent to the College Solicitors for handling;
* **Fire Management** – Members noted that successful fire drills had been held at CEMAST and the BRC in March and May respectively;
* **Permits to work** **–** Members noted that an electronic contractor booking in system had been introduced;
* **Property Inspections** – Members noted that ‘E’ building and CEMAST had been inspected since the last report in March 2016. A few non-compliance issues had been identified which were being addressed by departments;
* **Training** – Members noted the training that had taken place and that new starters would continue to receive training within the first month of joining;
* **Business Continuity Plan** – A meeting had been held on the 4th May 2016 to review the business continuity document;
* **Risk Assessments** – Members noted that risk assessments were still on-going and under review in areas;
* **Pest Control** – Members noted that due to the increased population of vermin on the BRC site, the site visits from Ecolab had been increased to once a week;
* **Traffic Control** – The new road layout at BRC had caused a few issues with traffic flow and parking. Members noted that speed bumps were being investigated to be placed along the new road.

**Members of the Committee reviewed and noted the contents of the paper.**

**31/16 2016/2017 IT Strategy: Position Update**

Members of the Committee received a confidential paper on the 2016/2017 IT Strategy Position Update. 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.

**32/16 Annual Review and Evaluation**

Members of the Committee undertook an annual review of the Committee Terms of Reference and Annual Cycle of Business. There were no proposed changes for the 2016/2017 academic year. Members agreed that they had complied with the Terms of Reference during the 2015/2016 year.

**Governors reviewed the Terms of Reference and Annual Cycle of Business for the Finance and Resources Committee and agreed that there were no changes to be made for the 2016/2017 year.**

**33/16 Annual Review of Performance of F&R Committee of the Corporation**

Members of the Committee received a paper on Annual Review of Performance for Committees of the Corporation. Members were reminded that formal annual targets for committees of the Corporation had been established in 2006 to ensure the Committee added value to the work of the Board.

Members reviewed the performance indicators and evidence sources outlined in the paper and considered the performance of the F&R Committee during the 2015/2016 year.

**Governors reviewed the performance indicators and considered the work undertaken by the Committee during the 2015/2016 year. Members reviewed the evidence sources and concluded that the work of the F&R Committee had added value to the work of the full Corporation.**

**34/16 Dates of meetings in the 2016/2017 Academic Year**

Members considered and agreed the proposed dates of meetings for the 2016/2017 academic year with all meetings to start at 5.30 pm:

* 16th November 2015;
* 15th March 2017 (The Chair requested that this date be changed as it clashed with a personal commitment);
* 7th June 2017.

**Post minute note:** The Spring term meeting of the Committee was subsequently agreed as Monday 13th March 2017 at 5.30pm.