FAREHAM COLLEGE

# **FINANCE AND RESOURCES COMMITTEE**

16th November 2016

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

Present: Mr N Duncan

Mr M Hoban

Mrs K Janagal

Mr R Kew (Chair)

Ms K Woods

In attendance: Mrs J Eayrs (Clerk)

Mrs E Baxter (Director of Finance & Funding)

Mrs A Hinton (Executive Director HR)

**36/16 Declaration of Interests**

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

**37/16 Apologies for absence**

Apologies for absence were received and accepted from Mr Grimwood and Mr Mansergh.

**38/16 Minutes of the meeting held on the 8th June 2016**

The minutes of the meeting held on the 8th June 2016 were agreed as a true and accurate record and were signed by the Chair.

**39/16 Confidential Minutes of the meeting held on the 8th June 2016**

The confidential minutes of the meeting held on the 8th June 2016 were agreed as a true and accurate record and were signed by the Chair.

**40/16 Matters arising from the confidential minutes of the meeting held on the 8th June 2016**

(i) **Minute 31/16: IT Strategy Update** – The Principal provided members with a verbal update on the IT Strategy and outlined the current position since his last report in June 2016. He advised members that a Head of Technical Services had been appointed in September and had proved an excellent appointment to date with significant progress already having been achieved in the development of IT. He outlined the review process which had been completed and advised the Committee that there was now a smaller team in-house with additional expertise being provided from an external consultancy, Tailor Maid, on an ‘as required’ basis. Members of the Committee endorsed this approach.

**41/16 Correspondence**

(i) Letter from SFA dated 7th November 2016 re: Fareham College Financial Plan 2016 to 2018 - The Clerk acknowledged that the letter from the SFA had been omitted from the pack of papers distributed to the Committee. It was agreed that the Clerk would circulate the letter by email to all members. The Principal advised members that the letter from the SFA had confirmed the College’s underlying financial grade as ‘Good’.

**42/16 Risk Management**

Members of the Committee received a Risk Management report which outlined the top most current and assessed risks facing the College which were the responsibility of the Committee to monitor and review.

The Principal spoke to the paper and highlighted the fact that finance was by far the highest risk to the institution on the risk register. In addition, he drew the following to members’ attention:

* **Risk 4: Lack of pay award could have staffing implications** – Members of the Committee were aware that alternative ways of rewarding the staff were being explored. In addition, the Principal stated that ways to provide an in-year bonus would be considered based on College performance but affordability would, ultimately, determine the likelihood of a payment being made;
* **Risk 9**: **Serious IT infrastructure failure** – Members were aware that this risk had reduced and was being managed through the recently appointed Head of Technical Services and use of external consultancy as advised by the Principal earlier in the meeting;
* **Risk 10: Serious IT security failure causing security breach** – as outlined in risk 9 above;
* **Risk 12**: **Failure to recruit sufficient apprentices** – Members were aware that the apprentices target remained at 1000. The Principal confirmed that an Apprenticeship Strategy had been developed and would be presented to the full Board at its meeting on the 7th December 2016;
* **Risk 14**: C**uts in funding leading to financial pressures limiting viability of the business** – Members were advised that the College was still waiting to hear from the UKVI on the outcome of the recent visit for international students to seek to diversify its income. In addition, growth in other funding streams such as HE and 19+ student loans as well as increasing internal commercial income was being developed;
* **Risk 15**: **Capital, Adult and Apprenticeship funding going directly to LEPs and/or employers, adversely affecting income** – The Principal highlighted the fact that the expectation of in-year apprenticeship growth could be a risk although recent growth had been received it was not to the level required. He confirmed that growth points ROTO and TOATP were being monitored carefully.

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

**43/16 The Draft 2015/2016 Financial Statements**

Members of the Finance and Resources Committee received a Draft set of 2015/2016 Financial Statements. Mrs Baxter, Director of Finance and Funding, spoke to the paper and drew the following to the Committee’s attention:

(i) **Reserves Policy** – Mrs Baxter referred members to page 7 of the Statutory Accounts and reference to the Reserves Policy. She confirmed that the College had no formal Reserves Policy although it recognised the importance of reserves in the financial stability of the College. In addition, the importance of maintaining sufficient reserves to enable it to meet its short term financial obligation in the event of an unexpected revenue shortfall was also recognised. Mrs Baxter sought members’ views on the level of unrestricted reserves and whether £5million was seen as an acceptable level. Members of the Committee endorsed £5million as an appropriate level of unrestricted reserves;

(ii) **Statement of Comprehensive Income** – Members were referred to page 30 of the Statutory Accounts. Mrs Baxter highlighted the Actuarial loss in respect of pension schemes and confirmed that this was a new aspect of FRS102 which had now been introduced. In addition, it was noted that there had also been a significant charge to the ‘staff costs’ line due to the changes around the assumptions (£226k the current year and £50k the previous year);

(iii) **Financial Health Status** – Mrs Baxter explained that she had put the year-end result through the SFA return software and a large number of issues affecting the College were not included as part of the SFA grading process. As a result, excluding exceptional items and depreciation, the College would remain financial health grade ‘Good’;

(iv) **Balance Sheet** – Members were referred to the Balance Sheet on page 32. In particular, members were referred to note 13 on page 46 in respect of ‘Debtors’. Members were advised that ‘debtors’ had reduced from £9,030m down to £606k due to the fact the funds from the sale of the land to Bloor Homes had now been realised.

**Having considered the draft Financial Statements for 2015/2016 presented, members of the Finance and Resources Committee agreed to recommend them for formal approval by the full Corporation at its meeting on 7th December 2016.**

**44/16 Self-Assessment of Compliance with Regularity and Propriety Requirements**

Members of the Committee received the Self-Assessment of Compliance with Regularity and Propriety Requirements for consideration. The Director of Finance and Funding spoke to the paper and confirmed that there were no issues arising from the document.

**Members reviewed the contents of the paper and agreed to recommend the Self-Assessment of Compliance with Regularity and Propriety Requirements to the full Corporation for formal approval at its meeting on the 7th December 2016.**

**45/16 The Audit Findings Report and Letter of Representation – Grant Thornton**

Members of the Committee received The Audit Findings Report and Letter of Representation from Grant Thornton, the External Audit Service provider. Members considered the report in the light of the previous agenda item under which they had reviewed in detail the draft Statutory Accounts 2015/2016. The Committee reviewed the report and acknowledged that there were no issues of concern.

**Members reviewed the contents of the report and the Letter of Representation and agreed to recommend them for formal approval by the full Corporation at its meeting on the 7th December 2016.**

**46/16 Management Accounts at 30th September 2016**

Members of the Committee received a confidential paper on the Management Accounts at 30th September 2016. The Director of Finance and Funding spoke to the paper and drew the following to members’ attention:

* I&E operating surplus of £128k (historic surplus £37k);
* Staff to income ratio was reported at 57.7%% (compared to budget of 54.1%);
* As previously reported, the debt service covenant had not been achieved. All other Bank Covenants were compliant;
* Actual cash - £3.1m per cash flow statement (excl. CEMAST) compared to the previous year £1.1m;
* Balance sheet (reconciled cash (excl. CEMAST) - £2.8m (81 cash days) compared to £2million and 59 cash days the previous year);
* Staff costs were currently within budget;
* The position of the trading Accounts was reviewed and noted. Total turnover had increased by 54% compared to the previous year which equated to £24k of income. In total the costs for Commercial activities exceeded income by £11k year-to-date.

**Members of the Finance and Resources Committee reviewed the contents of the paper and noted the current position**

**47/16 Annual Review of the Financial Regulations – November 2016**

Members received a paper on the Annual Review of the Financial Regulations: November 2016. Members were reminded that a full and detailed review had been completed in the Summer term 2015. As a result, no significant amendments were proposed at this time for the Committee’s consideration other than cosmetic changes related to job titles and general updates to mat the regulations to the College’s current structure.

**Members of the F&R Committee agreed to recommend the amendments to the College Financial Regulations outlined above to the full Corporation for formal approval at its meeting on the 7th December 2016.**

**48/16 Annual Health and Safety Report to the Corporation 2015/2016**

Members of the Committee received a paper on the Annual Health and Safety Report 2015/2016 (including Accident Statistics provided at Appendix 1 to the paper). The Principal spoke to the paper and advised members that the report had also been presented to the Wellbeing Committee for review. Members reviewed the health and safety overview provided for 2015/2016 and noted the developments and improvements which had been secured during the year.

**Members of the Committee reviewed and noted the contents of the Annual Health and Safety Report 2015/2016 and agreed to recommend it for formal approval by the full Corporation at its meeting on 7th December 2016.**

**49/16 Review of the Pay and Remuneration of Senior Postholders and the Clerk**

*Executive Officers withdrew from the meeting for this item.*

Members of the Committee received a strictly confidential paper on the Review of the Pay and Remuneration of Senior Postholders and the Clerk. 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.

**50/16 Date of next meeting**

It was noted that, in accordance with the Corporation Calendar approved in June 2016, the next meeting of the Finance and Resources Committee was scheduled for **Monday 13th March 2016** **at 5.30 pm.**