FAREHAM COLLEGE

# **FINANCE AND RESOURCES COMMITTEE**

21st November 2017

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

 Present: Mr N Duncan

 Mr M Hoban

 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 to the Corporation)

Mrs A Hinton (Executive Director HR)

Mr A Kaye (Deputy Principal)

**31/17 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.

**32/17 Apologies for absence**

 Apologies for absence were received and accepted from Mr Grimwood.

**33/17 Minutes of the meeting held on the 7th June 2017**

 The minutes of the meeting held on the 7th June 2017 were agreed as a true and accurate record and were signed by the Chair.

**34/17 Matters arising from the minutes of the meeting held on the 7th June 2017**

(i) **Minute 23/17(iii) SLA Project** – The Principal provided an update on the Solent Leadership Academy project funding. He confirmed that the grant had been reduced due to under recruitment. However, he went on to say that the College was about 20 learners short and had until March 2018 before the project ended.

**35/17 Confidential Minutes of the meeting held on the 7th June 2017**

 The confidential minutes of the meeting held on the 7th June 2017 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.

**36/17 Correspondence**

(i) **Letter from ESFA dated 18th October 2017** re: Fareham College Financial Plan 2017 to 2019 - The Principal advised members that the letter from the ESFA had confirmed the College’s underlying financial grade as ‘Satisfactory’ for the 2016/2017 year and ‘Outstanding’ for the 2017/2018 (current budget year). Members also reviewed and noted the financial dashboard provided which incorporated various key performance indicators measured against both target benchmarks and benchmarks achieved in the sector.

(ii) **Letter from ESFA dated 9th November 2017**: Early Intervention – The Principal outlined the process of Early Intervention and the mechanism used to calculate and ‘trigger’ it. He explained that the drop in financial health to ‘Satisfactory’ was related to the repayment of the LEP loan. He went on to say that the ESFA were currently ‘actively engaged’ with the College to ascertain how the position would be managed. Mrs Baxter confirmed that, once the loan had been repaid, the ratio would ‘bounce’ back up to a healthy level and would return to ‘Outstanding’ as outlined in the ESFA letter dated 19th October 2017 mentioned above;

(iii) **Letter from Peter Launer, Chief Executive and Accounting Officer of ESFA, dated 17th November 2017** – Members reviewed and noted a letter from Peter Launer to all Chief Executives and Principals of Further Education Colleges. The Principal explained that the letter expressed Peter Launer’s concerns about accurate budgeting and that he urged leaders in the sector not to be over ambitious with their financial forecasting. The Principal advised members that, currently, 48% of colleges were returning deficit budgets.

**37/17 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 there were currently 45 risks on the risk register. He reminded members of the ‘exception reporting’ approach and drew their attention to those risks which had ‘worsened’ since the last risk management update in June 2017 as follows:

* **Risk 8: Lack of capacity within curriculum middle-management team** – Members were reminded that three management roles had been formally integrated into two roles to make two larger departments. The Principal provided an update and confirmed that one of the posts had been recruited to but the other (Head of Service Industries) remained vacant. He advised the Committee that the decision had been made not to appoint to the post but to realise it as a cost saving. He went on to say that the staffing profile was now so lean the impact was being felt across the entire organisation which would be compounded further by three members of the Senior Management Team retiring at various stages during the academic year;
* **Risk 9: Solent Leadership Academy project underperforms leading to a loss of income and reputation** – The Principal had provided an update earlier in the meeting as outlined above in matters arising;
* **Risk 23: Inability to provide accommodation to meet student uptake at CEMAST** – The Principal outlined a number of short-term strategies which were being explored to relieve pressure on classrooms which included adjusting timetables and making use of other temporary accommodation. He also outlined a longer term solution which involved making a bid for another building at the back of the CETC. Members queried whether a utilization study had been completed. The Principal confirmed that there was still some capacity remaining. The problem was not related to access to workshops but with classroom space and a quiet study area for HE students;
* **Risk 29: Risk of terrorist attack leading to loss of life, injury and collateral damage –** The Principal confirmed that initial testing had been successful and a further lockdown rehearsal was planned for BRC and CEMAST later in the term.

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

**38/17 The Draft 2016/2017 Financial Statements**

 Members of the Finance and Resources Committee received a Draft set of 2016/2017 Financial Statements. Mrs Baxter, Director of Finance and Funding, spoke to the paper and drew the following to the Committee’s attention:

* **The final out-turn position** was a deficit position of £505k which was a significant improvement compared to previous forecasts;
* **Pensions -** The College had increased its service costs. Mrs Baxter confirmed that the forecast had been £150k out which had been an effect of the ‘auto-enrolment’;
* **ESFA financial health rating** had been reduced to ‘Satisfactory’. Mrs Baxter reminded members of the previous forecast ‘worst case scenario’ and the significantly improved final out-turn position due to good management control;
* **Balance sheet** – Members were referred to the Balance Sheet on page 30. Mrs Baxter highlighted the fact that creditors with amounts falling due within one year was higher than normal due to the LEP loan repayment;
* **The Financial Statements** had been reviewed and audited in detail and were commended to the Committee for consideration and recommendation to the Board.

 **Having considered the draft Financial Statements for 2016/2017 presented, members of the Finance and Resources Committee agreed to recommend them for formal approval by the full Corporation at its meeting on 13th December 2017.**

**39/17 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 2016/2017. 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 13th December 2017.**

**40/17 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 13th December 2017.**

**41/17 Management Accounts at 31st October 2017**

 Members of the Committee received a confidential paper on the Management Accounts at 31st October 2017. The Director of Finance and Funding spoke to the paper and advised the Committee that the October Management Accounts had been based on the actual RO3 submission. In presenting the paper she drew the following to members’ attention:

* I&E operating **deficit** year-to-date of £147k against a Budget **deficit** year-to-date of £211k (prior year deficit of £108k);
* Historic surplus of £54k;
* Actual income was currently below budgeted targets by £405k. The main reason for this was under achievement of AEB funding targets of £114k and apprenticeship enrolment of £202k based on expected recruitment trends;
* The Senior Management Team had developed an income recovery plan to recover the budgeted position. As a result, the forecast year-end position was a £62k surplus. The detailed forecast position (both worst case and likely case) were attached as Appendix 1b to the paper;
* Staff to income ratio was reported at 60.2% (compared to budget of 56.6%);
* Actual cash - £3.6m per cash flow statement compared to the previous year £3.8m;
* Balance sheet (reconciled cash - £3.6m (105 cash days) compared to £2.7m and 81 cash days the previous year);
* The debt service covenant and the interest cover covenant had not been achieved;
* The enrolment of apprentices against budgeted targets was being closely monitored to ensure they were met. Members sought clarification on how the apprenticeship recruitment target would be met. Mrs Baxter referred members to an apprenticeship numbers versus income graph which portrayed how the target would be achieved. She reminded members that the income value was reduced the later in the year the apprentices were recruited. Members acknowledged that a further update on the position would be provided to the Board at the December 2017 meeting.

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

**42/17 Annual Review of the Financial Regulations – November 2017**

Members received a paper on the Annual Review of the Financial Regulations: November 2017. Members were reminded that a full and detailed review had been completed in July 2017. 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 match 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 13th December 2017.**

**43/17 Annual Health and Safety Report to the Corporation 2016/2017**

Members of the Committee received a paper on the Annual Health and Safety Report 2016/2017 (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 2016/2017 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 2016/2017 and agreed to recommend it for formal approval by the full Corporation at its meeting on 13th December 2017.**

**44/17 Human Resources Strategy 2017-2020**

 Members of the Committee received the Human Resources Strategy 2017-2020 for consideration and review. Mrs Hinton, Executive Director HR spoke to the paper and drew members’ attention to the following:

* The Strategy had been updated in line with the current Strategic Plan and had been influenced by internal and external factors;
* The Strategy was supported by Annual Development Plans and Service Level Agreements;
* Mrs Hinton drew members’ attention to the areas the Strategy particularly focussed on:
- organisational structure and supporting systems and processes;
- Attracting and retaining highly qualified staff;
- performance management;
- management competence;
- development of the culture required to deliver the College’s Strategy.

**Members of the Committee agreed to recommend the Human Resources Strategy 2017-2020 to the full Corporation for formal approval at its meeting on the 13th December 2017.**

**45/17 Date of next meeting**

It was noted that, in accordance with the Corporation Calendar approved in June 2017, the next meeting of the Finance and Resources Committee was scheduled for **Wednesday 7th March 2017** **at 5.30 pm.**