FAREHAM COLLEGE

# **FINANCE AND RESOURCES COMMITTEE**

6th June 2018

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

 Present: Mr N Duncan

 Mr P Grimwood

 Ms K Janagal

 Mr R Kew (Chair)

 Mr M Mansergh

 Ms K Woods

 In attendance: Mrs J Eayrs (Clerk)

 Mrs E Baxter (previous Director of F&F)

Ms J Currin (Interim Director of F&F)

Mr M Lewis (newly appointed AP FF&R)

**14/18 Annual Election of Chairman**

Members of the Committee elected Mr Russell Kew as Chair to serve until the first meeting after the 1st April 2019 in accordance with the Corporation’s Standing Orders.

**15/18 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 2019 in accordance with the Corporation’s Standing Orders.

**16/18 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.

**17/18 Apologies for Absence**

 Apologies for absence were received and accepted from Mr Hoban and Mrs Hinton.

**18/18 Minutes of the Meeting held on the 7th March 2018**

 The minutes of the meeting held on the 7th March 2018 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.

**19/18 Confidential Minutes of the meeting held on the 7th March 2018**

 The confidential minutes of the meeting held on the 7th March 2018 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.

**20/18 Strictly Confidential Minutes of the meeting held on the 7th March 2018**

 The strictly confidential minutes of the meeting held on the 7th March 2018 were agreed as a true and accurate record and were signed by the Chair. There were no matters arising from them.

**21/18 Termly Report on Risk Management – June 2018**

 Members of the Committee were provided with the Risk Register which outlined the top risks which were the responsibility of the Committee to monitor and review. The Principal spoke to the paper and drew the risks which had deteriorated to the Committee’s attention as follows:

(i) **Risk 4: Affordability of competitive rates of pay causes issues relating to recruitment** – Members noted that exit interview data had indicated that 42% of staff leaving the College were leaving the FE sector with key issues being pay and lack of security;

(ii) **Risk 10: Serious IT security failure causing security breach – Cyber Security** – An attempted breach was thwarted by changing all passwords. Internal Audit report had indentified limited confidence in cyber security and a number of recommendations had been made;

(iii) **Risk 11: GDPR - Changes to Data Protection Law increases accountability associated with a breach and risk of severe penalty –** Policies and procedures were currently being developed and further review of what other data was held by the College and how it was managed was required. Members were advised that a summer cleanse of existing analogue data was planned;

(iv) **Risk 21: Staffing turnover of senior management leading to reduced leadership capacity –** The management structure was currently being reviewed to ensure continuity of business. The FD post had been recruited to (including interim arrangements) and two further posts had been identified and advertised.

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

**22/18 Management Accounts at 30th April 2018**

 Members of the Committee received a confidential paper on the Management Accounts at 30th April 2018 which had been based on actual RO9 submissions and provided an update on the performance year-to-date at April 2018.

The Chair extended thanks to Mrs Baxter, the ‘outgoing’ Director of Finance and Funding, for attending the meeting. Members noted that Mrs Baxter had left the College at the end of May 2018 but had agreed to return to College to present the Management Accounts and Budget paper to provide continuity and answer any queries Governors may have.

The following key points were brought to the Committee’s attention:

* **The April 2018 Management Accounts** reported an I&E operating deficit year-to-date of £474k (historic deficit £338k);
* **The likely forecast year-end position** was an operating deficit of £447k. Mrs Baxter highlighted the fact that to achieve this year-end position would require the College to generate (before the end of the current financial year):
- a further £15k of additional apprenticeship income;
- £70k of additional AEB funding; and
- £20k of additional learner loans.
In addition, the forecast took into account:
- £150k of non-pay savings; and
- £120k of pay savings.
A detailed forecast of both likely and worst case scenarios were provided at Appendix 1b to the paper;
* **The College’s income** was currently below budgeted targets by £747k. The main reasons for this were:
- under achievement of AEB funding targets of £217k; and
- apprenticeship enrolment not reaching expected recruitment level of £463k;
* **Bank Covenants** – Mr Baxter reminded members that the debt service covenant and interest service cover were now being calculated on the forecast year-end position at the request of Santander. In addition, the College had received agreement from the bank to remove the pension charge from the calculation of the EBITDA as well as remove any repayment of the LEP loan from the covenant calculation. The loan side letter with the new covenant calculations had been issued by Santander and was awaiting College sign-off. Mrs Baxter emphasised the fact that achieving the forecast year-end position would mean that all covenants would be met under the new calculation arrangements, however, the College would need to secure forecast income (as outlined above) and tightly control expenditure to ensure that this happened;
* **Staff to income ratio** year-to-date: 59.5% (compared to budget of 56.4%);
* **Staff to income ratio adjusted for sub-contracting** year-to-date: 67.5% (compared to budget of 62.9%);
* **Actual cash**: £2.5m per cash flow statement (compared to £1.6m the previous year);
* **Balance sheet:** reconciled cash £2.5m (73 cash days) previous year £3.1m (91 cash days).

Mrs Baxter concluded by saying that the year-end position needed to be managed very carefully. She did not anticipate significant change between April and May management accounts albeit the position could slightly improve.

**Members reviewed the contents of the paper and noted the current position.**

**23/18 The Financial Plan 2018/2019 and 2019/2020**

 Members of the Finance and Resources Committee received a confidential paper on The Financial Plan 2018/2019 and 2019/2020. 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.

**24/18 Health and Safety Summer Term Report 2018**

Members of the Committee received the Health and Safety Summer Term Report 2018 which provided a termly update for Governors since the last report in March 2018 and which covered the following topics which had been discussed at the H&S Operational Group meeting which had taken place on 2nd May 2018:

* The Health and Safety Policy was reviewed in June 2017 and amended in September 2017 to include CETC;
* The Health and Safety Manual was reviewed in July 2017. Further amendments were expected to include the draft lock down procedures and a review of the CETC health and safety procedures following the first year of operation;
* First aid support had been assessed and, currently, there were 5 first aiders on the BRC site and 4 at CEMAST. Four members of staff at CETC had completed the 1 day EFAW training in April 2018;
* Weekly fire alarm testing continued to be carried out on a Wednesday morning at both sites;
* Fire extinguisher inspections were scheduled for July 2018 by Interserve as well as staff training in the use of fire extinguishers;
* Risk assessment reviews were ongoing throughout the year and special risk assessments produced for planned events;
* On-site fire drills for all sites were up-to-date;
* There had been 6 accident report forms completed and one near miss. One of the accidents was reported to the HSE in April 2018 which involved a member of staff moving a pallet of bricks incorrectly which had caused two broken ribs;
* Routine property inspections for the 2017/2018 academic year had been carried out for all areas with the exception of D Building, CTEC and CEMAST;
* Essential Skillz training modules continued to be issued to new starters. This year’s training would be rolled out to all staff in June 2018;
* An audible lockdown notification system had been reviewed for installation at CEMAST andwas due to be tested in August 2018;
* An update on the ‘C’ building roof was provided. The Principal advised the committee that the Insurance Loss Adjuster had not agreed with the tender selection and progress was very slow.

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

**25/18 Annual Review and Evaluation**

 Members of the Committee received a report on the annual review of the current Terms of Reference and the Annual Cycle of Committee Business and the Committee’s work to support the Board in respect of the Code of Good Governance (The Code) in ensuring effective control and due diligence. The Clerk advised the Committee that all committees of the Board were undertaking this process for their own areas of responsibility.

The Committee reviewed the key criteria enshrined within The Code and agreed that the Board was compliant. No changes to the Committee Terms of Reference or Annual Cycle of Business were identified.

 **Governors reviewed the Terms of Reference and Annual Cycle of Business for the Finance and Resources Committee and agreed they had complied during the 2017/2018 year and that no changes had been identified. In addition, the Committee agreed that the Board was compliant with the key criteria enshrined within the Code of Good Governance which came under the Committee’s area of responsibility to review (Section 6 Financial Strategy and Audit).**

**26/18 Performance Review of the Clerk 2016/2017**

*The Clerk withdrew from the meeting for this item.*

Members of the Committee received the Performance Review 2016/2017 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 2016/2017 for the Clerk.**

**27/18 Performance Review of the Principal 2016/2017**

*The Principal withdrew from the meeting for this item.*

 Members of the Committee received the Performance Review 2016/2017 of the Principal. Due to the strictly confidential nature of the contents of the report and the related discussions this item has been recorded as a separate strictly confidential minute for Governors who are not staff and student only.

**28/18 Dates of meetings in the 2018/2019 Academic Year**

 Members considered and agreed the proposed dates of meetings for the 2018/2019 academic year with all meetings to start at 5.30 pm:

* 21st November 2018
* 6th March 2019;
* 5th June 2019.

**Post minute note:** The date of the autumn term meeting was subsequently changed to Friday 23rd November 2018 due to the Principal’s attendance at the AoC Annual Conference.