FAREHAM COLLEGE

# **FINANCE AND RESOURCES COMMITTEE**

7th June 2017

# **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)

**16/17 Annual Election of Chairman**

Members of the Committee elected Mr Russell Kew as Chair to serve until the first meeting after the 1st April 2018 in accordance with the Corporation’s Standing Orders.

**17/17 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 2018 in accordance with the Corporation’s Standing Orders.

**18/17 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.

**19/17 Apologies for Absence**

 Apologies for absence were received and accepted from Mrs Hinton.

**20/17 Minutes of the Meeting held on the 13th March 2017**

 The minutes of the meeting held on the 13th March 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.

**21/17 Confidential Minutes of the meeting held on the 13th March 2017**

 The confidential minutes of the meeting held on the 13th March 2017 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.

**22/17 Strictly Confidential Minutes of the meeting held on the 13th March 2017**

 The strictly confidential minutes of the meeting held on the 13th March 2017 were agreed as a true and accurate record and were signed by the Chair. There were no matters arising from them.

**23/17 Termly Report on Risk Management – June 2017**

 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 informed members that 29 risks out of the top 40 risks were the responsibility of the F&R Committee with an average net risk score of 7.03 (compared to an overall net risk score of 7.02). He went on to advise that:
- 11 risks had stayed the same;
- 12 risks had improved; and
- 6 risks had deteriorated.

The Principal spoke to the paper and drew the risks which had deteriorated to the Committee’s attention as follows:

(i) **Risk 3: Poor FT and PT recruitment leads to a decline in funding** – Members noted that net applications for 2017/2018 were just above those recruited at the same time the previous year. The Principal went on to say that significant focus was being put on internal/progressing students and there was a discussion about conversion rates, the historic trend of conversion rates, the declining demographic and the challenges of the new grant and levy apprenticeship funding regime;

(ii) **Risk 8: Lack of capacity within curriculum middle-management team** – Members were advised that 3 management posts had been formally integrated into two roles to make two bigger departments (Creative Industries and Service Industries). Members noted that recruitment for these posts was currently underway;

(iii) **Risk 9: Solent Leadership Academy project underperforms leading to loss of income and reputation** – Members noted that the Solent LEP had confirmed that they would not release the final grant payment due to under recruitment. The Principal advised members that every effort would continue to be made to secure those funds;

(iv) **Risk 18: Financial position deteriorates leading to a decline in the College’s financial health grade** – Members noted that the forecast out-turn position for 2016/2017 was circa £600k. Members noted that this would be reviewed and discussed in detail later in the meeting;

(v) **Risk 23: Property – inability to provide accommodation to meet student uptake at CEMAST** – The Principal outlined the options currently being explored to alleviate the accommodation issues being experienced at CEMAST;

(vi) **Risk 25: Strategic: Failure to recruit international students leading to a loss of diversified income and potential reputational impact** – Members noted that the Manchester terrorist attack had weakened the market and the appetite to come to the UK. Actions were in train to recover the position;

(vii) **Risk 29: There is a risk of terrorist attack leading to loss and life, injury and collateral damage** – Members noted that initial Lockdown testing had been successful with further rehearsals at BRC and CEMAST being planned for later in the term. There was a general discussion about Lockdown and Cyber security. The Principal outlined a technical issue which had been discovered regarding the doors at CEMAST and the inability to lock them from the inside.

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

**24/17 Management Accounts at 30th April 2017**

 Members of the Committee received a confidential paper on the Management Accounts at 30th April 2017. The paper provided an update on the performance year-to-date at April 2017.

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

* The April 2017 Management Accounts reported an operating deficit year-to-date of £560k (historic deficit £341k);
* Forecast full year operating deficit of £668k. Mrs Baxter highlighted the fact that this was now the best case scenario and assumed the sub-contracted income was achieved, a further £80k of apprenticeship income was secured by year-end and that non-pay budgets were not overspent. Members noted that worst case scenario was a forecast deficit of circa £900k;
* Members were reminded that changes to the funding of Apprenticeships from April 2017, including the introduction of the Employer Levy had created uncertainty in the apprenticeship market, with larger employers waiting until the introduction of the levy in order to maximise their use of the levy. Governors questioned the apprenticeship assumptions which had been made for the remainder of the financial/academic year. Mrs Baxter confirmed that it had been assumed that no assumption had been made as only 2 months remained and it was felt any income secured at this stage in the year would not be material and it would not be wise to make that assumption;
* The budget had assumed that £120k would be generated from the Solent Leadership Academy and this had not been achieved as expected. The Principal added that the Solent LEP had confirmed that they would not release the final grant payment but every effort would continue to be made to secure those funds;
* SFA income was projected to be £718k below contract and £665k below budget. Mrs Baxter confirmed that, since R09, further AEB classroom provision had been sub-contracted with Babington and VSS which should increase income by £130k;
* Additional income from the College’s Posh Nailz initiative was expected to generate further Learner Loan funding of £180k. The Principal provided background information on this initiative for Governors;
* Payroll costs continued to be monitored closely. It was anticipated that the year-end position would be £94k more than budget. Mrs Baxter highlighted the fact that this overspend was mainly due to the payroll costs associated with the Posh Nailz initiative and a further £40k related to restructuring costs which were likely to be spent before year-end in order to implement the 2017/2018 budgeted staffing plan;
* Staff to income ratio year-to-date: 58.9% (compared to budget of 57.3%);
* Actual cash: £3m per cash flow statement (compared to £1.8m the previous year);
* Members were reminded that the debt service covenant had not been achieved as expected and as agreed with the bank. All other covenants had been met in April 2017. In addition, Mrs Baxter highlighted the fact that, should the worst case scenario deficit position of £900k materialize, another covenant would be breached (interest cover). Members questioned the consequences of this and Mrs Baxter confirmed that the Bank could ask for all the funds to be repaid. Mrs Baxter confirmed that she had run the worst case scenario through the SFA financial health return which had resulted in the College’s financial health grade dropping to ‘satisfactory’ from ‘good’. She confirmed that it would not be ‘inadequate’ due to good cash balances. Members discussed the potential impact to the College if this scenario were to materialise;
* Mrs Baxter emphasized the fact that the physical cash position at the end of April was £3m before the payment for the additional Land at CEMAST was made (£693k). Mr Grimwood declared an interest at this point in the meeting in connection with the additional piece of land next to the CEMAST centre. The Principal added that the College had the option to buy this piece of land for 10 years but it would not be possible to occupy the land straight away as 3 months’ notice to occupy was required;
* Members acknowledged that the next 2 or 3 years would present significant challenge to the College. There was a discussion about the need for a longer term strategy and how best to strengthen the College’s position;
* Mrs Baxter advised members that the Commercial Manager was now in post and it was hoped that this would increase commercial income. In addition, members were advised that the decision to close Travel 141 had been made due to continued trading losses and predicted difficult future trading conditions.

**Members reviewed and discussed the contents of the report in detail. At the end of the detailed discussion, the Committee requested that a document be prepared for the full Corporation to assist those members not on the F&R Committee in understanding the influencing factors which had contributed to the forecast out-turn position compared to the original budget.**

**25/17 The Financial Plan 2017/2018 and 2018/2019**

 Members of the Finance Committee received a confidential paper on The Financial Plan 2017/2018 and 2018/2019. 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.

**26/17 Health and Safety Summer Term Report 2017**

Members of the Committee received the Health and Safety Summer Term Report 2017 which provided a termly update for Governors since the last report in March 2017 and which covered the following topics which had been discussed at the H&S Operational Group meeting which had taken place on the 17th May 2017:

* The Health and Safety Policy was under review and would be finalised for signature by the Principal;
* First aid support had been assessed and, currently, there were 7 first aiders on the BRC site and 4 at CEMAST;
* There had been no reportable injuries although there had been a near miss reported which had involved traffic flow in the car park;
* Weekly fire alarm testing continued to be carried out on a Wednesday morning at both sites;
* Fire extinguisher inspection had been arranged for July at CEMAST and August for BRC;
* Fire risk assessment review was scheduled for July 2017;
* On-site fire drills were up-to-date at all sites with the exception of an off-site drill at BRC;
* All routine property inspections had taken place for 2016/2017. A new schedule would be reviewed and implemented for 2017/2018 with the first inspection of the new academic year taking place in September 2017;
* Essential Skillz training modules continued to be issued to new starters. Refresher training was due to be rolled out to all staff in June 2017;
* The Deputy Estates Services Manager had been appointed and the role of H&S Officer had been incorporated into this post;
* A Lockdown Procedure exercise was set to be scheduled for both BRC and CEMAST sites with dates yet to be confirmed;
* The painting work by contractors to B and C Buildings had been completed with scaffolding yet to be removed.

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

**27/17 IT Strategy: Position Update**

 Members of the Committee received a paper on the IT Strategy Position Update. The Principal spoke to the paper and highlighted the fact that this was a ‘position statement’ and the department had seen significant change in recent months with a full team restructure, redesign and re-launch of the department as Technical Services. He went on to advise the Committee that the Head of Technical Services was currently undertaking a full review of the Technical Services Strategy and the full updated document would be presented to the Board for consideration at its meeting on the 28th June 2017.

**28/17 Annual Review and Evaluation**

Members of the Committee undertook an annual review of the Committee Terms of Reference and Annual Cycle of Business. No amendments were proposed for the Annual Cycle of Business. However, due to the fact the proposed budget for 2017/2018 was predicated on significant in-year Apprenticeship growth and the Deputy Principal had direct responsibility for this area, the Chair approved a request from him (after the meeting) to update the Terms of Reference to include the Deputy Principal ‘in attendance’ at future F&R Committee meetings. In addition, members agreed that they had complied with the Terms of Reference during the 2016/2017 year.

 **Governors reviewed the Terms of Reference and Annual Cycle of Business for the Finance and Resources Committee and agreed the change to be made for the 2017/2018 year as outlined above for formal by the Board at its meeting on 29th June 2017.**

**29/17 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 2016/2017 year.

 **Governors reviewed the performance indicators and considered the work undertaken by the Committee during the 2016/2017 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.**

**30/17 Dates of meetings in the 2017/2018 Academic Year**

 Members considered and agreed the proposed dates of meetings for the 2017/2018 academic year with all meetings to start at 5.30 pm:

* 21st November 2017 (Tuesday);
* 7th March 2018;
* 6th June 2017.