FAREHAM COLLEGE

# **FINANCE AND RESOURCES COMMITTEE**

23rd November 2018

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

 Present: Ms K Allen

Mr N Duncan

 Mr R Kew (Chair)

 Mr M Mansergh

Ms K Woods

 In attendance: Ms J Eayrs (Clerk to the Corporation)

 Mrs A Hinton (AP P&OD)

Mr A Kaye (Deputy Principal)

Mr M Lewis (AP FF&R)

**29/18 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.

**30/18 Apologies for absence and welcome to new members**

 Apologies for absence were received and accepted from Mr Grimwood and Mr Hoban. The Chair welcomed Ms Allen to her first meeting of the Committee.

**31/18 Minutes of the meeting held on the 6th June 2018**

 The minutes of the meeting held on the 6th June 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.

**32/18 Confidential Minutes of the meeting held on the 6th June 2018**

 The confidential minutes of the meeting held on the 6th June 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.

**33/18 Strictly Confidential Minutes of the meeting held on the 6th June 2018**

 The strictly confidential minutes of the meeting held on the 6th June 2018 were agreed as a true and accurate record and were signed by the Chair. There were no matters arising from them.

**34/18 Correspondence**

(i) **Letter from ESFA dated 15th October 2018** **re: Fareham College Financial Plan 2018 to 2020** - The AP(FF&R) advised members that the letter from the ESFA had confirmed the College’s underlying financial grade as ‘Good’ for the 2017/2018 year (based on the latest out-turn forecast) and ‘Good’ for the 2018/2019 year (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 2018**: **Early Intervention and Prevention** – The AP(FF&R) advised members that a meeting with the ESFA had taken place on the 14th November 2018 as part of the early intervention monitoring process. During that monitoring meeting the ESFA were able to review a much improved forecast out-turn position for 2017/2018 than originally envisaged. The Finance Record had been submitted and, based on the better then forecast out-turn position for 2017/2018, the College’s position had improved from 180 points to 210 points. Members noted that, the Finance Record would be analysed and it was envisaged that the improved point score would take the College out of early intervention in the New Year. The AP(FF&R) confirmed that the ESFA would confirm the position in writing to the College once the analysis had been completed.

**35/18 Risk Management**

 Members of the Committee received a presentation on Risk Management from the AP(FF&R). He outlined the top most current and assessed risks facing the College which were the responsibility of the Committee to monitor and review.

 During the presentation members were advised that:

* The Annual Report on Risk Management would be presented to the Audit Committee on the 28th November 2018;
* The overall risk score was 6.57 compared to:
- 6.45 (Nov 17);
- 6.67 (Mar 18); and
- 6.39 (Jun 18);
* The 3 biggest risks related to:
- Decline in funding, particularly levy and grant apprenticeship funding;
- Failure to recruit sufficient apprentices to meet the growth plan in the budget;
- Financial position deteriorates leading to a decline in the College’s financial health grade;
* Project funding opportunities had occurred due to the OFSTED ‘Outstanding’ rating. Members were advised that the College had to spend an additional £175k by the end of the financial year. The AP(FF&R) stated that an element of risk existed but a plan to spend the funds had been developed;
* Declining risks included:
- Poor student attendance leading to poor outcomes (English and Maths attendance);
- Poor FT and PT recruitment leading to decline in funding (reduction in school leavers);
- Affordability of competitive rates of pay causes issues related to recruitment;
- Full Study Programme under-developed leading to elements not being completely delivered;
- Serious IT security failure causing security breach (attempted breach thwarted);
- Changes to Data Protection Law increases accountability associated with breach and risk of severe penalty;
* Confirmation of the funding band for CETC was still awaited. Members were advised that the recommendation had been for £8k per apprentice but the College had asked for £12k. There was a brief discussion about whether this decision could be appealed;
* Governors queried the buoyancy of the apprenticeship market now that the new funding regime had been in place for some time. The Principal confirmed that the sector was still seeing a decline in apprenticeship recruitment and many employers were using the Levy to up-skill their own staff.

 **Members of the Committee noted the current position and the mitigation in place to reduce the risks identified.**

*At this point members present agreed to take agenda item 9(i) HR Strategy Update as Mrs Hinton had to leave the meeting early.*

**36/18 HR Strategy Update: Position Statement**

 Members of the Committee received a paper which provided an update on People and Organisational Development which focussed on key challenges for HR in 2018/2019 based on organisational targets and trends and the relevant local and national context.

 Mrs Hinton spoke to the paper and outlined why the HR Strategy Update had been delayed. She explained that it would be more beneficial to update the HR Strategy once the Strategic Plan Update had been formally reviewed and approved by the Board.

 Members of the Committee reviewed the paper in detail and discussed key elements of it as follows:

(i) **Staff Turnover:**

* The College had struggled with turnover rates for a few years. It was noted that these had reached as high as 29% in-year on occasion. The potential impact and disruption to have a third of all staff leave and be replaced had caused real concern and had been monitored formally through the College’s Risk Register;
* A revised induction process to support teachers new to teaching had been implemented as retention of staff was poor in specific areas;
* 2016/2017 exit interviews highlighted the fact that 43% of leavers were moving out of FE completely. Mrs Hinton emphasised the fact that the 2017/2018 exit interviews indicated that only 43% were staying in FE which implied an increasing trend;
* Salaries in FE generally continued to present challenge, particularly in terms of retaining specialists from growth areas such as civil engineering. Mrs Hinton expressed gratitude that a 1% pay rise had been affordable. She went on to say that an annual salary review and pay rise would need to be maintained in order to avoid causing significant problems for the College’s future success;
* Staff survey outcomes had indicated that the highest concern amongst staff was their job security and that of other staff. Due to the continuous funding changes and the perceived on-going risk of redundancy job security was perceived to be extremely low;
* The target for 2018/2019 was to reduce the current turnover by 4% (from 21.65 to 17.65);
* Members reviewed the actions which had been taken to address Staff turnover:
- A budgeted 1% pay award for staff from 1st February 2019;
- Increased in-year income to reduce potential need to make redundancies;
- Staff utilisation by implementing temporary relocation policy to mitigate need for redundancy;
- Explore flexible working arrangements. Mrs Hinton highlighted the fact that the College had limited capacity to offer this due to the small number of staff in each team. Members suggested that it would beneficial to be provided with a comparison for support staff too. Mrs Hinton explained that it was more difficult to provide as it was not easy to define a benchmark. Mrs Hinton reported that recent recruitment and increased requests for flexible working indicated that this would be an attractive strategy for recruitment and retention. There was a brief discussion about how this could be implemented and whether, operationally, it was a viable consideration.

(ii) **Performance Management:**

* Members reviewed performance issues data over a 5-year trend as outlined on page 3 of the report;
* Mrs Hinton highlighted the fact that, as the data suggested, the College had moved more towards developing and supporting its staff to improve with greater success.

(iii) **Recruitment**:

* Mrs Hinton confirmed that attracting candidates for specific areas of work continued to present challenge. She went on to say that many of the difficulties related to the same issues as with staff turnover i.e. salaries, poor attraction of working in FE;
* In addition, Mrs Hinton outlined the ‘skills gap detriment’ which related to not being able to appoint efficiently to identified vacancies and the skills gap detriment in teams and departments. She went on to say that the ‘gap’ either caused increasing stress on existing team members or was temporarily met through short-term contracts which often meant resorting to the use of agency staff;
* HR was trying to maintain ‘bank staff’ for areas but the demand was so adhoc it was proving difficult.

(iv) **Management of the Staffing Budget (EPN):**

* Members were advised that the EPN was carefully managed through HR and close working with Managers. Each vacant post was carefully reviewed for potential savings and each new initiative carefully costed with Finance to identify the required HR investment;
* The previous year (2017/2018) in-year savings had been required and £100k savings secured on the establishment. This then realised at £84k saving in-year;
* For 2018/2019 the EPN was tracking at £13k over-committed. However, plans were in place to recover this;
* There were no identified requirements which were not already budgeted for;
* Current staff under-utilisation was being reviewed with a plan to relocate key skills where possible pending a projected increase in need in 2019/2020.

(v) **HR Department Challenges 2018/2019:**

* Staff turnover – Members were advised that during the past 6 months there had been 100% turnover in staff in the HR department;
* Both members of staff ‘moving on’ were moving to promoted posts elsewhere outside of FE;
* A new database had been implemented but this had not been straight forward due to the changes in HR personnel.

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

**37/18 Presentation on FE Funding**

Members of the Committee received a presentation from the Principal on FE Funding which provided an update on the current landscape and future considerations related to:

* **The Future** – What we know, or can guess;
* **The Autumn Budget** – funding relatively predictable for the next 12 months;
* **A review of the short-term position**;
* **16-18 Funding** – including the introduction of T Levels and more industry placement and the extra TPS grant. In addition, 16 to 18 population was down 2% in 2019;
* **Apprenticeship Funding**;
* **Adult Education Budget** – of significant interest was the devolution of c50% of adult education budget to Greater London and six Mayoral Combined Authorities (West Midlands etc.) in 2019;
* **Government funding to colleges had been cut** by 30% between 2009 and 2019;
* **Funding for students in FE compared to Schools and Universities –** comparison figures were provided;
* **Staff to income ratios compared to benchmark** were provided;
* **An overview of the income and expenditure 2019/2020** and the challenges;
* **An update on the College Insolvency Regime;**
* **An overview of the 2019 Comprehensive Spending Review** – of particular significance was the fact that Education was the biggest unprotected spending budget;
* **What does the future hold** – There was a widespread agreement that 16-18 was underfunded. The Principal highlighted the fact that there were now 266 colleges and 2200 Sixth Form Colleges.

The presentation slides used are an **Appendix** to these minutes.

**Members of the Committee thanked the Principal for his presentation. The Chair requested that the same presentation be provided to the full Board at its meeting in December 2018 to set the scene for the strategy going forward.**

**38/18 The Draft 2017/2018 Financial Statements**

 Members of the Finance and Resources Committee received a Draft set of 2017/2018 Financial Statements. Mr Lewis, AP(FF&R), spoke to the paper and drew the following to the Committee’s attention:

* In July 2018 the forecasted out-turn position for 2017/2018 was a deficit of £747k (including £300k of pension costs) or a £447k deficit excluding pension costs);
* In October 2018 the forecast out-turn position for 2017/2018 had improved to a deficit of £596k (including £300k pension costs) or a £296k deficit excluding pension costs;
* **The actual final out-turn position for 2017/2018** improved further still and was reported as a deficit of £539k (including £300k of pension costs) or a £239k deficit excluding pension costs;
* **The final out-turn position for 2017/2018** was slightly worse than the 2016/2017 out-turn of £504k;
* **The cash position** reduced significantly over the year from £2.972m to £1.907m;
* During the year the Solent LEP loan of £1.325m had been repaid and a new long-term loan taken out with the bank. This had a positive effect on the debtor/creditor ratio which was reflected in the Financial Health score for the College;
* Members were reminded that the results of the Finance Record had improved from a score of 160 in 2016/2017 to a score of 210 points in 2017/2018 which placed the College firmly in the middle of the ‘GOOD’ financial health band;
* **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 2017/2018 presented, members of the Finance and Resources Committee agreed to recommend them for formal approval by the full Corporation at its meeting on 12th December 2018.**

**39/18 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 AP(FF&R) 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 12th December 2018.**

**40/18 The Finance Record**

 Members of the Committee received a copy of the year-end Finance Record which was due to be submitted to the ESFA by 31st December 2018. Members noted that the ESFA used the report to monitor the College’s Financial Health via the Financial Health Score and Grade. Mr Lewis reiterated the fact that the College was in early intervention because, in recent years, the financial health score had declined. He went on to say that the Finance Record provided reflected a much improved score of 210 points which placed the College back in the middle of the ‘Good’ range.

 **Members of the Finance & Resources Committee agreed to recommend the Finance Record for formal approval by the full Corporation at its meeting on the 12th December 2018.**

**41/18 Management Accounts at 31st October 2018**

 Members of the Committee received a confidential paper on the Management Accounts at 31st October 2018. The AP(FF&R) spoke to the paper and drew the following to members’ attention:

* The budget position had improved slightly from an original budget deficit of £33k to a small surplus of £8k;
* Overall the College’s income forecast had reduced by £214k;
* Overall the College’s expenditure forecast had improved by £255k;
* Members were advised that a requirement of early intervention was that the quarterly Management Accounts and rolling 12-month cash-flow were submitted to the ESFA. Members noted that it was intended to use the Accounts provided as the first submission. It was noted that the ESFA were yet to confirm the reporting deadlines.
* The Cash-flow was reviewed. Members acknowledged that the College was ‘holding its own’ and compared to other colleges in the sector was doing really well.

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

**42/18 Annual Review of the Financial Regulations – November 2018**

Members received a paper on the Annual Review of the Financial Regulations: November 2018. Other than minor job title changes the following amendments were proposed for the Committee’s consideration:

* Reporting of Fraud, Data Protection Officer and first contact for any irregularities will now report to the Assistant Principal Finance, Funding and Resources. The Regulations currently state the Deputy Principal from the days when Peter Marsh was the Deputy Principal;
* Tender limit is £50,000 in the limits appendix and tendering appendix. The Financial Regulations stated £10,000 in error;
* Bank Overdraft has been reduced from £500,000 to £250,000;
* The signing of subcontracting contracts has been added, £100,000 by the Principal or Assistant Principal Finance, Funding and Resources, above £100,000 to be signed by both and ratified by the Corporation.

 **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 12th December 2018.**

**43/18 Annual Health and Safety Report to the Corporation 2017/2018**

Members of the Committee received a paper on the Annual Health and Safety Report 2017/2018 (including Accident Statistics provided at Appendix 1 to the paper). The Principal spoke to the paper and advised members that the report provided a health and safety overview for 2017/2018 and outlined 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 2017/2018 and agreed to recommend it for formal approval by the full Corporation at its meeting on 12th December 2018.**

**44/18 Performance Review of the Deputy Principal 2017/2018**

*At this point, Ms Allen and Executive Officers withdrew from the meeting.*

 Members received a strictly confidential paper on the Performance Review of the Deputy Principal 2017/2018. 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 students only.

**45/18 Private Medical Insurance Renewal**

 Members received a strictly confidential paper on the Private Medical Insurance Renewal for the Principal. 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 students only.

**46/18 Date of next meeting -** It was noted that, in accordance with the Corporation Calendar approved in June 2018, the next meeting of the Finance and Resources Committee was scheduled for **Wednesday 6th March 2018** **at 5.30 pm**