

FINANCE & GENERAL PURPOSES COMMITTEE

AGENDA NOTICE

Finance & General Purposes Committee Meeting

Date: Thursday 23rd November 2017

Time: 10.00am

Venue: Principal's Office

Please note this meeting precedes Remuneration Committee

- 1.1 Opening of Meeting and Apologies for Absence**
- 1.2 Declarations of Interest**
- 1.3 Minutes of the last Finance & General Purposes Committee held 20th June 2017**
Chair of Finance & General Purposes Committee Appendix 1.3
- 1.4 Matters arising from the minutes**
- 1.5 Review Committee Terms of Reference and Committee Effectiveness**
Chair of Finance & General Purposes Committee/Clerk Appendix 1.5

FINANCE

- 1.6 Management Accounts for October 2017**
Report by the Director of Finance & Resources Appendix 1.6
- 1.7 Financial Forecast for November 2017**
Report by Director of Finance & Resources Appendix 1.7
- 1.8 Farnborough College of Technology Financial Statements for year ended 31st July 2017**
Report by the Director of Finance & Resources Appendix 1.8
- 1.9 Student Recruitment Numbers 2017/18**
Report by the Principal Appendix 1.9
- 1.10 Pay Award 2017/18**
Report by the Principal Appendix 1.10
- 1.11 Capital Expenditure Update - Capital Projects 2017/18**
Report by Director of Finance & Resources Appendix 1.11
- 1.12 Banking & Treasury Management Termly Report**
Report by Director of Finance & Resources Appendix 1.12
- 1.13 Bad Debtor Report**
Report by Director of Finance & Resources Appendix 1.13

GENERAL PURPOSES

- 1.14 Property Strategy Update**
Verbal Report by the Principal
- 1.15 Technology Integration Group**
Report by the Principal Appendix 1.15
- 1.16 Annual Health & Safety Report 2016/17**
Report by the Director of Finance & Resources Appendix 1.16
- 1.17 Implementation of new off-payroll requirements**
Report by the Director of Finance & Resources Appendix 1.17
- 1.18 Health & Wellbeing Board Terms of Reference**
Verbal Report by the Principal

POLICIES

- 1.19 College Refunds & Withdrawals Policy**
Report by Director of Finance & Resources Appendix 1.19
- 1.20 Supply Chain Fees Policy 2017/18**
Report by Director of Finance & Resources Appendix 1.20
- 1.21 Any Other Business**
- 1.22 Date & Time of the next meeting**
Tuesday 13th March 2018 at 10am

DISTRIBUTION LIST

Committee
Mr B Edwards – Chair
Professor M Earwicker
Mr H Malins
Mr R Rendel
Professor J Yeomans
Ms V Barratt - Principal

In attendance
Mrs J Milburn - Vice Principal
Mr K Sethi –Director of Finance & Resources
Mr I Wolloff- Vice Principal
Mrs C Gillam – Clerk to Corporation

Farnborough College of Technology

Finance & General Purposes Committee

Minutes of meeting held on Thursday 23rd November 2017

Present:

Mr B Edwards – Chair of Committee
Professor M Earwicker
Mr H Malins
Mr R Rendel
Ms V Barrett - Principal

In Attendance:

Mr K Sethi - Director of Finance & Resources
Mr D Hewitt – Chair of Audit Committee (*left part-way during item 1.8*)
Mr S Markham – Fusion Project Management Ltd (*left after item 1.14*)
Mrs C Gillam – Clerk to the Corporation

Quorate: Yes

*The meeting opened at 10.02am
The agenda item order was re-arranged as follows.*

1.14/17.18 Property Strategy

The Principal reminded the Committee that at the 24 July 2017 Corporation Board meeting the Corporation had provisionally agreed a budget of £16-£20m for the draft Property Strategy. Mr Stuart Markham from Fusion Project Management had worked to move the emerging Property Strategy forward recognising the need to test strategic business plans with industry partners and build phased options into the Strategy.

The remainder of this item was a confidential minute.
Mr Markham left the meeting.

1.1/17.18 Opening of Meeting and Apologies for Absence

Apologies were received and accepted from Professor Yeomans.

1.2/17.18 Declarations of Interest

No declarations were noted in relation to the agenda items.

1.3/17.18 Minutes of the meeting held 20th June 2017

The minutes of the last meeting were accepted as a true and accurate record and were signed by the Chair.

1.4/17.18 Matters arising from the minutes

The Committee enquired whether under item 3.9 from the minutes of the previous meeting it was possible to know which colleges had been asked to give pension schemes security over their assets. The Director of Finance & Resources replied that they had not been named in the presentation he had seen. Under item 3.10 the Barclays contingency payment system the Director of Finance & Resources informed the Committee that a paper would be brought to the Committee in March 2018. This concerned the College's ability to make large payments in the event of a major systems breakdown. He also noted that under item 3.11 VAT matters, Brockenhurst College's success in claiming VAT exemption for certain supplies (restaurant and hair & beauty). Already the College had received a refund of £24k, which was included in the current balance sheet and further refunds were anticipated. Following the decision, the College

received a letter seeking to verify the College's refund of £24k. The Director of Finance further noted any future claims are likely to be put through the same rigorous procedure.

1.8/17.18 FCoT Financial Statements for year ended 31st July 2017

The Clerk circulated a copy of the Audit Completion Report to be read alongside the Financial Statements. The Committee invited the Chair of Audit Committee Mr Hewitt to comment upon Audit Committee's consideration of the documents and also noted that Mr Rendel had attended Audit Committee as an observer. Mr Hewitt drew attention to the one unadjusted and one adjusted item on page 9 of the Audit Completion Report and explained that one concerned the scheduling of a severance payment which the College had noted for future reference and the other was a technical issue regarding accruals. The External Auditors Mazars had stressed what a good audit this was in comparison to others in the sector who had pages of unadjusted and adjusted items to report.

In response to the requirements on page 15 of the Financial Statements for Audit Committee to advise on the effectiveness of the system of internal control and confirm that the College has an "effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for the 'effective and efficient use of resources, the solvency of the institution and the Corporation and the safeguarding of their assets'" Mr Hewitt formally confirmed that Audit Committee was satisfied in all these regards and could therefore recommend the Financial Statements for F&GP Committee's consideration.

Mr Hewitt left the meeting.

The Director of Finance & Resources drew the Committee's attention to the Statement of Comprehensive Income and Expenditure on page 21 of the Financial Statements and the operating deficit of £78k before defined benefit pension costs. However, he informed the Committee that once the adjustment for FRS102 had been made this gave the College an operating surplus of £102k which also compared favourably with the budget for 2016/17. Note 18 in the notes to the accounts set out the detail regarding pensions and similar obligations. It was observed that actuaries' assumptions varied from year to year but that this year the valuations of the independent actuaries had swung in the College's favour. The College's External Auditors do benchmark the assumptions used by the actuaries and the College was able to challenge the assumptions if it felt they were incorrect.

The Committee reviewed the Financial Statements and was content to recommend them to the Board for approval. The Director of Finance & Resources explained that under new rules the College would lose its outstanding financial status if it did not make an operating surplus. In response to a question from a Governor he explained that the criteria for outstanding financial health was complex but essentially covered three areas: surplus and income; cash balance; current ratio of assets and liabilities. FCoT was historically well placed in its cash balance and ratio performance but the need to return an annual operating surplus was more important than ever in order to maintain outstanding financial health.

Action: The Committee accepted the Financial Statements and would recommend their approval to the Board.

1.5/17.18 Review Committee Terms of Reference and Committee Effectiveness

The Terms of Reference were accepted without amendment and no actions were suggested to improve the Committee's effectiveness.

1.6/17.18 Management Accounts for October 2017

The Director of Finance & Resources briefed the Committee that the deficit for October was lower than budgeted due to the timing of income and costs, namely that the majority of income arrives at the start of the year but costs were phased during the year. Over the course of the year amounts would come back in line with the budget. Matters were further complicated by the introduction of the non-levy apprenticeships and apprenticeship levy funding

arrangements. However, the Principal noted that whereas she had reported last year that apprenticeship levy employers were slow to engage with the College, this had changed substantially over the summer and autumn resulting in an increase from 9 to 30 employers who were working with the College with 630 apprenticeships and rising.

The Governors enquired as to why salary costs were below budget and it was acknowledged that in part the College had taken opportunities to reduce costs where possible but also that there remained some difficulties in recruitment in specialist areas such as engineering. Looking in detail at the KPIs on page 6 concerning staff costs the Committee noted that FCoT was unusual in the sector in that it does not contract out services such as catering, cleaning, security etc but asked if the Executive could commission a new benchmarking exercise so that the Committee could see how staff costs here in 2017/18 compared to other colleges. The Director of Finance & Resources agreed to bring a paper to the next meeting.

1.7/17.18 Financial Forecast for November 2017

The Director of Finance & Resources reflected that the forecast showed a favourable surplus against budget largely due to substantial savings in staff costs. However, he cautioned that it was early in the year and there remained areas of uncertainty in terms of both income and expenditure which, as ever, would require close monitoring through to year end. The Committee was pleased to record that the apprenticeship funding budget was on track to be met for both 16-18 and 19+. The Principal drew the Governors' attention to one potential area of risk which had recently been identified which was the ESF budget and that she had requested a detailed plan to monitor progress against the £130k target in that area. She observed that although the College had made savings from some resignations for which replacements had not been recruited over the summer, her priority was to focus on growth in income rather than cost savings. She had also identified some areas in her meetings with Programme Managers where additional support was required such as sourcing work experience placements which was currently being handled by teaching staff. She was looking to use the development fund in the budget to support the contracting of an external company to take this work over and relieve the burden on lecturers.

1.9/17.18 Student Recruitment Numbers

The Principal delivered the paper setting out levels of recruitment in each funding category which were all forecast to meet the budget targets. She noted that the picture was especially positive given that the declining demographics would not start to upturn until 2019/20. The Committee congratulated the Principal and the College on a most encouraging picture.

1.10/17.18 Pay Award

This item was recorded as a confidential minute

1.11/17.18 Capital Expenditure Update – Capital Projects 2017/18

The Director of Finance & Resources presented the update on spend against budget for the minor capital projects approved by the Corporation for 2017/18. The Governors noted an overspend against budget for Maths and English tablets and were advised that this was due to docking stations not being included in the original capital bid. There was a significant underspend on plumbing testing bays for the Aldershot campus as it had since been agreed that this would be delayed by a year in order to seek LEP matched funding. In total therefore the amount spent/committed was below the total amount approved by the Board.

1.12/17.18 Banking & Treasury Management Report

The Committee's attention was drawn to an issue which had arisen with HSBC. The bank had contacted the College to say it could no longer offer deposits if the College did not have an HSBC current account. The Director of Finance & Resources advised that HSBC would not allow the College to place a deposit with them if the College did not have a current account with

them. The College's current account was with Barclays and it would not be in the College's interest to open an additional current account elsewhere. He therefore recommended that the College close the account with HSBC. The Committee agreed.

1.13/17.18 Bad Debtor Report

The Committee approved the write off of the bad debt totalling £1,340.

1.15/17.18 Technology Integration Group

The Principal updated the Committee on the key works undertaken through the Corporation approved investment in digital transformation. The Technology Integration Group (TIG) had been formed with membership from key senior and operational managers to direct the College's digital transformation strategy and would provide regular reports to F&GP Committee. It was hoped that it would be possible to bring to the next Committee meeting a 3 year IT plan from the TIG.

1.16/17.18 Annual Health & Safety Report 2016/17

The Director of Finance & Resources presented the annual report noting the training undertaken and planned, and the accident statistics which showed a reduction in student accidents. One RIDDOR reportable accident had occurred. The Governors questioned how it was possible to know whether the reported training had taken place and the Director of Finance & Resources agreed to commission verification of the training record. Governors also asked whether the College had sufficient fire exit signage and were reassured that the College has regular Fire Service inspections and is compliant with the relevant legislation.

1.17/17.18 Implementation of new off-payroll requirements (IR35)

The Director of Finance & Resources delivered an update on the College's compliance with IR35 as had previously been requested by the Committee. The College currently employs two people under the IR35 category and thus they are paid gross to their limited company which invoices the College. One is an assessor and the other is the MIS consultant from Modulo2.

1.18/17.18 Health & Wellbeing Board

The Principal announced that she had set up this Board which would proactively address issues raised by staff at staff forums, staff conferences etc. The first meeting was scheduled for next week.

1.19/17.18 College Refunds and Withdrawals Policy 2017/18

The Committee approved the unchanged policy, noting that it was in line with the policies of other colleges.

Action: The Committee agreed to recommend to Corporation Board approval of the College Refunds and Withdrawals Policy 2017/18.

1.20/17.18 Supply Chain Fees Policy 2017/18

The Committee approved the policy, noting the two changes to the previous policy and that the College currently has no sub-contracting provision. Having this policy in place would however allow the College to move quickly if a sub-contracting opportunity arose and any such proposal would be brought to F&GP for approval prior to the Board.

Action: The Committee agreed to recommend to Corporation Board approval of the Supply Chain Fees Policy 2017/18.

1.21/17.18 Any Other Business

The Chair of Corporation reported that he had asked the Clerk to look into the possibility of the Corporation Board moving from a corporate body to a company limited by guarantee. This had

been prompted by the new insolvency rules and desire for greater protection for Governors as well as the possibility of greater independence. Many Universities were organised along this model. It was a complex area but a short briefing paper would come to the December Board to provide a starting point for a Board discussion.

1.22/17.18 Date and time of next Finance & General Purposes Committee meeting

Tuesday 13th March 2018 at 10am.

The meeting closed at 12.53pm

Minutes agreed as being a true and accurate record by the Chair.

Signed:

Dated:

Summary of action points

Item	Action	Responsibility
Property Strategy	Paper to December Board summarising Committee feedback	Principal
FCoT Financial Statements 2016/17	Recommend approval to Board	Chair F&GP
Committee Terms of Reference	Recommend approval to Board	Chair F&GP
Management Accounts October 2017	Paper to next Committee benchmarking College 2017/18 salary costs to FE sector	Director of Finance & Resources
Pay Award	Recommend approval of the following to the Board: <ul style="list-style-type: none"> • 1% <u>or</u> £250 to non-academic staff below £25k (whichever is more beneficial) <u>or</u> £500 to teaching staff below national average salary of £30k (all consolidated awards) • A further 0.5% was approved for all eligible staff. • Together, both percentage increases above are consolidated awards • £40k – lump sum for exceptional/outstanding individual and team awards (non-consolidated). 	Chair F&GP
College Refunds and Withdrawals Policy 2017/18	Recommend approval to Board	Chair F&GP
Supply Chain Fees Policy 2017/18	Recommend approval to Board	Chair F&GP