

FINANCE & GENERAL PURPOSES COMMITTEE

AGENDA NOTICE

Finance & General Purposes Committee Meeting

Date: Tuesday 13th March 2018

Time: 10.00am

Venue: Principal's Office

- 2.1 Opening of Meeting and Apologies for Absence**
- 2.2 Declarations of Interest**
Action: Declare any interests
- 2.3 Minutes of the last Finance & General Purposes Committee 23rd November 2017**
Part 1 Appendix 2.3a
Part 2 Confidential Appendix 2.3b
Action: Review and approve
- 2.4 Matters arising from the minutes**
Chair of Finance & General Purposes Committee Appendix 2.4
Action: Note progress on actions

FINANCE

- 2.5 Monthly Management Accounts for January 2018**
Report by the Director of Finance & Resources Appendix 2.5
Action: Receive for information
- 2.6 Financial Forecast for March 2018**
Report by Director of Finance & Resources Appendix 2.6
Action: Receive for information
- 2.7 Monitoring of Financial Risks**
Report by the Director of Finance & Resources Appendix 2.7
Action: Receive and comment on any issues arising
- 2.8 Budget 2018/2019 Assumptions**
Report by the Director of Finance & Resources Appendix 2.8
Action: Receive and approve
- 2.9 College Salary Costs benchmarking**
Report by the Director of Finance & Resources Appendix 2.9
Action: Receive for information
- 2.10 a) Capital Expenditure Update - Minor Capital Projects 2017/18**
Report by Director of Finance & Resources Appendix 2.10a
Action: Receive the update
- b) Capital Projects 2018/19**
Report by the Director of Finance Appendix 2.10b
Action: Receive for information
- 2.11 Banking & Treasury Management Termly Report**
Report by Director of Finance & Resources Appendix 2.11
Action: Receive for information
- 2.12 Contingency Payment Authorisations**
Report by Director of Finance & Resources Appendix 2.12
Action: Receive for information

- 2.13 Power Outage Report**
Report by Director of Finance & Resources Appendix 2.13
Action: Receive for information

GENERAL PURPOSES

- 2.14 Property Strategy Update**
Verbal Report by the Principal
Action: Receive for information
- 2.15 Technology Integration Group**
Report by the Principal Appendix 2.15
Action: Receive for information
- 2.16 Health & Safety Termly Report**
Report by the Director of Finance & Resources Appendix 2.16
Action: Receive for information
- 2.17 Health & Wellbeing Board minutes**
Report by the Principal Appendix 2.17
Action: Receive for information
- 2.18 Gender Pay Gap Reporting**
Report by the Director of Finance & Resources Appendix 2.18
Action: Receive for information
- 2.19 Any Other Business**
- 2.20 Date & Time of the next meeting**
Tuesday 19th June 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
Mr K Sethi –Director of Finance & Resources
Mrs C Gillam – Clerk to Corporation

Farnborough College of Technology

Finance & General Purposes Committee

Minutes of meeting held on Tuesday 13th March 2018

Present:

Mr B Edwards – Chair of Committee

Mr R Rendel - *until end of item 2.11*

Professor J Yeomans

Ms V Barrett - Principal

In Attendance:

Mr K Sethi - Director of Finance & Resources

Mrs C Gillam – Clerk to the Corporation

Quorate: Yes

The meeting opened at 10.18am

2.1/17.18 Opening of Meeting and Apologies for Absence

Apologies were received and accepted from Professor Earwicker and Mr Malins.

2.2/17.18 Declarations of Interest

No declarations were noted in relation to the agenda items.

2.3/17.18 Minutes of the meeting held 23rd November 2017

The Part 1 and confidential Part 2 minutes of the last meeting were accepted as a true and accurate record and were signed by the Chair.

2.4/17.18 Matters arising from the minutes

There were no further matters arising.

2.5/17.18 Management Accounts for January 2018

The Director of Finance & Resources introduced the Management Accounts noting that for the first time this year the College was showing a favourable variance in the year to date in comparison with the budget. The year to date surplus was £1541k in comparison with a budget of £1455 and thus £86k above budget. Income had improved and salary costs were considerably lower than budgeted. It was noted that funding was now reported as earned for EFSA funded 16-18 and 19+ apprentices which would ensure smoother and more accurate reporting of ESFA funded apprenticeship income throughout the year.

Governors enquired why HE figures were £75k below budget year to date, and whether that figure would be higher if the release of £60k budgeted HE bursary provision were included. They conceded the rolling effect that a poor HE entry two years ago might have with a low final year HE cohort but asked to have the matter investigated and clarified in the Principal's Report to the March Board. A 5 year profile of HE figures would be helpful with the bursary figures separated out and student numbers and actual income included. The Principal agreed and commented that HE was a complex area. Another factor might be the impact that the introduction of two year degrees was having on HE income as the cost to the College was the same as for a 3 year programme (£18k) but fees were for 2 years (£12k).

The next section was recorded as a confidential minute.

Governors were extremely pleased to note under the KPIs on page 6 that the College's cash days in hand was 292.4 compared to a sector average of 64.2. The Director of Finance &

Resources informed the Committee that he would be considering provision in the accounts for a contingency fund to manage unanticipated costs such as those experienced with the power outage in January. The Director of Finance & Resources would also discuss the accounting treatment of the revaluation reserve with the auditors.

Under the key financial performance indicators Governors enquired whether there was a trend towards a greater casualization of staff as teaching posts were down against budget but numbers of contract staff had increased. The Principal reflected that this was not a strategic decision but a one-off this year. As an operating policy the College aimed to have a 60/40 balance between established and sessional staff to give stability and flexibility.

In summary the Committee concluded that income and expenditure were positive and that actual figures were incredibly close to budget, even despite the unexpected financial costs associated with the power outage.

Action: The Committee requested detail on HE figures including a 5 year profile be included in the March Principal's Report to Corporation.

2.6/17.18 Financial Forecast for March 2018

The Director of Finance & Resources reported to the Committee that the forecast based on the actual results for the first 6 months of the year showed a favourable surplus of £161k against a budget of £153k. This was despite awarding a higher staff pay award than budgeted and including the costs associated with the power outage. It was also noted that in line with good practice the College would no longer include internal income in the forecasts and management accounts. This would have no effect on the bottom line but would reduce confusion between the management accounts and the financial statements. Governors enquired as to the profitability of the refectory and noted that although there had been a small decline work was underway to remedy this. Catering provision at the Aldershot site was much improved and was proving very popular and the College was looking to introduce a cashless payment system across both sites. Having previously operated at a deficit Governors were also pleased learn that the College Nursery Bookworms was now operating at a surplus.

The Committee discussed the biggest risks to achieving the forecast noting that of these the most substantive risk was the Adult Education Budget. This was currently at £314k against a full year allocation of £867k but would have new starts throughout the year. The College was looking to optimise its income here and the apprenticeship team were looking at how work based learning requests could improve the figures. It was also likely that a downturn in income here would be offset by increases in income elsewhere e.g. apprenticeships. The College had received a significant increase in its non levy apprenticeship allocation and to preserve its high allocation for next year was considering sub-contracting out certain highly specialist apprenticeship areas such as scaffolding although it was mindful of the quality issues which would need to be considered.

2.7/17.18 Monitoring of Financial Risks

The top financial risks had been extracted from the re-designed risk register which was still being fine tuned. Governors were informed that the controls/mitigation column would be further refined by SMT to focus upon a smaller number of clear actions for improvement which would then generate an action plan for all mitigating actions which could be monitored to track progress and reported back to F&GP, Curriculum & Standards and Audit Committees.

Regarding risk number 11 concerning new staff not having adequate skills it was explained that this referred not to staff in general but to staff coming from industry in certain subject areas such as Engineering where they were highly skilled but required further assistance to make the transition to teaching. Governors reflected that in other institutions annual peer review was common and the Principal informed the Committee that an observation arising from the recent Curriculum Review was to join up the process of peer review to flow through to action plans, appraisals etc.

Regarding risk 14 concerning an IT virus outbreak it was observed that whilst staff training was useful a dummy exercise using a phishing email sent to staff would be extremely helpful in identifying high risk staff who might open a suspect attachment. It was suggested that the wording of risk 16 concerning Brexit be amended to show it was discussing the possibility of employers reducing investment in staffing and training.

2.8/17.18 Budget 2018/19 Assumptions

The paper set out in a summary table the major components of income growth with an expectation that income growth in 2018/19 would be around £1m to £1.2m generating a surplus of between £650k to £750k. Governors commented that growth in HE income of £100k seemed low but given the earlier discussion regarding the complexity of the HE situation (small year 3 cohort/effect of 2 year degree offer) it was sensible to be conservative regarding income growth until the HE picture was better understood.

Action: The Committee approved the budget assumptions for 2018/17 with the proviso that the HE situation would be clarified.

2.9/17.18 College Salary Costs Benchmarking

The Committee praised the paper which was produced in response to a query in the November 2017 meeting regarding benchmarking staff costs. Once staff costs were adjusted to about 4% of income then FCoT was in line with sector averages.

2.10a/17.18 Capital Expenditure Update – Capital Projects 2017/18

To date £1248k of the £1541k approved for minor capital projects had been spent. Money would not necessarily be spent even if it had been budgeted for as there had to be a good business case for the spend. Capital expenditure should bring about substantive change e.g. the UCF and Westminster modifications and the installation of plumbing bays at Aldershot.

2.10b/17.18 Capital Projects 2018/19

The bidding process across the College resulted in bids totalling £1.5m. As was the case in 2017/18 the College was limiting capital expenditure to essential repairs and updates in order to focus on major impactful sustainable projects. The College was awaiting the publication of the LEP's prospectus but it appeared that they may have only £10m to finance all projects across all FE providers in 2018/19. Stuart Markham from Fusion Project Management had sifted through the FCoT £1.5m capital bids to see which could be included in the Property Strategy. At the staff conference in December staff had been very pragmatic and encouraged the leadership to focus on addressing leaking classrooms rather than trying to replace the entire roof structure and suggested putting an anti-slip surface in the mall. Focusing on meaningful internal changes and new employer led projects would be the focus of the revised Property Strategy which would come to the March Corporation Board. It was likely that the College would bid for £5m of matched funding from the LEP to support a revised Property Strategy proposal.

2.11/17.18 Banking & Treasury Management Termly Report

The Committee suggested that consideration be given to increasing from £5m the maximum amount which could be held in any one institution. Interest rates and stability made the Nationwide the most attractive and reliable institution for holdings but at present the College could only deposit a maximum of £5m there and no more than £3m per deposit. Therefore the Treasury Management Policy should be reviewed.

Action: Review the Treasury Management Policy at the next Committee meeting.

Mr Rendel left the meeting. The meeting remained quorate.

2.12/17.18 Contingency payment authorisations from Barclays

The Director of Finance & Resources explained that Barclays were offering a free system to offer payment functionality in a contingency situation if the main Barclays banking gateway became temporarily unavailable for any reason. As the College holds its current account with Barclays this was seen as a potentially useful back up to enable payments to be made if the main Barclays site was down. Governors asked for reassurance that the Contingency Payment Access channel was entirely separate and independent from the main Barclays site so that there was no risk of potential entry into one system via the other. It was noted that this would not have helped the College during the power outage and that following a previous paper from the former Director of Finance the Director of Finance & Resources would start setting out the College's Business Continuity Plan which would address such issues in a paper to be brought to a future Committee meeting.

Action: The Committee requested:

- confirmation that the two Barclays payment systems were separate and operated independently
- a paper to a future F&GP Committee setting out an FCoT Business Continuity Plan

2.13/17.18 Power Outage Report

The Committee received a report detailing the circumstances surrounding the power outage suffered by the College in January 2018 and the £35k cost of installing an emergency generator, locating and identifying the fault. It had become apparent that during construction of the UCF the power cable from the transformer to the main site substations had been left sited under the new UCF building rather than being re-routed. This was clearly a high risk and the cable would need to be re-routed during the summer. A paper setting out the costs for approval would be brought to the July Corporation Board. Work would also take place to move the IT network for the Aldershot site to a separate cable so that in the event of a power outage at either site the other site could continue to operate.

Action: Paper on cable re-routing costs to June F&GP Committee and July Corporation Board.

2.14/17.18 Property Strategy Update

This had been covered under item 2.10b.

2.15/17.18 Technology Integration Group

The Committee noted the progress made with capital investment in the College's digital infrastructure to integrate the use of technology. The Technology Integration Group consisted of the Principal, the Director of Finance & Resources, the Computer Services Manager, the Head of MIS, the Head of Finance and the Vice Principal Curriculum & Learners. A 5 year IT Plan would be brought to the next meeting from the Computer Services Manager and a report on the work completed so far. Items under consideration by the Group included an automatic registration system, an electronic visitor registration system, late student electronic slips and a cashless payment system via student lanyards.

Action: 5 year IT Plan and report on work so far to June F&GP Committee.

2.16/17.18 Health & Safety Termly Report

The Committee received the Health & Safety Report noting the table on page 9 which had been produced in response to a previous question from Governors enquiring what training had actually taken place as opposed to being scheduled.

2.17/17.18 Health & Wellbeing Board minutes

The Principal explained that this Board had replaced the Academic Board and had held its first meeting. It would address issues such as work/life balance and reward and recognition. The Principal said that she wanted people to feel that FCoT was a good employer and that staff were well taken care of. Having a workload balance model was part of this and would cover

areas such as a weekend cut off for emails i.e. the College would publicly state that emails would not be responded to over the weekend so that staff would not feel that they had to work over the weekend.

2.18/17.18 Gender Pay Gap Reporting

The Committee discussed the Gender Pay Gap Report noting that employers with more than 250 staff were required by law to publish specific data from their payroll and a written statement. It was suggested that it was helpful in the internal report (not the data to be published on the website) to include numbers of staff as well as percentages for the ‘employees by pay quartile’ on page 1. Governors requested that the difference in bonus pay mean and median figures be confirmed as they pointed to an unusual, although not impossible, distribution. It was suggested that greater detail be added to the written statement including making clear that the College has a structured and considered approach to pay and bonuses despite not having an incremental pay structure. The Principal thanked Governors for their suggestions and agreed that all figures would be checked and a revised version brought to the March Board meeting for approval prior to publication on the College’s website.

Action: Revised Gender Pay Gap Report to come to March Board for approval.

2.19/17.18 Any Other Business

None.

2.20/17.18 Date and time of next Finance & General Purposes Committee meeting

Tuesday 19th June 2018 at 10am.

The meeting closed at 12.48pm

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

Signed:

Dated:

Summary of action points

Item	Action	Responsibility
Management Accounts for January 2018	Include detail on HE figures including a 5 year profile in the March Principal’s Report to Corporation	Principal
Banking & Treasury Management Termly Report	Review the Treasury Management Policy at the next Committee meeting.	Director of Finance & Resources
Contingency payment authorisations from Barclays	Confirm that the two Barclays payment systems are separate and operated independently.	Director of Finance & Resources
Contingency payment authorisations from Barclays	Bring Business Continuity Plan to a future F&GP Committee meeting.	Director of Finance & Resources

Power Outage Report	Paper on cable re-routing costs to June F&GP Committee and July Corporation Board.	Director of Finance & Resources
Technology Integration Group	5 year IT Plan and report on work so far to June F&GP Committee.	Computer Services Manager
Gender Pay Gap Report	Revised Gender Pay Gap Report to come to March Board for approval.	Director of Finance & Resources