

FINANCE & GENERAL PURPOSES COMMITTEE

AGENDA NOTICE

Finance & General Purposes Committee Meeting

Date: Thursday 21st March 2019

Time: 8.00am

Venue: Principal's Office

- 2.1 Opening of Meeting and Apologies for Absence**
- 2.2 Declarations of Interest**
- 2.3 Minutes of the last Finance & General Purposes Committee 22nd November 2018**
- | | |
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| Part 1 | Appendix 2.3a |
| Part 2a Confidential – Governors & SMT only | Appendix 2.3b |
| Part 2b Confidential – External Governors & Principal only | Appendix 2.3c |
- 2.4 Matters arising from the minutes**
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| Chair of Finance & General Purposes Committee | Appendix 2.4 |
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FINANCE

- 2.5 Monthly Management Accounts for January 2019**
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| Report by the Director of Finance & Resources | Appendix 2.5 |
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- 2.6 Financial Forecast for March 2019**
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| Report by Director of Finance & Resources | Appendix 2.6 |
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- 2.7 Monitoring of Financial Risks**
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| Report by the Director of Finance & Resources | Appendix 2.7 |
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- 2.8 Cash Balance Strategy**
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| Report by the Director of Finance & Resources | Appendix 2.8 |
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- 2.9 Budget 2019/2020 Assumptions**
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| Report by the Director of Finance & Resources | Appendix 2.9 |
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- 2.10 Capital Projects Update**
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| Report by Director of Finance & Resources | Appendix 2.10 |
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- 2.11 Banking & Treasury Management Termly Report**
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| Report by Director of Finance & Resources | Appendix 2.11 |
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- 2.12 Bad Debtor**
- | | |
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| Report by Director of Finance & Resources | Appendix 2.12 |
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GENERAL PURPOSES

- 2.13 Technology Integration Group Minutes**
- | | |
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| Report by the Principal | Appendix 2.13 |
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- 2.14 Health & Safety Termly Report**
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| Report by the Director of Finance & Resources | Appendix 2.14 |
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- 2.15 Health & Wellbeing Board minutes**
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| Report by the Principal | Appendix 2.15 |
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- 2.16 Gender Pay Gap Reporting**
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| Report by the Principal | Appendix 2.16 |
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Staff Governor to leave

CONFIDENTIAL

2.17 Confidential Item

Report by the Director of Finance & Resources

Appendix 2.17

2.18 Confidential Item

Verbal Report by the Principal

2.19 Any Other Business

2.20 Date & Time of the next meeting

Thursday 20th June 2019 at 8am

DISTRIBUTION LIST

Committee

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

In attendance

Financial Consultant/Director of Finance & Resources
Mrs C Gillam – Clerk to Corporation

Farnborough College of Technology

Finance & General Purposes Committee

Minutes of meeting held on Thursday 21st March 2019

Present:

Mr B Edwards – Chair of Committee
Professor M Earwicker
Mr S Hunt (until end of item 2.16)
Mr R Rendel
Mr H Malins
Professor J Yeomans
Ms V Barrett – Principal

In Attendance:

Mr J Grindell – Financial Consultant
Mrs C Gillam – Clerk to the Corporation

Quorate: Yes

The meeting opened at 8.05am

2.1/18.19 Opening of Meeting and Apologies for Absence

There were no apologies for absence.

2.2/18.19 Declarations of Interest

Mr Grindell as a Director of Fusion Project Management declared an interest in agenda item 2.10.

2.3/18.19 Minutes of the meeting held 22nd November 2018

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

2.4/18.19 Matters arising from the minutes

The Committee discussed progress on the matters arising. It was suggested that the scheduled annual curriculum changes paper for the June Curriculum & Standards Committee should also come to the Corporation Board in July for the attention of all Governors.

2.5/18.19 Management Accounts for January 2019

Mr Grindell introduced the January accounts and drew the Committee's attention to income to date being £378k better than that budgeted largely due to positive variances in HE income, Full Cost fees and 14-16 fees. However, he noted that whilst it was anticipated that the Adult Education budget would be met, the challenging growth targets for Apprenticeships might not be achieved in full. Capital expenditure showed that the College had spent approximately £1.7m out of a Board approved budget of just over £4m. This would further increase as contractors were on site working on N block and work on J block was about to commence. The College's cash generation continued to yield a healthy surplus but cash reserves would fall as the aforementioned capital expenditure flowed through to completion of the various Property Strategy works.

Looking at the KPIs Governors noted that the College was less reliant on ESFA/HEFCE funding (70%) than the average for all colleges (80%) which was positive. The College would continue to work hard to increase other sources of income. For example the Principal explained that the

proposed improvements to the Catering department's facilities would enable the Gallery Restaurant to increase its opening hours and operate as a commercial enterprise. Governors queried why in the Analysis of Expenditure table refectory costs and consultants' fees were significantly higher than budgeted. Mr Grindell explained that the variance in refectory costs against budget possibly reflected the impact of bulk buying stock at certain times in the year. Refectory income had increased but so had costs and it was an ongoing challenge to maximise the efficiency of the operation. Regarding consultants' fees he noted that the College was capacity building to support extended work placements and also had employed MIS consultants to support the implementation of new systems, as well as consultants to support issues in Engineering. It was an unusual year containing a number of actions which had flowed through from the Curriculum Review and he expected this expenditure line to decrease in 2019/20.

2.6/18.19 Financial Forecast for February 2019

The forecast showed a favourable surplus of £390k against a budget of £388k with projected small overall increases to both the total income and expenditure lines. Mr Grindell highlighted that one change from the November 2018 forecast was that apprenticeship income was estimated to be £258k below a challenging budget target of £2.5m. This still represented growth of £450k or 25% compared to last year and he reminded Governors of the contingency which was in place to manage any such risk of shortfall. Taking into account the positive variances in income attributed to increases in HE, high needs learners and 14-16, and the variances in expenditure such as the consultancy costs already discussed under the previous item, as well as the projected shortfall in apprenticeship income against budget, then it was anticipated that £11k of the £300k contingency would remain. There continued to be risks which would be closely managed but also opportunities. For example Mr Grindell explained that the College had reached its annual facility limit for Advanced Learner Loans and had applied for an increase for both this year and next year as the College had students who wanted to enrol and take out a loan but the College had reached its limit for the current year.

Governors queried whether the pensions increases had been included and Mr Grindell confirmed that the increase to LGPS pensions took effect from April and thus was included in the forecast. The increase to the TPS would take effect from September 2019 but would be supported by Government funding for one year. Governors noted that it was important to have clear visibility of the pension increases in the forecasting. It was reflected that the College had awarded staff a 3.5% pay award which was well above the 1% sector average. It was appropriate to reward staff properly, especially in an institution where staff do not receive annual increments. Mr Grindell noted that the College was paying higher salaries and its staff costs ratio was reducing.

2.7/18.19 Monitoring of Financial Risks

Mr Grindell introduced the highest rated financial risks and the narrative to explain the progress with mitigating actions in term 1. Overall progress to control these key risks was good with all progress RAG rated as green or amber. Governors were pleased to receive the update but enquired what steps were being taken to identify new risks. Mr Grindell replied that risk was a regular item for SMT to consider. Although no new risks had been added to the register some risks had been upgraded. The Committee agreed that it would be helpful to have an agenda item at the Board's autumn Strategy & Training Day to identify emerging risks in how the College achieves growth.

Action: Clerk to schedule a Board item on identifying emerging risks for autumn 2019.

2.8/18.19 Cash Balance Strategy

Mr Grindell presented the paper noting that appropriate levels of cash reserves had long been a source of debate for the Committee. In 2010 the Committee recommended a reserve of £6m to cover all outgoings for a 6 month period. In 2016 given sector funding uncertainties and

the College's falling revenue at that time this was increased to £10m. Following adoption of the Transformation Strategy the College had successfully grown its income but had also recognised that significant investment needed to be made in the estate. Thus cash balances were projected to fall to £13.3m by July 2019. The key financial issues looking ahead over the next three years were as follows:

- To continue to generate ongoing surpluses equivalent to circa 3% of income as recommended by the FE Commissioner which in turn would generate cash from operations. Over the next three years this was projected to be £5m
- To continue to invest in the estates infrastructure and also IT and technology efficiencies. An investment of £10m net of grants was assumed over the next three years.

So starting at £13.3m, adding £5m and subtracting £10m would leave the College with residual cash reserves in 2022 of £8.3m.

Another key financial consideration was maintenance of the College's outstanding financial health rating and Mr Grindell explained the three core metrics which defined this. These suggested that cash reserves of £4m would probably be sufficient for the College to retain its outstanding financial health but this seemed like a low amount in uncertain market conditions. Having six months cash in hand might not be an unreasonable position. The average cash days in hand for the FE sector was 75 and for HE it was 140 and the College currently has 288. Governors observed that the situation in the FE sector was so poor for many colleges that it was not useful to benchmark FCoT against them. Mr Grindell noted that there were ongoing LGPS and TPS pension risks. The LGPS review process included a risk assessment of the relative covenant strength of the College and encouragingly the College had been notified that its 2019 assessment had been reduced from medium to low. Whether a future reduction in the College's cash balances to some £8m would make a material difference to a future assessment in 2022 was unclear as cash reserves were one factor along with the College's ability to grow income and generate cash.

The Committee thanked Mr Grindell for his explanation of the salient issues. The Committee requested, just for context, a general idea of what the wind up costs would be for the College but Mr Grindell explained that it would be difficult to quantify. The College has fixed assets of £35m but these are education based and located under a flight path. The Principal noted that having significant cash reserves placed the College in the fortunate position of being able to draw down match funding (such as from the LEP) which other colleges struggled to achieve unless through collaboration. Governors agreed that the situation in the sector was such that the Board should continue to take a cautious approach. The College would not want to diminish its cash reserves to a point where it could not obtain match funding and then possibly that would affect growth and the College could begin a downward spiral. Having a reserve of £10m might be safer and this would represent about 9 months cash in hand. Governors enquired what effect this would have on the College's planned infrastructure spend. Mr Grindell noted that if the College could earn an additional £1.7m on top of the three year surplus projections then the £10m spend could be covered, otherwise decisions would need to be taken as to which projects to prioritise. The Principal reflected that that was part of the College's Property Strategy ethos – to proceed at a pace the College could manage and prioritise along the way.

It was agreed that the paper should be taken to the Board for consideration with a recommendation from the Committee that the College's cash balance should be £10m or 6 months cash at hand, whichever was the larger sum.

Action: Committee Chair to recommend to the Board a cash balance strategy of £10m or 6 months cash at hand, whichever was the larger sum.

2.9/18.19 Budget 2019/20 Assumptions

Mr Grindell introduced the broad budget assumptions for 2019/20 in the context of the College's Transformation Strategy. Initial expectations were that despite a challenging environment income growth would be around £550k taking the College to £17.3m with a target surplus of £400-500k. A small increase in 16-19 students plus changes to funding factors should see an increase of £130k funding. As mentioned previously the College was seeking an increase in its Advanced Learner Loans facility to a value of some £100k. Given the potential risks around Advanced Learner Loans funding and the devolved Adult Education budget funding to mayoral authorities including the GLA the College was investigating the potential of switching a number of courses to full cost. Steady growth was forecast in apprenticeships as although the market was challenging there would be a positive impact from the prior growth in apprentices who would be continuing into 2019/20 and anticipated new starts. Thus growth of some £200k was assumed for 2019/20. The College was seeking to increase its allocation of High Needs Funding students and to expand its 14-16 offer. Meanwhile reducing the College's cost base would continue to be a target including investing in technology to replace labour intensive tasks.

The Committee approved the budget assumptions as the framework for the 2019/20 budget which would come to the Committee in June.

2.10/18.19 Capital Projects Update

Part of this item was recorded as a confidential minute.

The Principal explained that the summary of 2018-19 capital bid projects as approved by the Corporation for 2018/19 showed £397k spent against a budget of £687k. In looking at the next round of capital bids SMT were looking where possible to move capital bid items into larger Property Strategy projects.

Action: Principal/Mr Grindell to prepare a short summary paper to the Board setting out F&GP Committee's recommendation to approve in principle the Farnborough Nuclei of Aerospace project and £1m funding for aerospace developments as well as initial works on the Med Tech centre.

2.11/18.19 Banking & Treasury Management Termly Report

The Committee noted that the College currently has £11m on deposit with favourable interest rates.

2.12/18.19 Bad Debtor Report

The Committee approved the write off of £8,000 bad debt. Mr Grindell noted that the budget has provision for £30k of bad debt.

2.13/18.19 Technology Integration Group notes

The Committee received the notes of the February meeting of the Technology Integration Group and praised the work of the group. However, there was concern that it appeared that the College's Disaster Recovery Plan had not been updated for a while and was it sufficiently covered in the risk register? Mr Grindell explained that a number of strategies were being implemented such as separate Farnborough and Aldershot servers and building a Microsoft Azure environment but these probably needed to be captured in the updated document. SMT would look at this area again when reviewing the risk register.

2.14/18.19 Health & Safety Termly Report

The Committee received termly report. The total number of accidents had decreased to its lowest rate in the past five years and there had been an increase in near miss reporting which was attributed to greater awareness of the need to report near misses and was a positive reflection on the College's health and safety culture. It was noted that the Health and Safety

Officer would be invited to the July Board meeting to give an update to Governors and answer their health and safety questions.

2.15/18.19 Health and Wellbeing Board

The Committee praised the excellent initiative of the Health and Wellbeing Board and applauded the Principal's proposal to stand down as Chair at the end of the academic year to enable a rotating Chair for each meeting. It was good that staff would take greater ownership and enable it to be a bottom up initiative.

2.16/18.19 Gender Pay Gap Reporting

The Principal presented the data for 2017/18 noting that the proportion of men receiving a bonus had significantly increased. The proportion of female staff had increased to 68.2% and thus Governors noted that more men had received a bonus although more women were eligible. It was suggested that the College's commentary should address this matter. The Board's decision in December 2018 to consolidate the pay award to remove the bonus element would assist the issue in 2018/19 and thus the College could report that the bonus issue was being addressed in year.

Action: Principal to bring Gender Pay Gap Report with revised commentary to April Board for approval (although it was noted that the data must be published online by 30 March 2019).

Mr Hunt left the meeting

2.17/18.19 Confidential Item

This item was recorded as a confidential minute.

2.18/18.19 Confidential Item

This item was recorded as a confidential minute.

2.19/18.19 Any Other Business

The Committee praised Mr Grindell for the quality of his reporting.

2.20/18.19 Date and time of next Finance & General Purposes Committee meeting

Thursday 20th June 2019 at 8am.

The meeting closed at 11.08am

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

Signed:

Dated:

Summary of action points

Item	Action
2.7 Monitoring of Financial Risks	Clerk to schedule a Board item on identifying emerging risks for autumn 2019
2.8 Cash Balance Strategy	Committee Chair to recommend to the Board a cash balance strategy of £10m or 6 months cash at hand, whichever was the larger sum.
2.10 Capital Projects Update	Principal/Mr Grindell to prepare a short summary paper to the Board setting out F&GP Committee's recommendation to approve in principle the Farnborough Nuclei of Aerospace project and £1m funding for aerospace developments as well as initial works on the Med Tech centre.
2.16 Gender Pay Gap Reporting	Principal to bring Gender Pay Gap Report with revised commentary to April Board for approval (although it was noted that the data must be published online by 30 March 2019).