

FINANCE & GENERAL PURPOSES COMMITTEE

AGENDA NOTICE

Finance & General Purposes Committee Meeting

Date: Thursday 28th November 2019

Time: 9.00am

Venue: Principal's Office

Please note this meeting follows Remuneration Committee

The first part of the meeting will be a joint session with the Property Redevelopment Advisory Committee to discuss Property Strategy matters.

- 1.1 Opening of Meeting and Apologies for Absence, Declarations of Interest**
- 1.2 Property Strategy discussion (see paper 1.11 Capital Expenditure Update)**
(Property Redevelopment Advisory Committee members leave)
- 1.3 Minutes of the last Finance & General Purposes Committee held 20th June 2019**
Part 1 Appendix 1.3a
Part 2 - Confidential to all Appendix 1.3b
- 1.4 Matters arising from the minutes**
Chair of F&GP Committee Appendix 1.4
- 1.5 Review Committee Terms of Reference and Committee Effectiveness**
Chair of Finance & General Purposes Committee/Clerk Appendix 1.5

FINANCE

- 1.6 Monthly Management Accounts Report**
Report by the Consultant Director of Finance Appendix 1.6
- 1.7 Financial Forecast for November 2019**
Report by the Consultant Director of Finance Appendix 1.7
- 1.8 Farnborough College of Technology Financial Statements for year ended 31st July 2019**
Report by the Consultant Director of Finance Appendix 1.8
- 1.9 Student Recruitment Numbers 2019/20**
Report by the Principal Appendix 1.9
- 1.10 ESFA Financial Benchmarking Report**
Report by the Consultant Director of Finance Appendix 1.10
- 1.11 Capital Expenditure Update - Capital Projects 2019/20 (considered under 1.2)**
Report by the Consultant Director of Finance Appendix 1.11
- 1.12 Banking & Treasury Management Termly Report**
Report by the Consultant Director of Finance Appendix 1.12
- 1.13 Bad Debtors Report**
Report by the Consultant Director of Finance Appendix 1.13

GENERAL PURPOSES

- 1.14 Technology Integration Group notes**
Report by the Principal Appendix 1.14
- 1.15 Annual Health & Safety Report 2018/19**
Report by the Consultant Director of Finance Appendix 1.15

1.16 Health & Wellbeing Board minutes
Report by the Principal Appendix 1.16

1.17 Gender Pay Gap Reporting
Report by the Principal Appendix 1.17

POLICIES

1.18 Financial Regulations
Report by the Consultant Director of Finance Appendix 1.18

1.19 Supply Chain Fees Policy 2019/20
Report by the Consultant Director of Finance Appendix 1.19

Staff Governor to leave

CONFIDENTIAL

1.20 Pay Award 2019/20
Report by the Principal Appendix 1.20

1.21 Any Other Business

1.22 Date & Time of the next meeting
Thursday 19th March 2020 at 8am

DISTRIBUTION LIST

F&GP Committee
Mr B Edwards – Chair

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

Property Committee
(item 1.2 only)

Mrs G Christie
Mr J Francis
Ms J Houzer
Ms W Megeney

In attendance
Mr J Grindell - Consultant Director of
Finance
Ms C Gillam – Clerk to Corporation

Farnborough College of Technology

Finance & General Purposes Committee

Minutes of meeting held on Thursday 28th November 2019

Present:

Professor M Earwicker - present until end of item 1.20
Mr S Hunt – not present for item 1.20
Mr H Malins - Chair
Mr R Rendel
Ms V Barrett – Principal

In Attendance:

Mrs G Christie – Chair of Property Redevelopment Advisory Committee (present until end of item 1.2)
Mr S Markham - Fusion Project Management Ltd (present for part of item 1.2)
Mr J Grindell – Consultant Director of Finance
Ms C Gillam – Clerk to the Corporation

Quorate: Yes

The meeting opened at 9.10am

1.1/19.20 Opening of Meeting, Apologies for Absence, Declarations of Interest

Apologies were received and accepted from Mr Edwards and Professor Yeomans. Mr Malins agreed to chair the meeting. He welcomed Mrs Christie, Chair of the Property Redevelopment Advisory Committee and Mr Markham from Fusion to the meeting. Mr Grindell as a Director of Fusion Project Management declared an interest in agenda item 1.2/1.11.

1.2/19.20 Property Strategy discussion

1.11/19.20 Capital Expenditure Update

This item was a confidential minute.

Actions:

- Property Committee Chair to recommend to the Corporation the approval of a total budget of £5.534m (before applicable grant) for both the phases of the ARIC (of which £1m was previously approved by the Board in July 2019)
- Property Committee Chair to recommend to the Corporation the approval of a total budget of £1.535m (before applicable grant) for the T Level refurbishment project.

Mr Markham left the meeting.

The remainder of the item was a confidential minute with restricted circulation.

Mrs Christie and Mr Hunt left the meeting.

1.20/19.20 Pay Award 2019/20

This item was a confidential minute with restricted circulation.

Professor Earwicker left the meeting and Mr Hunt returned to the meeting.

1.3/19.20 Minutes of the meeting held 20th June 2019

The minutes of the last meeting were accepted as true and accurate records and were signed by the Chair, subject to two corrections on page 3 of the Part 1 minutes.

1.4/19.20 Matters arising from the minutes

The Committee noted that the one outstanding item was an annual department risk register presentation to Audit Committee which would be scheduled for the spring.

1.5/19.20 Review Terms of Reference and Committee Effectiveness

No amendments were made to the Terms of Reference and no actions were required to improve Committee effectiveness.

Action: Committee Chair to recommend Terms of Reference to the Board.

1.6/19.20 Monthly Management Accounts

Mr Grindell introduced the October accounts. He commented that the accounts showed a promising start to the year. As already noted 16-18 recruitment was strong though would bring no financial benefit this year. HE figures were good but retention strategies would be important to maintain them. There was a good pipeline of apprenticeships coming through and there were good strategies in place for adult learners although the RO4 in December which is the definitive data return would give a better indication of the adult learner position. Salary costs were currently under budget year to date by £121k. The College's balance sheet was strong with cash at bank of £14.2m despite the spend on capital projects. Looking at the KPIs Governors queried the cash days in hand figures which appeared to have come down from a budget of 298 to an actual of 173. Mr Grindell agreed that this looked odd and agreed to check if this was a typographical error. Governors were pleased to see that the College's staff costs compared well to the national average despite FCoT being atypical in not contracting out various services such as cleaning, catering or security.

Action: Mr Grindell to check the accuracy of the cash days in hand figures.

1.7/19.20 Financial Forecast for November 2019

Mr Grindell noted that much of the financial forecast had been discussed under the previous item.

1.8/19.20 FCoT Financial Statements for year ended 31st July 2019

The Committee examined the statement of comprehensive income and expenditure on page 21 of the financial statements. The College had an operating deficit of £453k before defined benefit pension costs. Pension finance costs were an additional £250k, plus an actuarial loss of £2.59m, resulting in total comprehensive expenditure for the year of £3.293m. However, the College had a good year financially in 2018/19. The operating deficit of £453k included an exceptionally high charge of £590k for FRS 102 pension adjustments within staff costs and a one-off impairment cost of £593k for the planned demolition of C block. Once these items were discounted the College would in fact have an operating surplus of £730k compared to £522k in 2017/18. The pension related FRS 102 adjustment was predominantly as a result of the McCloud judgement which Mr Grindell explained to Governors. Whilst the College suffered from a high actuarial loss in 2018/19 this was not due to a formal valuation but a roll forward approach from the last valuation in 2016. The next formal valuation was being finalised but provisional information showed that the actual scheme performance in the three years since 2016 has been significantly better than estimated under the FRS 102 roll forward methodology and so when that valuation is used in the 2019/20 accounts the College could expect a large actuarial gain. Governors enquired whether there was any potential benefit to making a lump sum payment to the pension fund and Mr Grindell said not. The new valuation implied that the scheme is now 90% funded as compared to 78% funded in 2016 so making a lump payment to the scheme would not bring any benefit to the College.

Mr Grindell discussed the statement of cash flow on page 24 which showed that even with the operating deficit of £703k (after defined benefit pension costs) the College had a net cashflow of £2.5m. The College had invested £3.7m in the Property Strategy related capital investment

but because of its strong cash generation its cash balances had only fallen by £1.2m in the year to £14.8m.

Governors noted on page 33 the new remuneration disclosure requirements for the Principal's pay and remuneration. Mr Grindell advised the Committee that it had been suggested and agreed at Audit Committee that it would be made clear that the multiples quoted at the top of page 33 were calculated before tax. Audit Committee had discussed and approved the Audit Completion Report produced by the External Auditors Mazars at their meeting earlier in the week.

Action: Committee Chair to recommend approval of the financial statements to the Board.

1.9/19.20 Student Recruitment Numbers 2019/20

The Committee received the figures for information noting that it had already covered much of the paper in earlier items.

1.10/19.20 ESFA Financial Benchmarking Report

Mr Grindell introduced the annual letter and dashboard from the ESFA. The College's financial health had been confirmed as outstanding and only 20% of colleges nationally are such. The ESFA uses a point score to assess financial health and FCoT scores 300/300. Turning to the financial dashboard the College's current ratio is very strong. The sector median is 50 cash days at hand and FCoT has in excess of 300. The College's ability to generate cash is measured through the performance ratio where the sector median is 6% and the College's is 11.6%. The College's staff costs ratio is below the median for the sector despite, as already noted earlier in the meeting, the College not contracting out various services. Finally the dashboard showed the accuracy of the College's financial forecasting.

1.12/19.20 Banking & Treasury Management Termly Report

Mr Grindell informed the Committee that historically the College had placed funds for a term of 12 months but higher rates were now being secured through placing funds into 95 day notice deposit accounts. The College has £11m on deposit across four different accounts.

1.13/19.20 Bad Debtor Report

The Committee approved the write off of two bad debts totalling £9,889. It was noted that the total provision for bad debts in the budget was £40k.

1.14/19.20 Technology Integration Group notes

The Principal drew attention to the projects which were helping the College to provide 21st century technology as part of its strategy of investment in technology and the estate. The Pro Target and Pro Monitor systems had been purchased to help predict and monitor student targets. An e-Register system had been purchased and was helping to reduce the administrative burden on teaching staff, as were Integrated Schemes of Work. Governors supported the ambition of the College's investment in technology but noted that it would be an ongoing project to keep pace with technological developments!

1.15/19.20 Annual Health & Safety Report

Mr Grindell introduced the report which had been prepared by the College's Head of Health and Safety. There were no RIDDORs in year and better reporting of near misses due to greater promotion and awareness through the staff induction programme. Once near misses were taken out the level of accidents was similar to previous years. The College had spent much time on its lockdown procedures and the previous week had conducted a lockdown re-enactment in the AAA building. Staff and students were made aware that there would be a trial run to prevent concern. It was a useful exercise which generated an action plan to address

the issues identified. For example a screen alert should have appeared on every computer but only worked for those computers where someone was logged in.

1.16/19.20 Health & Wellbeing Board minutes

The Committee received the minutes and queried why the Wesleyan Church was providing free advice on pensions and retirement to staff. Would the church representative have a financial qualification? The Principal agreed that she should investigate further as the intention had been for staff to access retirement and lifestyle advice rather than financial planning. She stressed that the church was not providing advice on behalf of the College.

Action: Principal to investigate the remit of the Wesleyan Church pensions and retirement talk to staff.

1.17/19.20 Gender Pay Gap Reporting

Mr Grindell explained that this report had been brought to the Committee a term earlier than in previous years. The mean gender pay gap had come down from 14.4% in 2017/18 to 11.3% in 2018/19, and the median had also come down. The College's workforce was predominantly female and as already noted the College directly employs cleaning, catering and nursery staff unlike many colleges which contract out. These staff have been offered additional free training to help career progression but there has been very little take up. The Committee suggested that to satisfy itself that there was no gender bias the College should look at gender pay in each pay band and investigate the reasons behind any differences. The top level data was acceptable but the next step was to investigate a level deeper.

Action: Principal to commission a report on gender pay at each pay band.

1.18/19.20 Financial Regulations

Mr Grindell outlined the updates made to the Financial Regulations including references to relevant legislation, funding bodies and titles. Three changes to expenditure authority limits were proposed including increasing the limit for entertaining guests from £30 to £50. Governors thought that it should be a limit per head. The Principal noted that in practice guests were entertained at the Gallery Restaurant at a fraction of this cost.

Action: Committee Chair to recommend approval of the Financial Regulations to the Board.

1.19/19.20 Supply Chain Fees Policy 2019/20

Mr Grindell noted that there were no changes to the policy, nor does the College currently sub-contract any of its provision.

Action: Committee Chair to recommend approval of the Supply Chain Fees Policy 2019/20 to the Board.

1.21/19.20 Any Other Business

Mr Grindell informed the Committee that earlier in the week the ESFA had announced a new financial return it would expect all colleges to make. This would include monthly cashflow and income and expenditure accounts through to 2022. The Corporation would be required to make a new annual declaration in February. The detail needed to be examined but it was likely that an additional Board meeting or sign-off process would be required in January/February. The new requirement had been introduced as part of the ESFA's early intervention strategy to assess early warning signs of college cash flow issues.

1.22/19.20 Date and time of next Finance & General Purposes Committee meeting

Thursday 19th March 2020 at 8am.

The meeting closed at 11.28am

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

Signed:.....

Dated:.....

Summary of action points

Item	Action
1.11 Capital Expenditure Update	<ul style="list-style-type: none"> Property Committee Chair to recommend to the Corporation the approval of a total budget of £5.534m (before applicable grant) for both the phases of the ARIC (of which £1m was previously approved by the Board in July 2019) Property Committee Chair to recommend to the Corporation the approval of a total budget of £1.535m (before applicable grant) for the T Level refurbishment project.
1.5 Review Terms of Reference and Committee Effectiveness	Committee Chair to recommend Terms of Reference to the Board.
1.6 Monthly Management Accounts	Mr Grindell to check the accuracy of the cash days in hand figures.
1.8 FCoT Financial Statements	Committee Chair to recommend approval of the financial statements to the Board.
1.16 Health & Wellbeing Board minutes	Principal to investigate the remit of the Wesleyan Church pensions and retirement talk to staff.
1.17 Gender Pay Gap Reporting	Principal to commission a report on gender pay at each pay band.
1.18 Financial Regulations	Committee Chair to recommend approval of the Financial Regulations to the Board.
1.19 Supply Chain Fees Policy 2019/20	Committee Chair to recommend approval of the Supply Chain Fees Policy 2019/20 to the Board.