

**Minutes of a Meeting of the Finance & Capital Projects Advisory Group held on  
Wednesday 22 November 2017 in the Directors' Room**

**Present**                    Mr T White  
                                 Ms T Aust  
                                 Mr M Michaelides

**Also present**            Mr M Cooper  
                                 Mr M Patel  
                                 Mr J Allen

The meeting commenced at 18.00.

**APOLOGIES & DECLARATION OF INTERESTS**

1.        Apologies were received from Simon Wilcox. The Clerk confirmed the meeting was quorate. There were no declared interests against any of the agenda items.

**MINUTES**

2.        It was **RESOLVED** that the minutes of the meeting held 28 June 2017 (Paper 1) be confirmed as a correct record and signed by the Chair.

**MATTERS ARISING**

3.        There were no matters arising.

**BARCLAY LOAN REPAYMENT**

4.        The College report was received (Paper 2). There are two covenants currently in place regarding the long term £8.7m loan agreement to 2037 with Barclays Bank plc. Due to the significant reporting and accounting changes following the adoption of FRS102 from last year, the covenants have had to be revised whilst at the same time ensuring that none of the parties is disadvantaged by the impact of the revised accounting treatment.

5.        Following the Corporation's consent on 7<sup>th</sup> December 2016 to proceed to finalise the two new proposed covenants, final agreement with Barclays has been reached after negotiations for which formal approval is now sought. These new covenants will apply from 1<sup>st</sup> August 2016 i.e. the financial year ended 31 July 2017.

6.        To this end, Barclays have drafted the required Letter of Variation (*Appendix 1*) which must be signed by the College to confirm agreement. This letter does not impact on anything else in the agreement and has been reviewed by the College's solicitors, Mills & Reeve, in conjunction with the original agreement and subsequent variations.

7.        Abstract of the minutes of the Corporation approving the amendment will also need to be provided to Barclays in the prescribed format – see *Appendix 2*. This too has been reviewed by the College's solicitors.

8.        Made available for information were templates of the two covenants populated by figures from the latest financial plan to 2019/20. The templates confirmed the College does not breach the covenants during the period.

9. Following review, it was **RESOLVED**:
- (i) To amend the presentation on the modelling of the debt service cover
  - (ii) To recommend to the Corporation to approve the Letter of Variation; and
  - (iii) To recommend to the Corporation to approve the abstract of minutes and for this to be incorporated within the minutes of the Corporation meeting to be held 13 December 2017

## OUTTURN 2016/17

10. The following reports were received under this agenda item:
- Final Management Accounts July 2017 (Paper 3)
  - Draft Report and Financial Statements for the Year Ended 31 July 2017 (Paper 4)
  - To receive Financial Statement Auditor's 'Audit Findings Report' to be reviewed by the Audit Committee 29 November 2017 (Paper 5)
  - Letter of Representation (Paper 6)
11. The draft management accounts were presented at the 18th October 2017 Corporation meeting. It was confirmed these are now the final management accounts for July 2017 and include all audit and late adjustments which amount to net £157 adverse movement.
12. The following table provided an analysis of the key variances between the actual outturn and the previous full-year forecast:

Analysis of Movement between draft and final Accounts				
	I&E	Variance		Comments
	Line Ref	Fav/(Adv.)		
			£'000	£'000
<b>Surplus as reported in draft accounts Line A</b>			<b>455</b>	
<u>Non-Pay Costs</u>				
1 Administration & Central Services	10	12		Correction of accrual
2 Central Consultancy & Prof Services	12	(19)		Late invoices
3 Premises	14	(150)		Provision for maintenance of ventilation system.
Total net change in reported forecast			(157)	
<b>Revised Surplus</b>			<b>298</b>	

13. It was **RESOLVED** to note the Final Management Accounts July 2017.
14. The final draft of the Financial Statements and Report for year-ended 31 July 2017 were received (Paper 4). It was confirmed this is the final draft of the Financial Statements and Report. The accounts record a deficit for the year of £544k (2016 -£662k). Of the current year's reported deficit, £842k is due to actuarial pension adjustments. Excluding this figure, the result is £298k operating surplus which is the figure per the Management Accounts Line A in Paper 3,
15. The Financial Statements & Report include:
- 1) Report of the members of the Corporation – pages 1-8 ;
  - 2) A Statement of Corporate Governance and Internal Control – pages 9-14;
  - 3) Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding – page 15
  - 4) A Statement of the Responsibilities of the Members of the Corporation – page

all of which must be approved by the Corporation.

16. On pages 17-18 was the External Auditor's Report that confirmed an unqualified opinion, and this to be signed on:

- (i) Confirmation of the final ILR by the ESFA which is due late November, and
- (ii) approval of the new Bank Covenants after the Corporation meeting on 13th December.

17. Pages 19-20 contained the Reporting Accountant's Assurance Report on Regularity which was also an unqualified opinion.

18. The External Auditor's findings Report (Paper 5) will be reviewed by the Audit Committee on 29 November 2017. It was noted and welcomed that there were no recommendations arising from the audit.

19. The Committee reviewed the Letter of Representation (Paper 6) that effectively gives the Auditors comfort that all relevant disclosures have been made to them. This is a routine request by all auditors.

20. Following review of the papers presented under this agenda item, it was **RESOLVED** to recommend that the Corporation at its meeting on 13 December 2017 be asked to approve the Financial Statements and Annual Report 2016/17 and the Letter of Representation.

#### **MANAGEMENT ACCOUNTS UP TO 31 SEPTEMBER 2017**

21. The Management Accounts up to 31 September 2017 were received (Paper 7). The following key points were noted from the review of the Management Accounts:

- **Year-to-date (YTD) Performance for 2 months to September 2017:** An operating surplus of £299k compared with budget of £148k. Key YTD variances against the budget are:

##### Favourable

- £209k staffing expenditure
- £96k exam fees

##### Adverse

- £153k re ESFA Adult Education Budget (AEB) funding
- £87k HE income
- £53k Apprenticeships income

- **Full-year Income & Expenditure Forecast:** An operating surplus of £320k is forecast compared with budget of £450k. Key full-year forecast variances against the budget are:

##### Favourable

- £168k HNS funding from LAs
- £107k full-cost income
- £83k staffing expenditure
- £61k exam fees

##### Adverse

- £425k HE fee income
  - £89k HEFCE recurrent grant funding
  - £35k Schools Link fee income
- **Cash Flow:** Cash flow is forecast to average around £4.9m between October 2017 and September 2018 with the projected low of £3.8m falling in March 2018.
  - **Financial Health/Ratios:**
    - ESFA financial health grade as at 30<sup>th</sup> September is 'Good' and is projected to remain as 'Good' through to the year end.
    - Operating surplus as a percentage of income projected to be 1.5%
    - Full-year staff costs as a percentage of income projected to be 65.8%
    - Projected compliance with Barclay Bank loan covenants

22. It was **RESOLVED** to note the Management Accounts.

### **ESFA FINANCIAL HEALTH LETTER**

23. The Committee received for information purposes a letter from the ESFA (Paper 8(i)) and a data dashboard on the College's financial performance (Paper 8(ii)). The SFA confirmed the College's Financial Health Assessment for both 2016/17 and 2017/18 is 'Good'.

24. It was **RESOLVED** to note the ESFA Assessment.

### **RISK MANAGEMENT/RISK REGISTER**

24. The College report '*Risk Register*' was received highlighting the areas of focus relevant to the Committee (Paper 9). The Audit Committee has requested that each Committee be asked to review if there are sufficient and robust sources of 'Independent Assurances' against each risk that falls under the terms of reference of the Committee, and if identified 'Governor Oversight' arrangements are adequate and fit for purpose. The Clerk advised that the Committee could also add to the Risk Register if any new risks were identified through discussions during the meeting.

25. No new risks have been added and no risks deleted since the last Committee meeting.

26. The scoring of two of the risks has changed since the last Committee meeting:

- The net score of risk #20 has increased to 25 due to considerable under- recruitment against target of ESFA 16-18 funded students and HE students. In- year recruitment to additional courses is planned but, in respect of HE in particular, this is not likely to reduce the shortfall against budgeted income significantly.
- The net score of risk #38 has reduced to 15 as the planned value of Adult Education Budget funding for TU Education courses is only £140k so the financial impact of this risk being realised is highly unlikely to exceed £100k.

27. Following review, the Committee was satisfied with the robustness of the range of 'Independent Assurances' identified against each risk that falls under the terms of reference of the Committee.

28. It was **RESOLVED** to note the Risk Register.

### **ANY OTHER BUSINESS- SUBCONTRACTING APPROVAL**

29. It was agreed that either in the Management Accounts, or as a separate agenda item, there needs to be more visibility on capital expenditure. There needs to be a record of expenditure to date, committed spends, and what is planned to be spent, against the allocated budget.

30. Tabled under 'Any Other Business' was a short paper on the approval of subcontracting provision in 2017-18. In accordance with ESFA funding rules, the College is required to retain written evidence that it has been determined that all subcontractors are of a high quality and low risk.

31. The paper provided a summary of performance covering both financial and quality for the proposed subcontractors for 2017-18. All three proposed subcontractors performed well against their contract and on timely achievement.

32. The report confirmed the opinion of the Executive that the proposed subcontractors are of high quality and present low risk to the College.

33. It was **RESOLVED** to approve the following subcontractors for 2017-18:

- Gurdwara Sri Guru Singh Sabha, Hounslow
- Knights Training Academy Limited
- Strive Training (London) Limited

#### **DATE OF NEXT MEETING**

34. The next scheduled meeting is Wednesday 28 February 2018 @ 1800.

The meeting closed at 19.30

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
(Chair)

#### **SUMMARY ACTION LIST**

<b>MIN</b>	<b>ACTION</b>	<b>REVIEW DATE</b>
29	It was agreed that either in the Management Accounts, or as a separate agenda item, there needs to be more visibility on capital expenditure. There needs to be a record of expenditure to date, committed spends, and what is planned to be spent, against the allocated budget.	28/2/18