

**Minutes of a Meeting of the Finance & Capital Projects Advisory Group held on
Wednesday 23 November 2016 in the Directors' Room**

Present Mr T White
 Ms T Aust
 Mr M Michaelides
 Mr S Wilcox

Also present Mr M Cooper
 Mr M Patel
 Mr J Allen

The meeting commenced at 18.00.

APOLOGIES & DECLARATION OF INTERESTS

1. There were no apologies. 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 22 June 2016 (Paper 1) be confirmed as a correct record and signed by the Chair.

MATTERS ARISING

3. There were no matters arising.

OUTTURN 2015/16

4. The following reports were received under this agenda item:

- Final Management Accounts July 2016 (Paper 2)
- Draft Report and Financial Statements for the Year Ended 31 July 2016 (Paper 3)
- To receive Financial Statement Auditor's 'Audit Findings Report' to be reviewed by the Audit Committee 30 November 2016 (Paper 4)
- Letter of Representation (Paper 5)

5. The original draft management accounts were presented at the 12th October 2016 Corporation meeting. It was confirmed these are now the final management accounts for July 2016 and include all audit and late adjustments which amount to net £12k favorable movement. The key movements are an additional £10k provision made for ASB clawback and reduction of £58k in the depreciation charge due to the Skills + Logistics Centre lease extension. The rest of the movements are due to late invoices received.

The following table provided an analysis of the key variances between the actual outturn and the previous full-year forecast:

Table 1 - Analysis of Movement between Actual and Previous Forecast Operating Line A

Description	I&E Line Ref	Variance Fav/(Adv)	Comments
		£000	
Income			
1 SFA - Adult Skills Budget	2	(10)	Under-delivery against forecast achievement funding for Adult Apprenticeships
2 SFA - 16-18 Apprenticeships	3	(4)	Under-delivery against forecast achievement funding
3 Net other variances		(1)	
Net change in income forecast		(15)	A
Pay cost - Decreases (Increases)			
4 Pay Costs	1-3	(10)	Contracted-out teaching costs forecast understated, partly offset by overstatement of established staffing costs.
Net change in pay cost forecast		(10)	B
Non Pay Costs:			
5 Marketing & Communications	14	(7)	Late invoices higher than estimated
6 Exam Fees	17	(12)	Late invoices higher than estimated
7 Other Variances		(2)	Late invoices higher than estimated
8 Depreciation	20	58	Skills+Logistics Centre lease life reworked per proposal from LBH
Net change in non-pay forecast		37	C
Net change		12	A+B+C
Previous Forecast	Line A	306	
Actual Outturn	Line A	318	

6. It was **RESOLVED** to note the Final Management Accounts July 2016.

7. The final draft of the Financial Statements and Report for year-ended 31 July 2016 were received (Paper 3). It was confirmed this is the final draft of the Financial Statements and Report. The Financial Statements record a deficit for the year of £662k as against a deficit of £199k for 2014/15. Of the current year's deficit, £922k is due enhanced pension provision and FRS 102 pension adjustments, and £58k loss on disposal of asset. Excluding this two figures (-£662k+ £980k) the result is £318k which is the operating surplus per the Management Accounts Line A.

8. The Financial Statements & Report include:

- 1) Report of the members of the Corporation – pages 1-9 ;
- 2) A Statement of Corporate Governance and Internal Control – pages 10-15;
- 3) Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding – page 16
- 4) A Statement of the Responsibilities of the Members of the Corporation – page 17

all of which must be approved by the Corporation.

9. On page 18 was the External Auditor's Report that confirmed an unqualified opinion. It was confirmed this would be signed on confirmation of the final ILR by the SFA which is due early December in time for final signing at the Corporation meeting on 07 December 2016.

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

11. The External Auditor's findings Report (Paper 6) will be reviewed by the Audit Committee on 30 November 2016. There is one recommendation made which is to have signed contracts in place with the local authorities and schools before students referred by them start any course.

12. The Committee reviewed the Letter of Representation (Paper 5) that effectively gives the Auditors comfort that all relevant disclosures have been made to them. This is a routine request by all auditors.

13. Following review of the papers presented under this agenda item, it was **RESOLVED** to recommend that the Corporation at its meeting on 07 December 2016 be asked to approve the Financial Statements and Annual Report 2015/16 and the Letter of Representation.

MANAGEMENT ACCOUNTS UP TO 31 OCTOBER 2016

14. The Management Accounts up to 31 October 2016 were received (Paper 6).

15. The reported YTD operating result for the 3 months to October 2016 is a surplus of £205k compared to the budgeted surplus of £115k. The main YTD variances were summarised in the commentary in the Management Accounts.

16. It was reported there were some sizeable YTD variations between actual and budgeted income and expenditure. In particular, SFA Adult Education Budget funding (£221k adverse); SFA Apprenticeships funding (£68k adverse); funding from local authorities for High Needs Students (£114k favourable); payments to partner providers (£94k favourable) and expenditure on exam fees (£85k adverse) show significant movements, although some of these and many of the other minor variances are due to timing differences. As these October accounts are the first published management accounts of 2016/17, it was confirmed there is more work required to analyse and fully understand some of the YTD variances.

17. As such, it was confirmed a circumspect approach had been taken to the adjustment of full-year forecast figures, with changes being made only where there is reliable information to support these. The full-year changes in total amount to £50k. However, the full-year forecast contains a contingency for non-pay expenditure of £146k (0.7% of total expenditure). It was therefore noted that, with all other things being equal, if no drawdown of this contingency is required, the overall YTD operating surplus of £205k would move to a year-end surplus of £171k.

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

AREA REVIEW

19. The Principal provided an update on Area Review developments and the progress on the proposed merger with Uxbridge College and Harrow College. Due diligence is currently being undertaken on both finance and legal. The Principal confirmed it has been a significant challenge to provide the information being sought within the tight, and at times, somewhat unrealistic timescales asked of the College, especially as work on year-end accounts also had to be completed.

20. The Committee placed on record its thanks to all the staff who have been involved in providing the information required for the due diligence process.

SFA FINANCIAL HEALTH LETTER

21. The Committee received for information purposes a letter from the SFA (Paper 7(i)) and a data dashboard on the College's financial performance (Paper 7(ii)). The SFA confirmed the College's Financial Health Assessment for both 2015/16 and 2016/17 is 'Good'.

22. It was **RESOLVED** to note the SFA Assessment.

RISK MANAGEMENT/RISK REGISTER

23. The College report '*Risk Register*' was received highlighting the areas of focus relevant to the Committee (Paper 8). 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.

24. It was confirmed two risks have been removed from the Register – the failure to implement the LEP project as the project is now complete; and the implementation of the new SORP as the new SORP has been applied to the Financial Statements 2015-16.

25. It was confirmed three new risks have been added to the Risk Register and all three fall under the responsibility of the Finance Committee. The first deals with the impact of Brexit; the second on the catering contract; and the third on the proposed merger with Uxbridge College and Harrow College. It was noted that there is a separate Risk Register on the merger that is overseen by the Transition Steering Group.

26. As the lease for the Skills Centre has yet to be finalised, it was agreed to add a separate risk dealing with this issue.

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

29. There was no other business

DATE OF NEXT MEETING

30. The next scheduled meeting is Wednesday 22 February 2017 @ 1800.

The meeting closed at 19.30

Signed: _____ Date: _____
(Chair)

SUMMARY ACTION LIST

MIN	ACTION	REVIEW DATE
26	As the lease for the Skills Centre has yet to be finalised, it was agreed to add a separate risk to the Risk Register dealing with this issue.	22/2/17