

**Minutes of a Meeting of the Finance & Capital Projects Advisory Group held on  
Wednesday 25 November 2015 in the Directors' Room**

**Present** Mr T White  
Ms M Semple  
Mr M Michaelides  
Mr S Castle

**Also present** Mr M Cooper  
Mr M Patel  
Mr J Allen  
Mr J Bolt  
Mr R Drury – (DMS Consult) for the agenda item on the LEP Capital Project

The meeting commenced at 18.00.

**APOLOGIES & DECLARATION OF INTERESTS**

32. Apologies were received from Mr S Wilcox. The Clerk confirmed the meeting was quorate with three Members in attendance. There were no declared interests against any of the agenda items.

**MINUTES**

33. It was **RESOLVED** that the minutes of the meeting held 22 September 2015 (Paper 1) be confirmed as a correct record and signed by the Chair.

**SUMMARY ACTION LIST & MATTERS ARISING**

34. The 'Summary Action List' was received (Paper 2) and the following updates were made available:

<b>MIN REF</b>	<b>DETAILS OF RESOLUTION/ACTION POINT</b>	<b>COMMENTARY / UPDATE FOR MEETING 25 NOVEMBER 2015</b>
85	Solar and Biomass proposal – To keep the Committee informed of the outcomes arising from the independent review	No progress as grants have been withdrawn – provision to add it in a later date if this is agreed.
99	Principal to update members on the Skills Centre Lease	Back in negotiations as Woodbridge Park is now in the equation, but better terms need to be negotiated on the Lease now that two educational institutions are involved. Negotiations on-going.g
23	The Corporation at its meeting on 14 October 2015 to approve the College Budget 2015/16 with gross income of £21.264m and gross expenditure of £21.239m, giving a "Line A" operating break even surplus of £25k subject to the report being updated to include confirmation of no pay award for 2015/16	The Budget was approved by the Corporation

24	The annual HR Report, that is a scheduled agenda item at the December Corporation meeting, to outline how the College is responding to the Living Wage.	December Corporation meeting agenda item
26	Shared Services Proposal: A confidential progress report be made available to the Board at its meeting in October with a view for a final decision to be made at the December Board meeting.	Considered at the October Corporation meeting with a final decision to be considered at the December meeting.

35. It was **RESOLVED** to note the '*Summary Action List*'.

### **LEP FUNDED CAPITAL PROJECT PROGRESS REPORT**

36. The progress report was received (Paper 3) and introduced by Mr Drury from DMS Consult.

37. It was confirmed the contract commenced 10 August 2015 and is on schedule to complete against the contract completion date of 06 May 2015 – 39 working weeks.

38. Against the budget of £2,738,000, the current forecast is to be within the agreed budget.

39. The following project risks were noted:

- Weather conditions
- Access around site at student peak periods
- Nuisance to neighbours from noise and dirt
- College access to and from the motor vehicle workshop
- Timings for de-commissioning and de-cant of the logistics building

40. It was noted the above risks were confirmed in the overarching Risk Register. However, it was agreed that in future reports the Project Manager's Risk Register to be made available in the report.

41. For future reporting, it was agreed to record the overall budget costs including construction costs and to record any spend from the contingency with confirmation of the remaining contingency.

42. It was **RESOLVED** to note the report.

*(Mr Drury and Mr Bolt left the meeting at this point)*

### **OUTTURN 2014/15**

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

- Final Management Accounts July 2015 (Paper 4)
- Draft Report and Financial Statements for the Year Ended 31 July 2015 (Paper 5)
- To receive Financial Statement Auditor's 'Audit Findings Report' to be reviewed by the Audit Committee 02 December 2015 (Paper 6)
- Letter of Representation (Paper 7)

44. The original draft management accounts were presented at the Finance Committee meeting held 014 October 2015. Paper 4 is now the final management accounts for July 2015 and they include all audit and late adjustments which amount to £58k. The report explained the variances in more detail and no issues of concern was noted by the Committee on the reported

variances. The key movements were the provision made for ASB clawback, Free Meals balance carried forward and staff related costs.

45. It was **RESOLVED** to note the Final Management Accounts July 2015.

46. The final draft of the Financial Statements and Report for year-ended 31 July 2014 was received (Paper 5). The accounts record a bottom line surplus of £23k (compared to the prior year surplus £1,476k which included £1,273k for Heath House sale). Of the current year's surplus, £263k was due to Heath House sale overage compensation which is offset by prior year enhanced pensions and FRS 17 pension provisions of £470k, leaving an underlying operating surplus of £230k (as per the management accounts Line A in Paper 4).

47. The Financial Statements & Report include:

- 1) An Operating and Financial Review – 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 16;

all of which must be approved by the Corporation.

48. On page 17 is the Independent External Auditor's Report which is unqualified and will be signed on confirmation of the final ILR by the SFA which is due early December in time for final signing after the Corporation meeting on 14 December.

49. Pages 17-18 contains the Reporting Accountant's Assurance Report on Regularity which is also unqualified.

50. The External Auditor's findings Report (Paper 6) will be reviewed by the Audit Committee on 2 December. There were no recommendations arising from the audit.

51. The Committee is asked to review the Letter of Representation (Paper 7) that effectively gives the Auditors comfort that all relevant disclosures have been made to them. This is a routine request by all auditors.

52. Following review of Paper 5 and Paper 7, it was **RESOLVED** to recommend that the Corporation at its meeting on 16 December 2015 be asked to approve the Financial Statements and Annual Report 2014/15 and the Letter of Representation.

## **MANAGEMENT ACCOUNTS UP TO 31 OCTOBER 2015**

53. The Management Accounts up to 31 October 2015 were received (Paper 8).

54. It was noted there were some sizeable year-to-date (YTD) variations between actual and budgeted income and expenditure. In particular, SFA Adult Skills Budget funding (£264k adverse); funding from Local Authorities for High Needs Students (£100k favourable); total pay costs (£92k favourable); payments to partner providers (£62k favourable) and expenditure on exam fees (£65k 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 2015/16, there is more work required to analyse and fully understand some of the YTD variances. As such, a circumspect approach has been taken to adjustment of

full-year forecast figures with changes being made only where there is reliable information to support these.

55. These full-year changes in total amount to £142k and this net favourable movement has been added to the initial non-pay contingency budget of £68k. When taken with the original pay contingency of 90k this gives a total contingency of £300k (1.4% of total income). Whilst the reported total full-year forecast surplus is unchanged from the budget of £25k it should be noted that, all other things being equal, if no drawdown of this contingency is required, the overall YTD operating surplus of £211k would move to a year-end surplus of £325k.

56. The main variances between full-year budget and forecast are summarised in the table below:

<b>Analysis of Movement between Budget and Latest Forecast</b>				
<b>Significant Changes</b>	<b>I&amp;E</b>	<b>Variance</b>		
		<b>Comments</b>	<b>Line Ref</b>	<b>Fav/(Adv)</b>
				£'000
<b>Income</b>				
1 High needs Student Funding	5		400	Approx. 40 more students to be funded by LAs. Matched by incremental pay costs for support.
2 HE funding: HEFCE, franchise & tuition fees	6-8		191	Overall more students than budgeted 3
FE 24+ Loans Facility	9		14	Currently more students than planned
4 Fees - FE tuition, exams	10		(37)	Less than target. Continuing reducing trend over the years
5 Full Cost	11		45	Full-cost enrolments higher than budgeted
6 Nursery	14		(34)	8 children fewer than planned.
7 Catering and vending operations	15		(110)	Reduction as per Aramark's latest forecast based on YTD position. Matched by reduced expenditure
8 Rental income	Part of 17		(30)	Hounslow Music Centre no longer occupying Skills Centre 9
Other	17		(10)	
<b>Net change in income forecast</b>			<b>429</b>	
<b>Pay Costs</b>				
10 Teaching Dept. costs			(400)	Matching incremental costs for HNS students - see item 1 above.
<b>Net change in pay cost forecast</b>			<b>(400)</b>	
<b>Non-Pay Costs</b>				
11 Catering	16		110	Revision of figure by Aramark. Matched by corresponding adjustment to income
12 Other changes			3	
<b>Net change in non-pay forecast</b>			<b>113</b>	
<b>Net change in forecast surplus</b>			<b>142</b>	
13 Held back as contingency (within Line 18 Expenditure)			(142)	<b>Net</b>
<b>change in reported forecast</b>			<b>-</b>	
<b>Budgeted surplus - Column 6</b>	<b>Line A</b>		<b>25</b>	

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

## **SFA FINANCIAL HEALTH LETTER**

58. The Committee received for information purposes a letter from the SFA (Paper 9) that confirmed the College's Financial Health Assessment for both 2014/15 and 2015/16 is 'Outstanding'.

## **RISK MANAGEMENT/RISK REGISTER**

59. The College report '*Risk Register*' was received highlighting the areas of focus relevant to the Committee (Paper 10). 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.

60. 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.

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

## **ANY OTHER BUSINESS**

62. There was no other business

## **DATE OF NEXT MEETING**

63. The next scheduled meeting is Wednesday 24 February 2016 @ 1800.

The meeting closed at 19.30

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

## **SUMMARY ACTION LIST**

<b>MIN</b>	<b>ACTION</b>	<b>REVIEW DATE</b>
40	Project Manager's Risk Register to be made available in LEP Capital Project Reports	24/2/16
41	In LEP Capital Project Reports, it was agreed to record the overall budget costs including construction costs and to record any spend from the contingency with confirmation of the remaining contingency.	24/2/16