



FINANCE, STAFFING & GENERAL PURPOSES COMMITTEE
(Joint Meeting with the Audit Committee)

Minutes of Meeting on Tuesday 4 December 2018

Present:	Mr S Holderness (<i>Chair</i>)	Vice-Chair of Governors
	Mr J Bagley	Principal
	Ms P Hamer	Staff Governor
	Mr H Solanki	Parent Governor
	Ms N Cuffy	Governor
	Mr N Smith	Governor
In Attendance:	Mr H Ravat	Vice-Principal Resources
	Mr R Mansfield	Clerk
	Mr G Jones	RSM Audit UK
	Mr M Matley	RSM Audit UK

Ref.		Action
F/18/41	<p>Item 1 – Apologies for Absence: An apology for absence was received from Harnish Hadani. The meeting was declared quorate. Steve Holderness welcomed to the meeting Gareth Jones and Mark Matley of RSM Audit UK and Nathan Smith, recently appointed member of the Audit Committee.</p>	
F/18/42	<p>Item 2 – Declarations of Interest in Agenda Items: There were no declarations of interest in agenda items.</p>	
F/18/43	<p>Item 3 – Annual Report and Accounts 2017/2018: Robert Mansfield read out a message received by email from Harnish Hadani to the effect that he had reviewed in depth the papers for items 3 and 4 and had no comments to make. He had asked for his assurances to be relayed to the meeting and recorded his special thanks to Hamid Ravat and his team for another excellent audit outcome. Hamid Ravat then presented the draft Annual Report and Accounts for 2017/2018. The Annual Report began by listing the key College personnel and their advisers. The report summarized the College's mission, public benefit delivered, strategic objectives and performance (including OfSTED Inspection grade) against these objectives and financial Key Performance Indicators. A reconciliation between the reported surpluses for the previous three years and the</p>	

underlying operating position was included. The report then set out the key risks and the College's arrangements for managing and mitigating them.

The Statement of Corporate Governance and Internal Control described the College's arrangements and concluded with the opinion that the College had an adequate and effective framework for governance, risk management and control and had fulfilled its statutory obligations. The College's accounts had again been prepared, with the agreement of the auditors, on a going concern basis in view of the outlook for the coming year. Hamid Ravat then presented the accounts and the key points contained in the notes thereto. There had been no adjustments to the accounts. He stressed that, while the lack of adjustments was perhaps unsurprising, given that the College did not have diversified income streams, there had nonetheless been a very thorough examination of the accounts. The College's balance sheet remained relatively strong.

In the light of this presentation and the advice from Harnish Hadani, the meeting commended the annual report and accounts to the Board for approval.

F/18/44

Item 4 – Management Report of Financial Statements Auditor:

4.1 Management Report

Gareth Jones introduced the Management Report of RSM Audit UK, which was presented by Mark Matley. Mark Matley reminded the meeting of the scope of work and the audit plan (which was typical of plans for the whole sector) that had been previously agreed. The report reviewed various audit, accounting and regularity issues. There was a low risk that the Education and Skills Funding Agency (ESFA) might, following a change of policy, seek to reclaim unspent Free School Meals bursary funding from 2015/2016. The College's liabilities to the Local Government Pension Scheme were judged to have been based upon reasonable actuarial assumptions. Notwithstanding the fact that the outcome of the forthcoming Structure and Prospects Appraisal was not yet known, the auditors had concluded that the College's accounts for 2017/2018 should be prepared on a going concern basis. No evidence had been found to suggest that senior management had taken action to override internal controls. The auditors had received assurances that the level of sports facilities income from the general public did not breach the small trade exemption limit for Corporation Tax, but wished to highlight this as a potential risk in years to come. Appropriate efforts had been made to ensure value for money in the procurement of the conversion of a science laboratory, even though one of the three suppliers invited to tender had failed to provide a quotation.

There had been no significant adjustments to the accounts.

No potential propriety issues or significant deficiencies in internal control had come to light.

Gareth Jones said that the report was exceptionally positive and a credit to Hamid Ravat and his team. An additional paragraph would need to be added to the report in the light of recent inequality claims in respect of pensions. This would be done before papers needed to be sent out to the Board. Gareth Jones referred the meeting to the commentary in Appendix B, the sector review. He advised the meeting that the ESFA was making changes to the insolvency regime, that would increase the responsibilities of governors. In particular he believed that the ESFA would no longer be generally willing to provide extra funding for failing colleges. Nelista Cuffy asked what scope there was for the College to increase the provision of services liable to VAT, after the current restrictions expired. Hamid Ravat said that the scope was probably limited, as the demand for facilities that the College could provide was generally locally over-supplied. Steve Holderness thanked RSM Audit UK for a clean report and added his congratulations to Hamid Ravat and the Finance team.

The meeting commended the report to the Board.

4.2 Letters of Representation

Mark Matley invited the meeting to recommend the signing of the Letters of Representation contained in Appendix A of the auditors' report.

The meeting recommended that the letters of representation should be signed.

F/18/45

Item 5 – Minutes of Meeting of the Audit Committee on 9 October 2018 and Matters Arising:

The minutes of the meeting on 9 October 2018 were accepted as an accurate record and were signed by Steve Holderness. There were no matters arising from the minutes.

Gareth Jones and Mark Matley, having declined the offer of a private meeting without staff present, left the meeting. Nelista Cuffy and Patsy Hamer, the business of the Audit Committee having been completed, also left the meeting, which remained quorate.

F/18/46

Item 6 – Minutes of Meeting of the Finance, Staffing & General Purposes Committee on 18 October 2018 and Matters Arising:

The minutes of the meeting on 18 October 2018 were accepted as an accurate record and were signed by Steve Holderness.

The actions listed in the minutes were reviewed. James Bagley confirmed that he would, as agreed, report to the meeting of the Board on 18 December 2018 on the underlying causes of the recent downturn in recruitment.

F/18/47

Item 7 – Letter from Education and Skills Funding Agency:

Hamid Ravat presented a letter recently received from the ESFA, requesting financial information from the College. In response, in order to meet the deadline stipulated, he had sent the ESFA (as a draft) the revised financial recovery plan to be considered under item 8 and the latest operating statement. He had advised the ESFA that he would provide prompt advice of any subsequent changes made to the recovery plan. He confirmed to Steve Holderness that the request from the ESFA came as no surprise as the College was already in Early Intervention. The ESFA had been favourably impressed by the College's proactivity in requesting a Structure and Prospects Appraisal (SPA).

The meeting noted this report.

F/18/48

Item 8 – Revised Financial Recovery Plan:

Hamid Ravat said the financial recovery plan had been revised in the light of the recent recruitments, which had been below previous projections. The shortfall would result in an estimated further decline in funding of £650K in 2019/2020. The College was now aiming to retain its current roll of 1,200 students in 2019/2020 and to grow very modestly thereafter. This should enable a return to breakeven in 2021/2022. Pay costs were projected to fall from the current unsustainable level of 77% of income to 66% over this period. This implied a reduction of 25% in staffing. Over this period the bank loan was projected to reduce from £1.3 million to £900K. Cash reserves were projected to decline to £2.1 million at the current academic year end and then to £1.2 million, at which level they should stabilize. The bank loan covenant would be breached after a second year of negative cash flow, and discussions with Lloyds Bank on this matter had commenced. Financial Health was projected to decline from Good to Satisfactory for two years before returning to Good. There were naturally questions about sustaining viability and the curriculum offer with smaller student numbers.

Steve Holderness said it was necessary to be realistic about staff costs, given their significance within the College's expenditure profile. He urged that an analysis should be undertaken of current and required staffing. Robert Mansfield confirmed that a report on course sizes and programme efficiencies should come to the next meeting of the Committee. James Bagley said that difficult decisions lay ahead, but that these would best be taken in the light of the outcome of the SPA. However he believed that a staged approach was likely to be needed. College leaders were currently reviewing possible options. He undertook to keep the Committee updated on these at each meeting. He fully expected that an agreement would have been reached with Lloyds Bank before any breach of covenant actually

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occurred.

The meeting commended the revised financial recovery plan to the Board.

F/18/49

Item 9 – Complaints and Concerns Policy:

The paper for this item was withdrawn, as James Bagley said that there had been further recent revision to the version before the meeting. It was agreed that the latest version should be brought to the next meeting.

RM/JB

F/18/50

Item 10 – Annual Concerns and Complaints Report 2017/2018:

James Bagley presented the annual concerns and complaints report for 2017/2018. Although the instances listed were diverse in their particulars, they fell into three main categories:

- Complaints from members of the public about student misbehaviour near the site of the College. These were often difficult to address because the students could not be identified, or it was not clear that they were from the College. Where offenders were identified as College students, they were disciplined. Otherwise there were regular appeals for respectful conduct via tutor groups.
- Complaints from parents (often of new students). These usually related to settling in difficulties and were resolved through discussion
- Complaints from students, usually about 'low level' disagreements with members of staff. These were handled through appropriate channels.

There were no significant patterns or trends.

The meeting received this report.

F/18/51

Item 11 – Date and Time of Next Meeting:

It was confirmed that the next meeting of the Committee would be on Tuesday 22 January 2019 at 5.30 p.m. at the College.

F/18/52

Item 12 – Any Other Business:

There was no other business.