

**WEYMOUTH COLLEGE AUDIT FINANCE COMMITTEE**  
**Minutes of the meeting of the Audit Finance Committee held on 26 November 2019**

<i>Members present</i>		<i>In attendance</i>	
Rosie Darkin-Miller	Chair	Sue Ratcliffe	Clerk to the Corporation
Jane Nicklen		Nigel Evans	Principal
Andy Matthews		Nick Macbeath	TIAA Internal Auditors
Steve Webb	<b><i>Not present</i></b>	Rob Cole	Director of Finance
Stephen Prewett	<b><i>Resignation</i></b>	James Clark	Finance Manager
Jo George	<b><i>Apologies</i></b>	Richard Noah	Chair of the Board
		Mark Powell	Moore (Financial Statements Auditors)
		Kevin Mortimer	Moore (Financial Statements Auditors)

**Apologies for Absence**

31/2019 Apologies for absence were received from Jo George.

Members noted the change of status of Jo George who will no longer be a full Corporation member but a co-opted member of the Committee, in addition the Committee regretfully noted the resignation of Stephen Prewett.

**Declarations of interest**

32/2019 Members had nothing to declare.

**Notification of Any Other Business**

33/2019 One item of other business – Intervention letter from Paul Lucken, ESFA, was notified.

**Minutes of the Meeting held on 18 June 2019**

34/2019 The minutes of the meeting held on 18 June 2019, were approved as correct record and signed by the Chair. It was confirmed that the predicted percentage expenditure on staff costs reported in the minutes, was correct at that time and members had received more recent update.

**Internal Audit Reports**

35/2019 a) The Committee welcomed Nick Macbeath TIAA to the meeting. Nick introduced himself, explained the revised structure at TIAA, and that he would be our audit manager going forward. Members received three reports all from the 2018-19 Plan including the Apprenticeship Review and noted audit visits from the current plan would start in the New Year.

b) Apprenticeship Review

Members received and accepted the report giving Limited Assurance as expected and three recommendations were made, the report was requested by the College and members noted there is still work in progress on implementing agreed processes and procedures. The Director of Finance assured members that budget monitoring meetings are taking place on a regular basis at the appropriate level related to the size of the budget concerned. Members

suggested that the due date for the first recommendation should be December 2019 not December 2020, this was agreed.

Members were pleased to note:

- The College's Weytrack system now provides monitoring reports in respect of invoicing employers. This ensures invoices are issued in a timely manner, to aid our cash flow.
- After some initial issues with ESFA incentive reports, reconciliation is progressing and we are now catching up with an expected completion date by the end of the year.
- The appointment of a new Head of Apprenticeships, starting on Monday 2 December. She will then lead on final implementation of the report recommendations.

c) Follow-up on Audit Recommendations

Members received two follow-up reports and the College's own follow-up of outstanding recommendations.

Nick Macbeath reported that he proposed a change in the follow-up process to avoid the duplication of internal reporting and producing the unnecessary preamble in a report format. He suggested using the TIAA online portal, which is updated by the College on a regular basis, and a print off used for each committee meeting. It was agreed he will meet with the Clerk in the New Year to finalise the process.

## **2018-2019 Financial Statements**

36/2019 a) Audit Management Summary Report - Mark Powell, Audit Partner and Kevin Mortimer from Moore presented the draft Audit Management Summary Report and thanked all College Staff for their support to ensure a smooth movement through the Audit process. He explained that the audit was almost complete with just a few outstanding matters including clarity relating to intercompany debt and the provision of the management letter and letter of support for Weyco.

Members were pleased to note there were no issues to report in respect of the work on the Regularity Audit and expected that a clean audit opinion would be issued. Members' attention was drawn to the following points:

- Inter-company debt (point 5), showing £310k was owing to the college from Weyco and Redlands. As in previous years, there is an assumption that this debt would never be able to be repaid and the debt would be forgiven. The Clerk confirmed that at the last Board meeting, the matter of debt forgiveness was considered and it was agreed that the inter-company debt and the debt to the College would be forgiven and appropriate wording provided to the auditors to enable this adjustment to be made to the final accounts. In addition as in previous years, a letter of support would be provided for Weyco.
- Debt Management - Discussion followed concerning any possible external implications arising from carrying a debt within the group accounts. Questions were asked if we should evidence that we are doing all we can to manage our debts. In response, other members felt that the College is constantly looking at the debt and cash flow and its management of the situation is well recorded in both the Board and Committee minutes. Redlands will no longer be separately identified going forward as the company is closing. The Chair of the Board reported his agreement with this

statement and the Committee felt we must continue to make sure we record decisions and actions that reflect how we are trying to reduce our debt.

- Discussion also followed on the costs of maintenance of the 3G Pitch at Redlands, this asset has now been transferred back to the College, after release of a sub-lease with the Redlands Company and consideration will be given to the best cost estimates going forward. The Director of Finance reported on recent discussions with Dorset FA and the Football Foundation on their desire for a second 3G Pitch here and half a 3G pitch on Portland. Part of the ongoing discussions include replacement costs and looking at alternative funding sources, which members emphasised, must be harnessed. Members noted merger relief accounting would be operated for next year and on the advice of our VAT consultant, all lettings income from Redlands, will be received through the College to avoid liability for VAT as the College is an exempt charity and the leaseholder.
- Future Funding and Going Concern - The auditor's report that whilst the college has been granted a payment holiday on the existing BIS loan and drawn down on a new loan from the ESFA, cash flow forecasts remain tight. With the ongoing requirement to repay bank debt auditors, consider there still to be a significant risk regarding going concern. However, after review of the Financial Plan and the budget report, the cash flow forecast prepared has the closing cash balance as at 31 July 2020 at c£680k and continued support from AIB with waiver letter received. Therefore concluding that cash remains tight, but the College is not in the same position, as last year, there is some risk but auditors are comfortable to report on a going concern basis.  
In addition, members noted that in conversation with the ESFA it seems there may be an opportunity to apply for a 50% in year advance of funds, to address in year growth.
- Auditors reported they were comfortable with the pension valuation; there was nothing to report on management override or revenue recognition.
- Finally a note on appendices to the report which recommend a clean-up of the fixed asset register; report that a £214 adjustment was made, and outline future accounting changes that will affect the college.

b) Draft Annual Report and Financial Statements - the Committee received the draft Report and Financial Statements for review and to be considered to recommend for board approval. The Director of Finance thanked the Finance Manager and all the finance team for their work in their preparation.

Members discussed the financial health assessment making this a very difficult year, with our TU application not delivering what we expected, we move to requires improvement and unsatisfactory. The College continues to work to control costs and make savings, identifying some comfort as we have few non-cash items. We must carefully monitor what we can do with trading activities, but acknowledge for example the services provided to the College such as cleaning, will always be a cost, however provided. Members noted that the change in student demographic, combined with the expected increase in FE funding, should see the College financial health start to improve from 2020/21, but that there will still be pressure to closely manage costs, and seek to grow income. The balance sheet on page 34 shows pension and other liabilities. Members were told that our annual pension deficit sum would decrease from £192k to £92k from April 2020. In addition, the employers' pension rate will increase, with an overall annual net saving of £4k.

The value of the group assets figure recognises the lack of capital investment in recent years. The College has applied for and recently been successful in its LEP funding bids. It was noted that if the College keeps control and builds EBITDA, the short-term LEP input will aid the position, but the long term future investment position is unknown. Funding opportunities are bid for as they become available and there is hope of further LEP opportunities. In addition, the recent bid submitted to the CITB will help our estate and gross asset value.

The Committee resolved to recommend the 2018-19 Annual Report and Financial Statements to the Board after adjustments have been made in respect of forgiveness of the intercompany debt. All in favour.

### **Financial Report**

37/2019 The Committee received and considered a letter and dashboard from the ESFA regarding the College's financial health assessment. Members discussed the financial health assessment making this a very difficult year, with our TU application not delivering what we expected, our financial health will decline from 2018/19 measure of 'Requires Improvement' (140 points) to inadequate (100 points) in 2019/2020 before a gradual improvement back to 'Requires Improvement' (160 points) in 2020/2021.

### **Audit Committee's Annual Report to the Corporation**

38/2019 After consideration and subject to some minor amendments and an update to section 9 from the Chair, the Report was agreed for presentation to the Corporation.

### **Risk Management**

39/2019 The Committee received the strategic risk register in a revised format working with Jo George. The revised Register had been reviewed by SLT.

Members:

- Were pleased with the format and agreed there should be a termly update column on the right hand side.
- Agreed staffing levels and the loss of key strategic posts should be included as key risks.
- Consideration to be given to the inclusion of cyber risks.
- Review by the Committee in November, March and June each year.

It was confirmed that there are detail operational plans sitting underneath the strategic plan. The updated register to be proposed to the Corporation for approval at their next meeting.

### **Any Other Business**

40/2019 - The Committee received a copy of the Intervention Letter from Paul Lucken, ESFA Regional Director, received this week, noting that the College would continue to be subject to regular monitoring visits by the ESFA.

### **Date of Next Meeting**

42/2019 The next meeting was confirmed as 21 January 2020.

Signed \_\_\_\_\_ Chair

21 January 2020