

<b>WEYMOUTH COLLEGE AUDIT FINANCE COMMITTEE</b>			
<b><u>Minutes of the meeting of the Audit Finance Committee held on 18 June 2019</u></b>			

<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		Andrew Townsend	TIAA Internal Auditors
Steve Webb	<b>Apologies</b>	Rob Cole	Director of Finance <b>Apologies</b>
Stephen Prewett		James Clark	Finance Manager
Jo George		Richard Noah	Chair of the Board

### **Apologies for Absence**

21/2019 Apologies for absence were received and accepted from Steve Webb and Rob Cole Director of Finance.

### **Declarations of interest**

22/2019 Members had nothing to declare.

### **Notification of Any Other Business**

23/2019 There were no other items of business.

### **Minutes of the Meeting held on 5 March 2019**

24/2019 The minutes of the meeting held on 5 March 2019, were approved as correct record and signed by the Chair.

### **Financial Report**

25/2019 a) P10 Report

The Committee received the P10 Financial Report, presented by the Finance Manager and a copy of a written response to questions raised by the Chair was handed round.

The Principal reported on the monitoring meeting held with the ESFA the previous day. Members noted that:

- The ESFA indicated the College was low priority and ongoing monitoring would be through the usual monthly meetings with the ESFA rather than by the national office.
- The KPI reporting would be required nationally but the most important thing is keeping to the cash requirements and ensuring we are in a position to pay the loan repayments when they are due.
- Discussion had taken place on the payment of a pay award to staff. Indications were that if funds permitted it and there was a clear rationale, such as retention of staff, the ESFA would question the decision but might be agreeable.
- The College expressed concern that some of the KPIs did not actually mean anything, the HE fees target was questioned as was the EBITDA figure. Members expressed their frustration that they had given feedback that the offer was the best they could get and the goalposts had changed throughout the process. Despite reassurances that if the College did not meet targets, there was scope for negotiation and further considerations, but no assurances given verbally would be given in writing.

- The key KPI requirement is to maintain the £300k cash for nine months of the year. However we need to keep reminding targets are not reasonable. Maybe formulae development of KPIs. Members felt it was useful to have this at beginning of report.
- We want to move to Good financial health in the medium term.
- Email correspondence between the Clerk and the Provider Assurance Team nationally had suggested a teleconference on 2<sup>nd</sup> July to discuss various matters, but this had not been confirmed.
- The Principal was reassured that the accuracy of reporting was much more assured in the reports now being prepared by the new Director of Finance.

The Finance Manager highlighted the current cash position after receipt of the £400k advance and the cash flow report showing cash position moving from August into the new financial year. However, the pinch points every year are in the spring term.

Members discussed the increasing staff costs predicted to be 102% of budget. Members remembered that some work has been done by the previous Finance Director as the FE Commissioner drew attention to this and at that time recommended 60 – 62%, but we have got generic and specific issues related to the number of staff near to the minimum wage, which has a disproportionate effect on staff costs when considered against a £350k reduction in income. In addition we do not sub- contract. Members felt a paragraph to this effect would be helpful in future reports.

Members noted the following influenced the percentage increase:

- The new Finance Director appointment was for a full time post, previously part time.
- Overtime claims spike in July. Members asked if the overtime was quantifiable. The Principal explained overtime was paid to run primary or careers college or in exceptional circumstances. Very minor additions to the curriculum plan.
- NCS staff claim on a paid to claim basis at the end of the year.
- The appointment of the Business Development Officer was made early, resulting in successful recruitment but the full impact on income had not yet realised in budget.
- No savings from vacant posts to be realised.

Members received a copy of the Aged Debtors Report, which was handed round. Members understood how payment plans in place were reflected in the report and how debt is reduced as income from the payment plans are received. Current Unit E debtors are showing £132,856. It was agreed to clarify monthly staff costs for April and May 2020 .

The Principal highlighted the R10 presentation, to be provided for the Board meeting would show that the Adult Education contract shortfall has now reduced and it is likely we will be within the 3% of the total contract, meaning there will be no claw back. In addition, the additional apprenticeship starts are now in budget, meaning we are now within £6k of our financial target, hopeful exceeding planned income.

#### b) Draft Budget 2019/2020

The Finance Manager present a paper on the 2019-2020 Draft Budget, previously circulated. Members noted that the budget was continually being developed and changing as detail was agreed. The Principal explained that the budget preparation had been discussed with the ESFA at the regular monitoring meeting and re-emphasised the message that maintaining cash and meeting loan repayments on time were the key points. The Finance Manager reported that the budget position as reported was realistic to date. . He also explained that to balance the budget and to meet ESFA expectations, we were looking at achieving £300,000 of savings, e.g. 1/3 growth in income; 1/3 from operational savings and procurement and 1/3<sup>rd</sup> from each budget area.

Members felt it would be helpful to see more detail behind the paper, a service area breakdown. Income was discussed and it was noted income streams are identified, e.g. all

funding body grants, tuition fees etc. Other income relates to trading units. Members commented that perhaps a look at expenditure that does not earn us any money, would be helpful? The Principal explained contribution can be a disincentive, it important to understand where the costs fall, but Members confirmed that a more detailed understanding of the figures behind the headline numbers was necessary for the Board to be able to direct the business. The bottom line is key but some smaller groups will be offset by higher income generating activities, with a focus more to curriculum offer more reasons for curriculum offer than money, for example the newly appointed Business Development Manager, costs are in back office, but income generated cannot be easily identified and is in different areas. The good work at DCCA and 106 was highlighted, but agreed to look at including links to the curriculum plan. Members were pleased to see the growth in apprenticeships and other opportunities.

A discussion on a possible pay award with a number of cautious points made. This would be something for the Board when the longer term financial position was clearer and focus on the need to monitor the £300k cash balance. Members asked for a budget which would factor in 1% and one that does not. The Principal highlighted that the College could show staff costs excluding the subsidiaries rather than the group percentage costs which might be a truer comparison with other colleges.

The Finance Manager noted that the key figure (in terms of ensuring the College could meet its loan obligations as they feel due) was the requirement to generate a net surplus of £488k before interest, tax, depreciation and amortisation. The current version of the budget showed a net surplus of £397k, against the TU bid's figure of £879k.

### **Internal Audit**

#### 26/2019 a) Key Financial Control Review – April 2019

The Committee received the Report on Key Financial Controls containing three recommendations, one of which is relating to the updating of financial regulations and procedures, which has been outstanding from previous reviews and is planned to be addressed in the Summer 201. The report gives reasonable assurance with no operational recommendations.

#### b) 2019-2020 Annual Audit Plan

The Clerk explained that following discussion at previous meetings concerning the committee's wish to have an overall audit opinion as part of the Annual Report, discussions had been held with TIAA at the planning meeting, attended by the Chair, the Clerk and the Director of Finance and to enable this to be reinstated, a minimum of 25 days was required. Therefore a plan of 25 days was agreed, covering areas that would enable an annual opinion to be issued as well as providing assurance over areas recommended by management and the Committee.

**RESOLVED** that subject to correcting the wording in two areas, the Committee recommend the Plan to the Board for approval, with the understanding that the plan and input remains flexible and can be amended as required taking into account affordability during the year.

### **College Follow-up Report on Audit Recommendations**

27/2019 the Committee received the report showing just one outstanding recommendation concerning updating the Financial Regulations. This has been outstanding for some time due to priorities in Finance in respect of the application to the Transaction Unit, but members noted that the Director of Finance now plans to complete the review during the summer.

### **Risk Management Review**

28/2019 The Committee noted that future maintenance of the Risk Register would now be undertaken by the Director of Finance who had recently met with Jo George to look at a new

template. Members noted that at the meeting the recently published report from RSM was considered and it was agreed the Risk Register will retain high level risks, but link back what achieving high level an succinct, scoring matrix. Service area risks are currently not well separated. Members thought that we should keep strategic risks separate.

**Any Other Business**

29/2019 There was no other business.

**Date of Next Meeting**

30/2019 The next meeting was confirmed as 26 November 2019.

The new Insolvency Regime: Special meeting for Board Members and SLT on 17 September 2019.

Signed \_\_\_\_\_ Chair  
26 November 2019