

CORPORATION BOARD

AUDIT and FINANCE & EMPLOYMENT COMMITTEES

Minutes of the combined meeting of the Audit and Finance & Employment Committees held at 6.00pm on Thursday 2nd December 2010 at the Abingdon campus.

Present: Stephen Dexter (Chair)
Bruce Hunt
Neil Monaghan
David Quayle

In attendance: Teresa Kelly (Principal)
Di Batchelor
Miranda Coles
David Bramble (Clerk)

Action

1. APPOINTMENT OF CHAIRS

- 1.1 Stephen Dexter was elected Chair of the Audit Committee for 2010-11.
- 1.2 Following the resignation of David Doughty, Bruce Hunt was elected Chair of the Finance & Employment Committee for the remainder of 2010-11.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received and accepted from Sylvia Doyle, Adrian Rutter (Tenon LLP) and Rakesh Shaunak (McIntyre Hudson LLP). There had been a heavy snow fall and more was forecast.

3. DECLARATIONS OF INTEREST

There were none.

4. MINUTES OF PREVIOUS MEETINGS

The minutes of the meetings of the Audit Committee held on 17th June 2010 and the Finance & Employment Committee of 7th October 2010 were approved.

5. MATTERS ARISING

5.1 Approval to remove creditor (Min 4.1 of Audit Committee Minutes)

It was agreed that Henley College would remain on the Balance Sheet as a creditor until a 7 year time period had elapsed.

Miranda
Coles

5.2 Internal Audit Programme (Min 8 of Audit Committee Minutes)

It was noted that the 3 days planned for capital project management evaluation would await the signing of the main construction contract for the Witney project.

6. PAY AWARD 2010/11

AoC had recommended a 0.2% consolidated pay increase, or the sum of £50, whichever was the greater. This recommendation had been accepted by ACM, ATL, GMB and UNISON but rejected by UCU and Unite.

The SMT recommendation that consideration of a pay award should be deferred to March 2011 was agreed.

**Teresa
Kelly**

In answer to a question it was confirmed that, generally, the College's pay scales were higher than nearby competitor colleges.

7. RISK MANAGEMENT REPORT

Miranda Coles advised that risks which were considered more or less significant since July 2010 were flagged in the 'Change from last report' column.

Only one high level risk was identified: "changes in SFA funding for adult enrolments result in reductions in income received". The Vice Principal's Report at Appendix 4 of Management Accounts (item 10) identified the current shortfall in both adult income and numbers and the situation was being closely monitored. There had been no significant deterioration in risk scores since July.

Five new risks had been identified since July:

- Ineffective tracking of apprenticeship and train to gain learners leading to inadequate timely success rates
- Loss of key suppliers
- Insufficient growth in apprenticeship numbers resulting in income shortfall
- Changes in funding for ALS leading to reduction in income received
- Reduction in student SLDD numbers leading to income shortfall.

In answer to questions it was confirmed that the new scoring system made identification of high level risks easier and differentiation was generally clearer. A lot of work had been done last year and SMT were confident that risk management was embedded throughout the College and efforts would be made to keep it in focus. Staff were trained to apply risk considerations to all new proposals.

The risk management report was approved.

8. ANNUAL INTERNAL AUDIT REPORT 2009/10

Stephen Dexter highlighted the main points of the annual internal audit report for 2009/10. Overall assessments for the seven areas graded were 5 x 'Good' and 2 x 'Satisfactory'. 4 x Grade 1 recommendations were made: 11 x Grade 2 and 7 x Grade 3. Management's responses indicated that appropriate action had been taken or was planned. Good progress on implementing recommendations from the previous year had been made with 14 recommendations implemented, one no longer required and 2 in progress. It was an unqualified report and the opinion of the auditors was that the College had adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives.

It was agreed to recommend to the Board that the annual internal audit report be approved.

**David
Bramble**

9. COLLEGE YEAR END ACCOUNTS 2009 – 10

Stephen Dexter reported that to avoid travel from London in falling snow, a telephone conversation with Rakesh Shaunak, senior partner of MacIntyre Hudson LLP, had taken place in the presence of Miranda Coles and the new Head of Finance, Helen Marshall. The external auditors did not wish to raise any

matters with the Committee . No adjustments to the draft accounts prepared by the College were necessary so congratulations were due to the finance team.

The independent auditors' report and regularity report, operating and financial review, statement of governance and members' report were reviewed.

Stephen Dexter explained that an exceptional pension credit had arisen from the Local Government Pension Scheme for non-teaching staff which was managed by Oxfordshire County Council. There was an option on how to account for the credit of £618k. It could appear in the Income and Expenditure account as an exceptional item below the surplus on continuing operations figure thereby increasing the surplus or be posted direct to the Balance Sheet with no impact on the year end surplus. No guidance had been provided by SFA and there appeared to be no consistency across the FE sector. A commercial view had been taken in the belief that there was no misrepresentation of the College's financial position with a resultant higher operating surplus. Committee members approved the presentation of the accounts as drafted.

It was agreed to recommend to the Corporation Board that the financial statements for year ended 31 July 2010 be approved.

10. MANAGEMENT ACCOUNTS AT 31ST OCTOBER 2010

The Income and Expenditure account showed a surplus before adjustments of £382k compared to a budgeted surplus of £427k. After pension and fixed asset adjustments the surplus was £307k compared to a budget figure of £352k. The Financial Health grade remained as 'Good'.

Income was £162k below budgeted income of £4,901k. Continuing issues surrounding LIME resulted in work based income falling £107k below budget. Train to Gain income was £31k below budget but the enrolment of 100 learners should reduce variance during next two months.

Non pay expenditure was £100k under the budget figure of £1,869k. The under spend in Advanced Business Solutions of £80k represented the reduction in LIME costs for under delivery of WBL.

Pay expenditure was £17k under the budgeted figure of £2,605k

The cash balance was reported as a healthy £2.75m

Mike Gaston reported that the latest ILR funding estimate showed generation of income figures of: 16-18 - £8.2m against a target of £8.9m and 19+ - £1.8m against a target of £2.4m.

Management accounts to 31 October 2010 were approved.

11. FINANCIAL MANAGEMENT & CONTROL EVALUATION (FMCE) 2009-10

The FMCE was reviewed and the suggested grades approved.

12. PROGRESS ON ACTIONS OF PREVIOUS AUDIT RECOMMENDATIONS

The report was reviewed and noted.

13. AUDIT COMMITTEE ANNUAL REPORT 2009-10

The draft report was considered and approved.

14. ANY OTHER BUSINESS

There was none.

Next meeting: Audit Committee, 3rd March 2011.

Meeting ended at 7.17pm.

DRAFT