

CORPORATION OF RICHMOND UPON THAMES COLLEGE
MINUTES OF THE JOINT AUDIT AND FINANCE AND RESOURCES
COMMITTEE MEETING

HELD ON WEDNESDAY 26 NOVEMBER 2014 AT 6.00 PM IN ROOM D6

PRESENT:

Peter Llewellyn	Chair, Chair of the Finance and Resources Committee, Independent member of the Corporation
Gergana Duff	Member of the Finance and Resources Committee, Independent member of the Corporation
Robin Ghurbhurun	Member of the Finance and Resources Committee, Chief Executive and Principal (from agenda item 5.0)
Colette Wilson	Chair of the Audit Committee, Independent member of the Corporation
Abosedede Dada	Member of the Audit Committee, Independent member of the Corporation
Paul Leonard	Member of the Audit Committee, Independent member of the Corporation
Lucy Watson	Member of the Audit Committee, Independent member of the Corporation
Diana Pogson	Interim Deputy Principal
Jackie Miles	Head of Finance
Vikram Sandhu	Buzzacott LLP
Deborah Parkes	Clerk to the Corporation

1. Apologies for absence

Apologies for absence were received from Cathy Bird and Rebecca Veazey.

2. Declaration of Interests

The Chair called for any declarations of interest in the business to be discussed.

There were none.

3. Analysis of Outturn 2013/2014

The Committee received for information the previously circulated report 'Analysis of Outturn 2013/2014'. The report presented an analysis of the actual year end financial position as shown in the statement of accounts for 2013/2014. The Committee noted that the final overall position of £397,000 deficit was £131,000 less than the £527,000 shortfall forecast in the period 10 management accounts to May 2014 and £378,000 less than £775,000 deficit shown in the budget.

The Committee noted that the overall reduction in deficit of £378,000 was due to a combination of an increase in income and reduction in expenditure and members' attention was drawn to the major variations.

The Committee noted that depreciation was £147,000 above budget as the KLM windows project had not been signed off until 2013/2014 (in 2012/2013 this project was £153,000 under budget).

4.(i) College Subsidiary Company Accounts (RuTC Trading Services Ltd)

The Committee received the previously circulated report 'RuTC Trading Services Limited Report and Financial Statements for the year ended 31st July 2014.' The Committee noted that the Company's principal activity during the period was to carry out commercial activities ancillary to the operations of Richmond upon Thames College.

The Committee asked why the income for year ended 31 July 2014 was less than the income generated year ended 31 July 2013. They were advised that there had been less car parking activity in 2013/2014. In response to governors' questions the Committee was advised that car parking was not contracted out and prices were set at the local market rate. The Head of Finance spoke about how car parking was regulated.

The Committee noted that this year there should be an increase in the Company's income as a result of the rugby world cup activity at Twickenham.

The Interim Deputy Principal said that there were opportunities for commercial income to grow and that this was being addressed.

Recognising that trading income would be an increasingly important element of the College's finances, the Committee requested a breakdown of the Company's activities be provided to the Finance and Resources Committee (copied to Audit Committee members) and this was agreed.

ACTION: HEAD OF FINANCE

On behalf of the Corporation, the Committee confirmed the Company's contribution of £164,153 to the College by way of gift aid donation in 2013/2014.

In order to properly assess whether the formal Accounts should be recommended for approval, the Committee wanted to hear from the Auditors and resolved to take item 4 (iii) next on the agenda.

4 (iii) Richmond upon Thames College Post Audit Management Report Year ended 31 July 2014 Audit Representations – Richmond upon Thames College Audit Representations- RuTC Trading Services Limited

The Committee received the previously circulated report 'Richmond upon Thames College Post Audit Management Report Year Ended 31 July 2014'.

Vikram Sandhu drew members' attention to the main points in the Management Letter. Members noted that Buzzacott's work during the audit was performed with a view to expressing an opinion on the financial statements for the year ended 31 July 2014 and to issue a regularity audit opinion. Vikram Sandhu advised that the audit had gone well and he expressed his thanks to the Finance Team for their assistance and co-operation. The Committee also thanked management for their contribution to the audit process.

The Committee's attention was drawn to the obligations of the members of the Corporation regarding the use of the going concern basis in the financial statements in that, in signing the

financial statements, the members of the Corporation are confirming that they believe Richmond upon Thames College is a going concern.

Again, in order to be in a position to recommend the Accounts for sign-off, the Committee considered the documents for agenda item 5 (see below) at this stage of the meeting.

The Committee noted that:

- Income had decreased in 2013 to £20,156,000
- Expenditure had decreased in 2013 to £20,553,000
- Cash at bank as at 31 July 2014 stood at £458,000
- The College has a net current liability position of £1,044,000
- General reserves stood at £1,898,000 as at 31 July 2014

Vikram Sandhu advised that Buzzacott had reviewed the post audit management letter in relation to the financial statements for the year ended 31 July 2013 and that the College had taken action to address the points raised in last year's letter.

Members' attention was drawn to Appendix 4: Retirement benefits (FRS17) and the comparison of the College's LGPS FRS 17 assumptions and results against those of other further education organisations.

The Chair advised that he had asked for three additional Key Performance Indicators in the Allocations and Finance section of the College's KPI document relating to cash in hand, non grant-funded income as a percentage of total income and current ratio.

Turning to the key audit risks, the Committee noted that there may be a need to utilise the College's overdraft facility from February to April 2015. The post audit management letter would be changed as it stated that the overdraft facility will be required from January to July 2015. Going Concern had been identified as a risk given that it had been forecast that the College could be in a net current liabilities position at 31 July 2014 and was expected to incur an operational deficit in the region of £775,000. The Chair advised the Committee that he and the Principal had visited the SFA to let them know that governors are aware of the College's deficit position. The SFA had welcomed the visit and had responded positively.

Turning to recent FE sector developments, Vikram Sandhu noted that the Head of Finance was up to date with the introduction of the new Statement of Recommended Practice (SORP) for Further and Higher Education institutions.

Vikram Sandhu advised that Buzzacott LLP would issue an unqualified opinion on its financial statements and regularity audit reports.

The Principal joined the meeting.

4 (ii) College and Group Statement of Accounts

Members received the previously circulated 'Report and Financial Statements for the year ended 31st July 2014'.

The Chair invited members' comments on the report and financial statements for the year ended 31 July 2014.

The Committee noted the financial statements had been prepared on a going concern basis and that, in forming their opinion, Buzzacott had considered the adequacy of the disclosures made in the financial statements concerning the financial position of the College, however the auditor's opinion was not qualified in this respect.

In relation to Tangible Fixed Assets, the Chair noted that land and buildings with a value of £1.9m had been financed through the receipt of capital grants and asked whether the College could identify the asset and whether, if it were disposed of as part of the redevelopment project, there would be any sale proceeds to repay. Grants only have to be repaid if the assets funded are sold, so the Principal did not think that the College would be liable as the grant had been provided for replacement windows.

A governor noted that there was a positive FRS17 adjustment this year which had decreased the deficit by £129,000.

Following thorough consideration of the report, the Joint Audit and Finance and Resources Committee agreed to recommend the Accounts for the Year 2013/2014 to the Corporation Board for approval.

AGREED

ACTION: JOINT AUDIT AND FINANCE AND RESOURCES COMMITTEE

5.0 Going Concern Review 2013/2014 Financial Statements

Governors are required to make and document a rigorous assessment of whether the College is a going concern when considering the accounts.

In order to satisfy this requirement, members had received a short report reviewing Going Concern, together with the following documents:

- Revenue Budget 2014/2015 – received: Board meeting 2/7/2014
- Two Year Financial Forecast – received: Board meeting 2/7/2014
- Management Accounts to 31st May 2013 – received: Board meeting 2/7/2014
- Management Accounts to 31st October 2013 – received F&R meeting 26/11/2014
- Treasury Management Report – received: F&R meeting 10/11/2014
- Review of Outturn for 2013/2014 – agenda item 3.0: Joint Audit and Finance and Resources meeting 26/11/2014
- Financial Objectives report – received: F&R meeting 10/11/2014
- Accounts for the year ended 31 July 2014 – received Joint Audit and Finance and Resources meeting 26/11/2014

The members noted the College's short and long term financial plans. The Chair referred to his recent visit to the SFA, which had been received positively.

The joint Audit and Finance and Resources Committee agreed to recommend to the Corporation Board that the College has adequate resources to continue in operational existence for the foreseeable future.

AGREED

ACTION: JOINT AUDIT AND FINANCE AND RESOURCES COMMITTEE

7.0 Any Other Business

There was no other business.

The meeting closed at 7pm