

**HERTFORD REGIONAL COLLEGE
RESOURCES & GP COMMITTEE**

3rd December 2015

Members Present; Ian Cowin (Chair)
Tony Medhurst (Principal)
David Tweedie
Mike Carver

Audit Committee Members:
Warren Gordon
Jan Wing
Ricky Irons

In Attendance; Desdra Kingdon (Dep. Principal Finance & Resources)
Karen Fleet (Director of HR)
Rakesh Shaunak (MacIntyre Hudson)
Olive Oliver (VP Information & Technology)
John Fowl (Clerk to the Corporation)

(Members of the Audit Committee attended the first three items on the agenda of this meeting to receive the report from the Financial Statements Auditor and the Annual Report to the Board of the Audit Committee.)

274. To Receive Apologies for Absence.

Apologies were received from Ken Ayling, Denni Morrison and George Robertson.

275. Declaration of Interests and to Notify Part 2 Agenda Items

There were no declarations and no Part 2 agenda items notified.

276. To Approve the Minutes of the Resources Committee held on 25/06/15.

It was agreed that the minute forming item 272 should remain strictly confidential. With this amendment the minutes were approved.

277. Matters Arising.

Item 262. Desdra Kingdon confirmed that Hertfordshire CC had now paid the College for the pension 'strain' in respect of the Children's Centre restructure.

Item 267. Regarding the liquidation of HRC cubed, Customs and Excise had cleared the situation on the VAT and the College was now waiting for approval from HMRC. Once this is finalised it is anticipated that the liquidation of the company will be completed by the end of December 2015. The Directors in place until that time are Warren Gordon, Andy Forbes & Mike Carver.

The Trans2Ed liquidation has not started as yet and there are a number of issues still to be resolved for this to proceed. The company is no longer trading and there has been a Board meeting to declare the company dissolved. Olive Oliver and Andy Forbes remain as Directors at this time.

278. To Receive the Management Accounts – October 2015

The Management accounts for the period to the end of October 2015 were received and the main variances in both income & expenditure were noted. Governors were told that the restructuring costs will be included in the 2015-16 accounts, and were reminded of the terms of the covenants in place with Lloyds Bank.

A discussion took place around the outstanding invoice raised to Hertvec. It was noted that the invoice was not likely to be settled in 2015-16. Should this be the case a provision will need to be made in the accounts for 2015-16

The Committee was informed of the restructuring costs incurred during the year which were now included in the accounts and that the sub-contracting costs could increase further subject to a discussion later on the agenda.

It was **Resolved** that;

(i) the Management Accounts October 2015 be received.

(ii) the additional expenditure relating to subcontract work be approved.

It was **Recommended** that the Board approves the additional expenditure relating to restructuring.

279. To Approve the Financial Accounts, Management Letter and Letter of Engagement 2014-15

Members were presented with a paper to show the movement between the 2014/15 management accounts presented to the Board in September compared to the final version used for the financial statements. The changes increased the surplus to £1.605m. The committee discussed the reasons for the changes and how they impacted on the group accounts..

The accounts were presented to the Governors and it was confirmed that the auditor had given an 'unqualified opinion' for the year 2014-15. The Regularity Audit had been conducted at the same time as the Financial Accounts were being prepared and this audit also received an 'unqualified opinion'.

Rakesh Shaunak advised that the College Group had generated an overall operating Group surplus of £50,000 for the year and expanded on the detail behind the accounts, drawing attention to the key issues impacting on the College financial performance which included, Bank & Cash, Bank Loans, Payments, etc:

The main movements in the Income & Expenditure statement for the College Group were noted with the main variances shown.

The risks identified by the auditor were considered together with the actions being taken to mitigate them and the Auditor confirmed that all issues arising from 2014 had now been cleared.

The Committee received the comparative data with the average of the colleges audited by MacIntyre Hudson. Staff costs in the College at 59 % of income had fallen below the average of 64% calculated across colleges audited by MacIntyre Hudson. Members were told that the Financial Statements Auditor had no concerns about the College as a 'going concern' and pointed to the high level of non-government funding for reaching this opinion. This compared very favourably against other colleges who were more heavily reliant on government funding.

Rakesh Shaunak drew attention to the impact of any future losses that could arise from the Saudi Arabia project and reiterated that should the College exit from the contract without agreement of the Colleges of Excellence it will place a strain on the College finances should the Performance Bonds in place be broken.

The Governors were told of the need in 2015-16 for the College to apply the new FRS 102 accounting regime and were given an example of how this might affect the accounts next year.

Within the Management Letter the key audit issues and resolutions were noted and agreed and Governors were pleased to hear that no material issues had been raised.

The College has a very good level of cash days in hand compared to many colleges.

The Letter of Representation was received and noted.

It was **Recommended** that the Board of Corporation;

(i) Approves the annual accounts for 2014-15

(ii) Approves the Management Letter.

(iii) Notes and approves the Statement of Internal Control.

(iv) Authorises the Principal and Chair to sign the Letter of Representation and Financial statements.

(Rakesh Shaunak, Ricky Irons and Jan Wing left the meeting at this point. Warren Gordon remained at the meeting as observer.)

280. To Receive the Abbreviated Annual Accounts of CK Assessment to July 2015.

Members received the accounts which had been approved by the CK Directors and noted that they will be lodged with Companies House.

Governors were told that with Desdra Kingdon leaving the College another Director would have to be appointed.

It was **Resolved** that the CK Assessment Abbreviated Annual accounts 2014-15 be received.

281. To Receive a Report on Subcontractors and Partnerships.

Olive Oliver informed the Governors of the contribution to the College income by each of the sub-contractors and partners and highlighted that the overall college income targets were not being met and the forecast shows a shortfall in budgeted income.

To address this Members were advised of two new sub-contracts with SPS Training and EM Skills that are being entered into.

Governors questioned why the College would expand the sub-contract provision if it was increasing the college deficit? Olive Oliver and the Principal explained how this aspect of the College work impacts on the number of 16-18 year old student target enrolments.

Whilst acknowledging the need to do this work David Tweedie sought assurance that it was wise to incur additional expenditure. The impact on the Management Accounts was outlined by Desdra Kingdon. Olive Oliver was asked to supply more information to the committee around the impact on revenue.

It was agreed that the additional costs and income from sub-contractors will be included in the November College Management accounts.

It was **Resolved** that the new subcontracts with SPS Training & EM Skills be approved.

282. To Receive the Human Resources Report.

The content of the report was received and noted.

The restructuring amongst Head of Department posts was proceeding and the interviews for the new positions have now taken place. The SLT is now looking at the remaining positions that are still vacant. It was confirmed that the savings shown in the report were year on year savings.

It was **Resolved** that the report be received.

283. Any Other Business.

There was no other business.

284. Date of Next Meeting

Thursday 3rd March 2016.

Signed.....

Date.....