



**MINUTES OF THE MEETING OF THE FINANCE & RESOURCES COMMITTEE
HELD 08 NOVEMBER 2022 VIA ZOOM @ 09.30**

Present: Mr Richard Stephen (Chair)
Mr Farouk Durrani
Mr Chris Whelan

In Attendance: Ms Kim Saw - Director of Finance
Mr Jon Allen - Clerk

The meeting commenced at 09.30

APOLOGIES, WELCOMES, QUORACY & DECLARATIONS OF INTEREST

1. Apologies were received from Spencer Bowen. The Clerk confirmed the meeting was quorate. In terms of declared interests, the Chair of the Committee declared his usual interest in being the Chair/Secretary of the Reigate Priory Youth Football Club who, on a regular basis, hire the College's sports hall and Wallfield pitches. The Chair has no direct involvement in the negotiations for the hiring of these facilities or the College's sponsorship of the club. There were no other interests declared.

MINUTES

2. The minutes of the meeting held 14 June 2022 were approved as an accurate record of the meeting (Paper 1).

MATTERS ARISING

3. There were no matters arising from the minutes.

4. In terms of any general updates, the Chair asked if there was any further feedback from the ESFA on their recent queries made in relation to the amount of reserves held by colleges and their plans for the use of such reserves. It was confirmed the College has submitted the required information but there has been no follow-up from the ESFA on this matter.

5. It was reported the ESFA has raised a query on the three year forecast submitted by the College with specific reference to the final year forecast that indicated a possible deficit. This was due to the robust assumptions made on costs relating to external factors such as inflation, energy and wage costs. The Director of Finance confirmed she has made contact with the ESFA to offer a meeting to discuss this further but the ESFA has yet to respond.

6. It was **AGREED** to keep the Committee updated on both of these matters.

MANAGEMENT ACCOUNTS UP TO 30 SEPTEMBER 2022 (ONE MONTH)

7. The Management Accounts for one month of the financial year up to 30 September 2022 were subject to review (Paper 2). As the Management Accounts covered only one month of the financial year, the Committee agreed to note the Management Accounts as it was too early in the financial year to make any firm assessments on the financial figures contained within the Management Accounts, and all the indications were that nothing unusual had happened in the month.

8. A discussion took place on the building project. It was noted Phase 2 is on track for completion against the agreed completion date, with the College gaining access in December for internal fittings with full use from January 2023.

9. In terms of costs, the contract agreed was a fixed price contract but the construction company has experienced additional costs mainly arising from a significant increase in the price of building materials. The ESFA has confirmed the grant for the project is fixed and any additional costs, if payable, would have to come from the College.

10. It was **AGREED** the Board would need to be informed of any request from the construction company for meeting any requested additional costs over and above the £1.8m already agreed to be funded from the College reserves. The Committee felt that an update on the position should be provided to the Board at its meeting on 6 December.

FINANCIAL STATEMENTS & ANNUAL ACCOUNTS YEAR ENDED 31 AUGUST 2022

11. The Committee received the following papers:

- (i) The draft Financial Statements and Annual Report for 2021/22– Paper 3
- (ii) Hymans Robertson Actuarial Valuation Report on the Surrey Local Government Pensions Scheme - Paper 4
- (iii) Reconciliation of the Statement of Financial Activities per the Financial Statements to the Unaudited Management Accounts for the 12 months to 31 August 2022 - Paper 5
- (iv) Financial Statement Auditor's 'Audit Findings Report' - Paper 6

12. The Committee reviewed the reconciliation of management accounts to the statutory accounts. The Trust Board at its meeting held 20 September 2022 received and reviewed the unaudited Management Accounts for the period 12 months up to 31 August 2022. It was noted there were two changes to be brought to the Committee's attention between the Management Accounts and Reconciliation Statement. The first related to the pension adjustments to the Surrey Local Government Pension Scheme arising from the Actuarial Report that was received after the September Trust Board meeting. The second related to the capital grant receipts for the building project. In the Management Accounts grant receipts were not treated as income in the I&E but the grant has to be treated as income in the table '*Statement of Financial Activities for the year ended 31 August 2022*' in the Financial Statements.

13. There were no other changes to report to the Committee between the Management Accounts and Reconciliation Statement.

14. It was confirmed the Financial Statements have been prepared in line with the prescribed requirements stipulated in the Academies Accounts Direction 2021/22 issued by the Education & Skills Funding Agency.

15. The agreed Trust process for reviewing the financial statements requires the Finance & Resources Committee in the first instance to review the financial information and financial commentary in the year-end accounts and, once reviewed, to inform the Audit & Risk Committee of the outcomes of their review. The Audit & Risk Committee will then consider the outcomes of the review conducted by the Finance & Resources Committee, and consider all audit and assurance opinions received on the adequacy of the operation of financial, and other controls, before making any final approval recommendations to the Trust Board regarding the accounts.

17. One matter requiring the Committee's attention related to the Local Government Pension Scheme (LGPS). The Financial & Regularity Auditor's '*Audit Findings Report*' outlined the liability that is required to be recognised under FRS 102 in respect of the Academy Trust's share of the Local Government Pension Scheme (LGPS). The liability is derived from calculations undertaken by an actuary based on Academy Trust data and a number of key actuarial assumptions.

18. Made available to the Committee was the report from Hymans Robertson, an independent actuary, that reported on the actuarial valuation of the LGPS as at 31 August 2022 for accounting purposes (Paper 4).

19. In common with many other colleges and academies, there has been a significant change in the position of the scheme, with a £2k asset at the balance sheet date compared to a deficit of £5,413k at 31 August 2021. At 31 August 2022, the net discount rate (discount rate net of inflation) has significantly increased compared to 31 August 2021. The significant increase in the discount rate assumption coupled with a similar CPI assumption to last year has resulted in a large gain on the balance sheet.

20. The following finding from the Financial & Regularity Auditor was noted in the '*Audit Findings Report*':

We have reviewed the assumptions applied in calculating the current year end position. We are waiting for a greater sample of LGPS Actuary Reports to be provided in order to complete this work and our commentary of the assumptions used. The Academy Trust should also review the assumptions included in the actuarial report.

21. A request has been made to RSM for them to confirm in writing that the assumptions from the Actuary are in a reasonable range. RSM informed the Director of Finance that they will, as has occurred in previous years, comment on the assumptions. However, they are not in a position to state that the value is correct as they only review the information provided by the actuary, and do not audit the LGPS.

22. The Committee was of the opinion that RSM do need to make a statement in the final draft of their '*Audit Findings Report*' to confirm that they are comfortable with the assumptions. It was agreed for the Director of Finance to inform RSM of the request from the Committee and to seek further assurances from the auditors when they attend the meeting of the Audit & Risk Committee scheduled for 15 November 2022.

23. The '*Audit Findings Report*' requests the Academy Trust should also review the assumptions included in the actuarial report. Other than the explanatory text provided on Page 10 in the '*Financial Statements & Annual Report*' the Committee was of the

view there was no need to provide any further commentary on the significant single year adjustment. Assumptions made each year will invariably lead to big swings, either positive or negative to the balance sheet. The important point for the Trust Board to note is that this is an accountancy principle, with no direct impact on the Trust's finances and with no risk to solvency.

24. The '*Audit Findings Report*' made two internal controls recommendations. The first recommendation related to the Investment Policy and of the need for the policy to be subject to review in line with the requirements of the Academy Trust Handbook and updated in the financial regulations for the Academy Trust. The second recommendation was for the current policy for fixed asset disposals to be updated to confirm the procedure for the disposal of all assets and the authorisation levels held by the Director of Estates.

25. The Committee noted the commentary provided on page 11 in the '*Financial Statements & Annual Report*' relating to the approach to be taken on investments. The Committee agreed to the proposal for the Investment Policy to include a statement that the Trust's approach to investment is that preservation of capital takes precedence over return maximisation.

26. The '*Audit Findings Report*' confirmed there were no unadjusted misstatements identified.

27. The Committee requested that in the 'Accommodation' section on page 3 in the '*Financial Statement & Annual Report*', a progress update be made available on the building project covering progress on completion and financial performance against the budget over the year.

28. The Finance & Resources Committee agreed to recommend approval of the '*Financial Statements & Annual Report 2021/22*', subject to the Financial & Regularity Auditor confirming in the final draft of their '*Audit Findings Report*' that they are comfortable with the assumptions made by the actuary.

29. The Committee placed on record its thanks to the Executive and Finance Department on the excellent financial results achieved for 2021/22.

CONTRACTS

30. As part of the Board Assurance Framework and to provide assurances, it was agreed for the Finance & Resources Committee to review list of contracts each term, concentrating on the renewals coming up in the following 3 months (or time until next meeting). The paper presented reported on those renewal contacts due between 01 November 2022 and 28 February 2023 with a value more than £1,000

31. It was reported the College is still waiting on confirmation of the energy costs for 2022/23. Laser, the energy suppliers, fix the prices in October for the period from 01 October to 30 September. The College budget 2022/23 included the assumption of a significant increase in energy costs for 2022/23 and the expectation that the assumptions made will be in line with the confirmed energy costs. It was **AGREED** to keep the Committee updated on the final confirmation of energy costs.

32. There were no matters arising from the review and the Committee noted the report and proposed actions to be taken on renewals.

BOARD ASSURANCE FRAMEWORK - ASSURANCE ASSESSMENT TO BE CONDUCTED BY THE COMMITTEE

33. Under the Board Assurance Framework (BAF), each Committee is asked to conduct at the end of their meeting an assessment on their level of assurance agreed against each report received (including briefings and verbal updates), and for the assessment to be reported to the Audit Committee and Trust Board (the assessments being: Green = high assurance - no additional actions or monitoring are recommended at this point; Amber = medium assurance – a further report is likely to be required at the next meeting; Red = low assurance - additional actions are likely to be required and reported at the next meeting).

34. The following assessments were agreed on reports considered at this meeting:

| Agenda Item | Paper | Subject | RAG rating | Any Committee Recommendation(s) |
|-------------|-------|---|------------|---|
| 6 | 2 | Management Accounts up to 30/9/22 | Green | No concerns/ no recommendation |
| 7(i) | 3 | Financial Statement Year Ended 31 August 2022 | Green | No concerns/no recommendations other than to inform the Audit & Risk Committee that there were no issues of concern to report to the Audit & Risk Committee on the financial figures contained in the Financial Statement |
| 7(ii) | 4 | Actuarial Assumptions – Hymans Robertson | Amber | Need for RSM to confirm in their final report that they have a level of comfort on the assumptions made in the Actuarial Report on the College liability in the Surrey Local Government Pension Scheme. |
| 7(iii) | 5 | Reconciliation Statement | Green | No concerns/no recommendations |
| 7(iv) | 6 | Financial Statement Auditor's 'Audit Findings Report' | Green | No concerns/no recommendations |
| 8 | 7 | Review of Contracts | Green | No concerns/no recommendations |

ANY OTHER BUSINESS

35. There was no other business.

DATE OF NEXT MEETING

36. Tuesday 28 February 2023 @ 17.30

The meeting closed at 11.00

Signed: _____ Date: _____

(Chair)

SUMMARY ACTION LIST

| MINUTE REF: | ACTION | REVIEW DATE |
|-------------|---|-------------|
| 4,5,& 6 | <p>In terms of any general updates, the Chair asked if there was any further feedback from the ESFA on their recent queries made in relation to the amount of reserves held by colleges and their plans for the use of such reserves. It was confirmed the College has submitted the required information but there has been no follow-up from the ESFA on this matter.</p> <p>It was reported the ESFA have raised a query on the College's submitted three year forecast with specific reference to the final year forecast that indicated a possible deficit. This was due to the robust assumptions made on costs relating to external factors such as inflation, energy and wage costs. The Director of Finance confirmed she has made contact with the ESFA to offer a meeting to discuss this further but the ESFA has yet to respond.</p> <p>It was AGREED to keep the Committee updated on both of these matters.</p> | 28/2/23 |
| 10 | <p>Building Project: The Board would need to be informed of any request from the construction company for meeting any requested additional costs over and above the £1.8m already agreed to be funded from the College reserves. The Committee felt that an update on the position should be provided to the Board at its meeting on 6 December.</p> | 28/2/23 |
| 22 | <p>LGPS and actuarial assumptions: The Committee was of the opinion that RSM do need to make a statement in the final draft of their '<i>Audit Findings Report</i>' to confirm that they are comfortable with the assumptions. It was agreed for the Director of Finance</p> | 28/2/23 |

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| | to inform RSM of the request from the Committee and to seek further assurances from the auditors when they attend the meeting of the Audit & Risk Committee scheduled for 15 November 2022. | |
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