



**Meeting of the Audit Committee
Wednesday 18 September 2019 at 4.30pm
Principal's Office**

Present:	Neil Dew-Gosling	(NDG)	Governor (<i>Chair</i>)
	Frank Pitkin	(FP)	Governor
	Andrew Try	(AT)	
Apologies:	Ian Thomson	(IT)	Governor
In attendance:	Gillian May	(GM)	Principal
	Richard Munday	(RM)	Finance Director
	Tracy Reeve	(TR)	Clerk to the Corporation

38/19 Chair's Agenda Item

The management team left the meeting and the Chair sought, and was given, confirmation that there was nothing that other Committee Members wished to discuss under this item.

39/19 Apologies for absence

Apologies had been received from Ian Thomson. Governors sought assurance that the Exec Team were content that the external audit representative from RSM was not present at the meeting. Audit Committee Members were assured that there had been a clear dialogue with Sarah Mason, the BCA external audit lead from RSM in advance of the meeting. There was no specific reason for her to attend this Audit Committee meeting. The timetable and outline of the Financial Statements audit for 2018/19 had been discussed in detail at the June 2019 Audit Committee meeting and the Financial Statements audit would be completed for the November 2019 Audit Committee meeting.

40/19 Notification of any other business

The Finance Director informed the meeting that he would table an additional paper providing detail around the increased LGPS deficit and service charge for 2018/19. This was a key item on the BCA Risk Register/ Board Assurance Framework.

There was no other business notified.

41/19 Notification of any interests

There was none.

42/19 Minutes of the Audit Committee meeting held on 20 June 2019

The minutes were approved and signed by the Chair as a correct record.

43/19 Matters Arising from the Audit Committee meeting held on 20 June 2019

- **Levels of Financial Delegation**

The meeting considered the issue of revised levels of delegated authority which had been brought to the June meeting of Audit Committee. Members discussed the need for operational expedience balanced against the need for the Corporation to be assured with regard to safeguarding of BCA's assets and ongoing financial viability. Audit Committee members noted that, at their request, advice had been sought from the college's external

auditor (Sarah Mason of RSM UK LLP) and assurance had been given that these revised levels would be considered 'usual/ acceptable' within the sector. The Principal highlighted the value added by previous discussions with Governors on items of expenditure e.g. their challenge on whether to buy or lease the Porta-cabins which ultimately led to better value for money for BCA. She asserted that she would not want to lose this governance challenge. It was agreed that any committed capital/ running costs spend over £50,000 which was approved by the Exec should be reported to Audit Committee as a point of information - this would be a standing report at all future audit committee meetings. Governors input should also be sought where there was an ongoing commitment which would take the committed expenditure over the threshold during the lifetime of any project/ purchase.

It was AGREED that:

- i) The revised levels of financial authorisation should be APPROVED as presented. The Director of Finance should revise the BCA Finance Regulations to include the revised authority levels and these should be RECOMMENDED to the Corporation for approval (25 September 2019).***
- ii) A report of any committed capital or running costs expenditure authorised by the Executive Team above the threshold of £50,000 should be brought to the Audit Committee meeting on a standing basis during 2019/20.***

- ***Student Transport***

The meeting noted an update from the Exec Team on the proposal to move Student Transport provision to an external management company from September 2019. This had been considered in detail at the July 2019 Corporation meeting and approved by Governors. Audit Committee members were given a detailed explanation on why this new initiative had not been implemented for September 2019 and the decision taken by the Exec Team to not move forward with the CoachHire proposal. ***Audit Committee Member asked the Exec Team to provide positive learning points from this exercise when the matter was reported to the Governors on 25 September 2019.*** The meeting sought assurances moving forward in terms of how any identified safeguarding concerns and potential risks to student welfare would now be addressed. The Principal assured the meeting that work was now ongoing to provide an alternative solution which would go live by January 2020. A project team had been established with the two coach providers who were keen to develop a new technology solution to student tracking. The meeting was assured that Governors would be fully updated on progress during the autumn term.

The update on student transport was NOTED.

- ***Internal Audit Strategy 2019/20***

Governors sought, and were given assurance that an audit in relation to cyber security and disaster recovery would be pursued with some urgency during 2019/20. The meeting noted the recent example with Swindon College being targeted by a malware attack which caused failure of College systems – including telephone lines - for a protracted period. Audit Committee members (AT) suggested that the College also needed to have a back-up strategy for its 'cloud' storage solution.

The 'internal' audit of cyber-security to be commissioned and undertaken as early as possible in 2019/20.

The Exec Team to consider the risks around this issue and whether they needed to feature as a higher priority on the BCA Risk Register.

The Finance Director to investigate whether BCA had a back-up in place for its 'cloud' storage system.

There were no other matters arising that were not already covered on the agenda.

FOR DECISION/ APPROVAL**44/19 Audit Committee Matters**

- **Audit Committee Annual Schedule of Business 2019/20**

The Director of Governance (TR) presented the 2019/20 Audit Committee Annual Schedule of Business for approval.

The Annual Schedule of Business 2019/20 was APPROVED as presented.

- **Draft Audit Committee Annual Report 2018/19**

TR presented a paper outlining the work of the Audit Committee for the Financial Year to 31 July 2019. This would be presented to the Corporation in December 2019 to provide assurance around the Audit Committee's work during the 2018/19 year. Members were reminded that this document had to be submitted to the ESFA with the College financial statements. It was noted that this initial draft would be re-presented for final approval at the November 2019 Audit Committee meeting when the auditor's performance indicators would be agreed and appended to the report. The auditors would be asked to self-assess against the performance indicators in advance of this meeting.

It was AGREED that:

- i) The draft Audit Committee Annual Report 2018/19 to be APPROVED subject to the inclusion of the catch-up meetings between the Finance Director and the Chair of Audit Committee.***
- ii) The auditors should self-assess against the annual performance indicators in advance of the November 2019 meeting.***

- **Audit Committee review of effectiveness 2018/19**

The meeting noted a paper from the Director of Governance (TR) that reviewed the performance of the Audit Committee against its stated purpose in the Committee Terms of Reference. Members were reminded that this Audit Committee self-assessment was first introduced in September 2018 at the request of the Chair and it was agreed to be carried forward as an action into future academic years.

TR assured the meeting that the Audit Terms of Reference had been drafted to comply with the requirements of the Post-16 Audit Code of Practice and were last reviewed in September 2018. They were next due for biennial review in September 2020 but have been updated in September 2019 to reflect recent job title changes. The meeting was reminded that the Terms of Reference drove the Audit Committee work plan for each academic year. Governors also noted that the 11 individual duties detailed within the Terms of Reference had been carried out effectively by the Audit Committee during 2018/19.

The meeting also considered an extract from the self-assessment template which had been developed by the Director of Governance (TR) in November 2018. This template allowed TR to review the Corporation's compliance against its adopted code of good governance, 'The Code of Good Governance for English FE Colleges' 2016/17. The self-assessment was completed for all 10 elements of the code but only the section in relation to Financial Strategy and Audit was considered by the meeting. Audit Committee members noted that all elements of this self-assessment was RAG rated as green, BCA was fully compliant. This self-assessment exercise would be updated in October 2019 for the full 2018/19 academic year.

The meeting also agreed that the mandatory Annual Audit Committee Report to the Corporation 2018/19, as discussed earlier in the meeting provided a comprehensive overview of the work undertaken by the Audit Committee on an annual basis.

Audit Committee NOTED the assurance provided and AGREED that it was fully meeting its stated purpose. Further review for the 2018/19 academic year to take place in November 2019 with the completion of the Annual Audit Committee Report 2018/19 and the Self-Assessment against the Code of Good Governance.

45/19 Board Assurance Framework and Risk Register Report

The meeting considered the College Board Assurance Framework which clearly detailed the key strategic risks against the five agreed strategic priorities for BCA. This item was now a standing item for consideration at each Audit Committee and Corporation meeting. Changes made since last presented to the Corporation in July 2019 had been highlighted; the meeting was also reminded that the Risk Register now showed the most highly rated risks on the front sheet of the Risk Register. The meeting was reminded that any change to the Risk Register was made after consideration at the Executive Team (the 4 SPHs), SLT, Audit Committee and then Corporation. The meeting discussed the following changes as well as the key risks which were currently rated as 'red' and the ongoing mitigation that was being provided against their crystallisation:

Risk 1 'Insufficient Capital investment in the listed asset, specifically Hall Place Mansion. (Risk score at 20 'red'): The meeting was reminded that a fully costed conservation management plan would be completed in October 2019; this would allow the work on the planning application to be taken forward. However the issue of securing the requisite funding for the future maintenance of the heritage assets was still very uncertain as any development of 'greenbelt' land was still a highly contentious issue. The Principal informed the meeting that the Link Governor for this area (GO) had asked for the Executive Team to provide a list of work needed on the Mansion and other heritage assets with the priority highlighted and whether they were business-critical. This would help with the need to prove the requisite 'Very Special Circumstance' criteria needed for greenbelt planning approval.

Risk 2 'Student Transport and lack of effective tracking of learners' (Risk score at 20 'red before and after mitigation'): The meeting noted the update on this risk which had been added to the Risk Register in May 2019 as discussed earlier in the meeting.

Risk 3 'Secure a franchise agreement with the Royal Agricultural University (RAU). Improve the quality of the HE student academic experience as identified by the OfS' (Risk score now 10 'green' after mitigation): The Principal reminded the meeting that the College had now received notice of successful registration with the OfS but there were conditions attached; a quality improvement plan would be monitored by the new HE Oversight Committee of the Corporation as well as the OfS. The meeting noted that discussions were progressing with the RAU to look at other delivery/ accreditation/ franchising options for the provision of the Vet Physio Course delivered at BCA.

Risk 4 'LGPS deficit increase could be significant. Increase of TPS contributions from September 2021 (Risk score still at 15 'amber'): The DfE had only confirmed funding to cover the first year of the substantial TPS employer contribution. This was still a major threat to financial planning and would be discussed in more detail later in the meeting when the Finance Director had tabled an additional paper for information.

Risk 5 'Insufficiently developed succession planning/ staff retention strategies (Risk score of 20 'red' after mitigation): The Principal highlighted that this was still an ongoing issue which was largely due to BCA being such a small college and limitations around internal progression for staff. The meeting was given assurance around the ongoing development programme for middle managers and the promotion of CPD for all staff where possible.

Risk 6 'Safeguarding and H&S legislative and statutory requirements are not met (Risk score reduced to 10 'green' after mitigation): Governors were reminded about the Leaders

in Safeguarding audit and 'badge' as well as the positive result from the March 2019 Ofsted Education Inspection Framework pilot.

Risk 7 'Failure to retain independent status': The Principal asked the Audit Committee for their approval to delete this risk from the Risk Register as it was no longer a threat. The meeting was reminded that the risk to independent status and the possibility of a forced merger had at one time been the most significant risk on the BCA Risk Register. Governors commended the distance travelled and the work with the Transaction Unit which now meant that this risk could be deleted from the BCA Risk Register.

Risk 9 'Quality and funding issues associated with the Apprenticeship provision are not addressed' (Risk score of 20 'red' reduced to 15 'amber' after mitigation.) The Principal highlighted the stated objective of this provision reaching a break-even financial contribution for 2019/20 but informed the meeting that this would be difficult to achieve as discussed in previous Audit Committee meetings. The opportunities for business growth within the non-levy paying employers was contracting as complicated funding and operational issues continued to demotivate SMEs for engaging with apprenticeship provision. The new T Level provision would also impact on the market for Level 2 provision. Audit Committee was given assurance that BCA was continuing to look at areas for expansion based on key specialisms e.g. green-keeping, arboriculture. The meeting asserted that the grading of this risk was too low post-mitigation and should be revised to a 'red' score of 20.

The changes and any action taken with the remaining ten lower scoring risks were noted by the meeting.

The Board Assurance Framework/ Risk Register was RECEIVED.

It was AGREED that Risk 7 'Failure to retain independent status' should be removed from the BCA Risk Register

46/19 Annual Report to the Transaction Unit

The Director of Finance presented a report summarising the overall progress made by the College against the outcomes agreed as part of the receipt of the Restructuring Facility (agreement dated 2 May 2018) between Berkshire College of Agriculture and the Secretary of State for Education. Audit Committee members were reminded that the College had been awarded a grant facility of up to £4.6m and a term loan facility of £1.3m.

Key milestones were noted under the following work-streams:

i) Estates review: The response from the planning case officer at RBWM had been received in July 2019 and the details had been shared with the Transaction Unit. The College team was continuing to work with the planning officers to provide additional supporting information including the full Conservation Management Plan which was required for the full application. A local consultation event took place in July, which provided details of the plans and the general estates strategy and this was well attended by local residents and councillors.

ii) Urgent infrastructure repair work:

Jacob Bancks Project - the roof repairs and restoration works were now complete and the room had been handed back to the College. The floor was due to be refurbished during the 2019 October term.

Residential Heating Upgrade - these works were now complete and the new heating and hot water systems were in full operation. The meeting was reminded that the College had received its third consecutive legionella free test of the water supply (July 2019); this was a very positive outcome.

- iii) IT upgrades: These had been completed in full during the academic year 2018/19.
- iv) Restoration of the January 2014 pay cut: The return of salary to all staff commenced in August 2018 and had now completed a full year of payment. Governors were assured that salary levels would be maintained at this restored level going forward.
- v) Repayment of the loan to Lloyds Bank: This was repaid in full at the end of July 2018

Financial Outcome 2018/19: The meeting noted that a financial outcomes update as at 31 July 2019 would be provided for the Transaction Unit once the latest version of the CFADS (cash flow available for debt service) model had been completed.

Curriculum and quality outcomes as at 31.07.19: The TU had been informed of the positive outcome data for 2018/19 and that BCA continued to deliver year on year increases in achievement rates for all learners. Provisional data for the academic year 2018/19 indicated that achievement would again be in the upper quartile nationally.

- Overall retention for the year was 92.4% against the target of 93% (NR 90.8%)
- Overall achievement for the year was 88.6% against the target of 86% (NR 82.8%)
- Attendance was 91.7% for the year against a target of 92%

The number of funded learners on role was 1,411 against a target of 1,420. The College continued to earn its full ESFA contract and would also receive an additional £560k in ESFA funding for 2019/20 based on lagged learner funding. Apprenticeship provision remained in line with the agreed target, at the end of July 2019 the College had 185 apprentices on role split between levy and non-levy provision.

The data provided for the TU on Estates Utilisation and College Workforce was also noted by the meeting:

Estate Utilisation: The College had taken receipt of 4 portable classrooms for the academic year 2019/20 to accommodate the growing student numbers and provide the specialist resources for the continued increase in high needs learners. They were being used within the Sports/ PS area of the curriculum. Audit Committee Member (FP) commended these new classrooms as 'stunning' and suggested fellow governors visit them to appreciate the quality of the new learning environment being provided even though they were temporary structures.

Workforce: Staff utilisation as per the curriculum plan remained in line with target at 96.5%, and staff turnover at 15% was also in line with the agreed target. At the end of Quarter 4 2018/19 the college employed 355 staff with an FTE of 278.

Governors commended this very useful summary of the work that had been undertaken as a result of the College receiving the Restructuring Funds; the positive impact of the Grant Funding from the TU was clearly demonstrated.

The annual progress report 2018/19 for the Transaction Unit was NOTED.

ITEMS FOR INFORMATION

47/19 Audit of Teachers' Pension Scheme contributions

The meeting received a report from RSM UK Audit LLP which gave the Corporation Members independent assurance in connection with the Teachers' Pension Scheme contributions which the College had been required to make during the year ended 31 March 2019. A copy of the certificate (the 'EOYC') which detailed the Teachers' Pension Contributions for the year ended 31 March 2019 was noted. The letter and audit findings matrix from RSM were also presented to the meeting. The Director of Finance highlighted

that this was a very timely and clean assurance from the auditors in this area where tolerances on the detail were extremely low.

The EOYC certificate 2018/19 was NOTED and RECEIVED.

48/19 ESFA CEO letter: Bournville College investigation report.

The Director of Governance presented a paper which drew Audit Committee members attention to a recent letter from the CEO of the ESFA. In July 2019, the ESFA CEO Eileen Milner, wrote a three page letter to all college chairs of governors to draw attention to some lessons from a 2016 investigation into Bournville College; a copy of the letter and the Bournville investigation report was considered by the meeting. The investigation report catalogued a series of misdemeanours at the college which resulted in the replacement of its governing body and senior leadership in 2014/15 and its subsequent merger with South and City College Birmingham (which secured an Ofsted inspection grade of good in 2018/19).

The Director of Governance highlighted the 15 separate actions that ESFA either required or expected governing bodies, chairs or accounting officers to undertake which were included in the letter. These actions had been summarised in a checklist to enable Corporations to review their compliance. TR informed the meeting that the Association of Colleges (AoC) briefing on this matter had suggested that 'ESFA's recommendations should not be a problem but I would encourage all colleges to take the letter seriously in autumn 2019'. The meeting considered the checklist which had been completed in relation to BCA by the Director of Governance and reviewed by the Executive Team. Audit Committee members were reassured that all suggested actions on the checklist were already in place or - as suggested - for review in Autumn 2019 (e.g. adoption of the AoC Remuneration Code).

The meeting NOTED and RECEIVED the letter from the CEO of the ESFA and the accompanying checklist completed for BCA.

It was AGREED that:

- i) The ESFA letter, Bournville College investigation report and BCA checklist should be reported to Corporation in September 2019.***
- ii) A further review of the 'Bournville Checklist' to be scheduled for September 2020 Audit Committee, and annually thereafter.***

49/19 Enrolment Conversion rates 2019/20

Audit Committee noted a paper which provided detail on applications, enrolments and conversion rates by curriculum area for the August 2019 enrolment. Conversion rates ranged from 100% (Agriculture) to 53% (Business). Conversion rates for the two biggest areas of provision were 77% (Animal Management) and 73% (Sport). The overall conversion rate was noted as 74%. The Principal informed the meeting that current enrolment for 16-18 learners was standing at 1542 against the college target of 1500; this compared with a funded figure of 1369 in the prior year. The SLT were hoping for the final enrolment at the 6-week census point (after withdrawals) to crystallise at 100 ahead of the prior year. This would generate an additional 4.6% growth in funding for 2020/21 which was not currently included in the financial plan.

Governors sought confirmation on what analysis had been taken with this data and what action it might drive the College to take for the application and enrolment process 2020/21. They were informed that the SLT believed that the reason for the growth in learner numbers was due to a number of factors including:

- An enhanced reputation for pastoral care at BCA.

- Investment in curriculum resources e.g. £71,000 for the new and refurbished sports pitches had attracted sports learners.
- Great staff who made the College offer very attractive.
- Strong word-of-mouth about the BCA offer and quality of education.
- Strong social media presence and focussed marketing.
- Growth in High Needs learners (now at 235 compared with 89 learners 3 years ago).

The meeting commended the regular e-mail updates that they had been receiving on the numbers enrolled for September 2019. The 7% growth in 16-18 learner numbers that the College had seen compared with the prior year was very positive in light of the lower growth in the demographic profile of this age group (4%).

The enrolment report was NOTED

50/19 Register of Outstanding Audit Actions

Members noted that all of the outstanding recommendations related to the internal audit report on Learner Records and Funding. The meeting was reminded that there had been no recommendations from the external audit of the Financial Statements 2017/18. The FD reminded Governors that the 'current status' column related to BCA Management's view of progress. Members were pleased to note that there were no outstanding recommendations rated 'red' and were assured that the remaining 'amber' recommendations were all moving towards a 'green' classification by the year-end. The meeting was also informed that the recommendations from the advisory reviews had also been removed from the report as they were largely operational; there was now a separate schedule for advisory recommendations which was reviewed at Executive and SLT level and brought back to Audit Committee on an ad-hoc basis to enable closure to be demonstrated.

The Register of Outstanding Audit Actions report was NOTED.

51/19 Fraud, irregularity and whistleblowing report

- Fraud

The meeting noted that there had been no cases of fraud since the last Audit Committee meeting in June 2019.

- Corruption/ irregularity

The meeting noted the report which was a nil return for the period 1 August 2019 to date.

- Whistle-blowing

The meeting noted the report which was a nil return for the period 1 August 2019 to date.

The Report was NOTED.

52/19 Date and Time of Audit Committee meetings 2019/20

The meetings were confirmed as:

- Wednesday 27 November 2019 at 4.30pm
- Wednesday 4 March 2020 at 4.30pm
- Wednesday 17 June 2020 at 4.30pm

53/19 Any Other Business

- ***Local Government Pension Scheme Deficit 2018/19***

The Finance Director (RM) presented a report which explained the increase in the College's net 'accounting' (as opposed to actuarial) deficit in relation to the Local

Government Pension Scheme (LGPS). Members noted that this deficit had increased from £9.26 million in the prior year to £10.82 million in the 2018/19 financial statements. The increase of £1.56 million was explained by a reduction in the discount rate used by the actuaries from 2.65% to 2.15%. This led to an increase in the deficit of circa £2.3 million but this was offset by a reduction in life expectancy of more than one year within the assumptions. The over-arching decrease in life expectancy was noted as being based on obesity and opioid addiction issues within society. However the meeting was assured that RM had reviewed the assumptions used by BCA's actuaries and in all respects they appeared reasonable and on a par with those used in other colleges. Governors were reminded that although the increased deficit would have an adverse impact on the College's Statement of Comprehensive Income (Profit and Loss) and balance sheet there would be no impact on the operating surplus or on the assessed financial health grade. The meeting also noted that the LGPS service charge amounted to £813,000 in 2018/19 compared to £567,000 as originally budgeted and £644,000 revised at the mid-year forecast. This increase was largely due to a new ruling which had arisen from the McCloud court case; this accounted for £144,000 of the increase.

The update was NOTED.

- ***Curriculum Planning***

The meeting sought an update on progress with the curriculum planning software and the Principal suggested that the Assistant Principal Digital Learning should present to the Corporation in December 2019 with an update on all areas under his control.

It was agreed that AP Digital Learning should present to Corporation in December 2019.

There was no other business the meeting closed at 6.20pm.