



Part 1 Minutes

Meeting of the Audit Committee Wednesday 15 September 2020 at 4.30pm Remote access via Google Meet

Present:	Neil Dew-Gosling	(NDG)	Governor (<i>Chair</i>)
	Frank Pitkin	(FP)	Governor
	Andrew Try	(AT)	
	Ian Thomson	(IT)	Governor
In attendance:	Gillian May	(GM)	Principal
	Richard Munday	(RM)	Finance Director
	Tracy Reeve	(TR)	Clerk to the Corporation
	Dan Fairbairn	(DF)	Asst. Principal Digital (<i>item 5.1 only</i>)

53/20 Chair's Agenda Item

The management team left the meeting and the Audit Committee members held a short closed session. Chair sought, and was given, confirmation that there was nothing that other Committee Members wished to discuss under this item. Members asked that the Chair seek reassurance from management around the increased LGPS pension deficit during the meeting.

54/20 Apologies for absence

There were no apologies. 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 2019/20 had been discussed in detail at the June 2020 Audit Committee meeting and the Financial Statements audit would be completed for the November 2020 Audit Committee meeting.

55/20 Notification of any other business

There was no other business notified.

56/20 Notification of any interests

There was none.

57/20 Minutes of the Audit Committee meeting held on 17 June 2020

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

58/20 Matters Arising from the Audit Committee meeting held on 17 June 2020

- **Cyber security audit and resilience**

The meeting was joined by the Assistant Principal Digital (DF) to give them assurance around cyber-security at BCA. The meeting noted a presentation which outlined the current work within IT to respond to the increased level of ransomware threats being perpetrated in the FE sector; there had been several cyber-attacks on colleges during the summer 2020. The meeting noted BCA's current approach to 'lift and shift' everything to

the cloud so that it could be restored quickly in the event of any cyber-attack. The meeting noted that the IT Team would undertake a 'practice restore' during October. DF informed the meeting that the planned Cyber Security audit by Evolve North would now take place towards the end of the year but actions had been accelerated in advance of this to respond to the increased risk. The two-factor authentication within Google was now providing an additional layer of security within BCA systems. Governors sought clarification on whether BCA was aiming for 'Cyber Essentials' or 'Cyber Essentials Plus' accreditation from the cyber audit. DF confirmed that it was the Cyber Essentials level that BCA was aiming to secure; **Governors asked the SLT to consider whether they should be aiming for the enhanced level.** The meeting discussed the current and proposed options for telephony provision at BCA. The Chair asked DF whether there was anything else that he needed to bring to the attention of the Audit Committee and DF highlighted the ongoing issue around the lack of BCA IT policies; remedial work on these had been delayed due to the Covid-19 lockdown but DF was aiming to get them in place by the end of the calendar year. He confirmed that he was meeting with specialists from JISC during the next week to take this policy work forward.

The meeting thanked DF for attending and confirmed that they were impressed by the work currently being undertaken; they took clear assurance from his update.

NOTED

- **Landbased Training**

The meeting noted a trading update on Landbased Training which followed on from the detailed report to the Audit Committee in June 2020 (minute 43/20). The meeting was reminded that as a result of the COVID 19 pandemic Landbased Training had to suspend activity between 23rd March and 20th June 2020. Governors were pleased to note that as BCA move out of COVID lockdown the pipeline for course bookings was recovering with an encouraging number of September and October confirmations. During August 2020 BCA successfully gained two new large clients, Kier and Guildford Council, they had made a number of significant bookings which had allowed Landbased Training to plan and commit to the required freelance specialist assessors.

The College had invested in new (replacement) equipment; new climbing ropes, helmets and various climbing gear and also a specialised dummy to be used in aerial rescue courses to accommodate the new COVID regulations. The year to date trading performance along with the variance against budget was noted as a deficit of £24,000 against the forecast surplus of £64,000. The Principal assured the meeting that an active marketing campaign was in place to ensure maximum take-up of the new one-day courses. The new staffing structure with a dedicated manager and administrator was also working well. Governors sought clarification on the nearest competitor for BCA in this market; this was noted as Kingston Maurward College as well as small independent training providers in Oxfordshire.

The update on Landbased Training was NOTED.

- **Overdraft Facility**

The meeting was given a verbal update on discussions with Lloyds Bank. The Finance Director (RM) informed the meeting that he was still in discussions with the College's Relationship Director at Lloyds Bank but this post had just been filled by a new appointee. RM would be finalising the latest version of the Integrated Financial Model for Colleges (IFMC) and then sharing this with the new appointee at Lloyds. The meeting noted the importance of securing a resolution for low cash-flow in spring 2021 for the Going Concern judgement in the 2019/20 Financial Statements. RM also highlighted the agreement now reached with Lloyds Bank around the end-year covenant; this would be amended to allow

compliance if BCA could demonstrate £250,000 cash available at year-end. RM confirmed that this new covenant test had been met as BCA had £437,000 cash available at 31 July 2020.

NOTED

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

FOR DECISION/ APPROVAL

59/20 Audit Committee Matters

- ***Audit Committee Annual Schedule of Business 2020/21***

The Director of Governance (TR) presented the 2020/21 Audit Committee Annual Schedule of Business for approval.

The Annual Schedule of Business 2020/21 was APPROVED as presented.

- ***Draft Audit Committee Annual Report 2019/20***

TR presented this annual report which outlined the work of the Audit Committee for the Financial Year to 31 July 2020. This would be presented to the Corporation in December 2020 to provide assurance around the Audit Committee's work during the 2019/20 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 2020 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 2019/20 to be APPROVED.

ii) The auditors should self-assess against the annual performance indicators in advance of the November 2020 meeting.

- ***Regularity Self-Assessment Questionnaire (SAQ)***

The Director of Governance presented the Regularity Audit Self-Assessment Questionnaire 2019/20 which had been submitted to the external auditors as part of their Regularity Audit. TR highlighted the additional Annex A to the SAQ which was a new requirement for 2019/20 and related to regularity around College operations during the Covid-19 pandemic. RM informed the meeting that external auditors RSM were content with the College responses. The meeting agreed that this report was a useful source of assurance for Governors and a clear reminder of the necessary 'checks and balances' that should be in place.

The Regularity SAQ along with its Annex A for 2019/20 was NOTED.

60/20 Anti-Fraud Policy

The Finance Director presented a new Fraud Policy which was being introduced to meet good practice guidelines. The Principal highlighted the reference to the Metropolitan Police on page 5 which should be amended to read Thames Valley Police. Governors sought confirmation on how this document would be cascaded to staff and it was noted that Annex A would be circulated to HoDs.

The Anti-Fraud Policy was APPROVED

61/20 Board Assurance Framework and Risk Register Report

The meeting considered the 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. Governors noted that this document continued to be reviewed to reflect the impact of the Covid-19 pandemic across all of the strategic priorities. This had significantly increased the risk ratings with the four biggest risks now remaining as 'red', i.e. with a risk score of 20 or above, post mitigation. 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 and the key risks which were currently rated as 'red' and the ongoing mitigation that was being provided against their crystallisation.

Risk 1 'Failure to address reductions in external funding results in the College being unable to remain a going concern. Failure to meet income targets. (Risk score post-mitigation reduced from 20 'red' to 15 'amber'): This risk posed an ongoing threat due to the impact of Covid-19 on commercial income and cash. The meeting noted and discussed the forecast financial impact on the College and the limited mitigation that had been put in place. The Principal highlighted the issues around the cash position which would be particularly difficult in spring 2021 as already been discussed.

Risk 2 'Insufficient Capital investment in the listed asset, specifically Hall Place Mansion. (Risk score at 20 'red'): The meeting was reminded that the issue of securing the requisite funding for the future maintenance of the heritage assets was still very uncertain as any development within 'greenbelt' land was still a highly contentious issue. The College was still waiting for a response from RBWM Planners after the final planning application had been submitted in July 2020. The meeting sought clarification on when the plans would be considered by the RBWM Planning Panel and GM confirmed that this was likely to be December 2020.

Risk 3 'Significant disruption resulting from Covid-19 pandemic' (Risk score at 16 'amber' reduced from 20 'red' after review at Audit Committee): The meeting was reminded that the issue of implementing the government guidance was very much an operational responsibility but governors should take assurance that the SLT were doing all they should to meet guidelines and all they could to secure quality ongoing learning for BCA students. Governors were assured that the SLT had continued to plan and implement the September return to campus on the basis of the guidance from the DfE.

The Principal gave the meeting a verbal update on operational changes made in light of the ongoing Covid-19 pandemic. In order to facilitate the required social distancing and creation of curriculum 'pods' (bubbles) the College was delivering a 2 day a week campus experience with a 1 day online blended learning for the delivery of English, maths, tutorials and portfolio work. All students with the exception of Foundation learners would receive their curriculum in this way from 7th September 2020; this arrangement would remain in place throughout the 2020/21 academic year. The food outlets on campus were also operating on a grab-and-go basis with learners returning to their 'bubbles' to eat food. Health and Safety Committee was continuing to meet on a regular basis and feedback from staff earlier in the day had been positive around the Covid-19 precautions put in place. One issue of ongoing concern was ensuring that learners wore facemasks as requested; this was a particular issue on the College buses.

The other issue was the current lack of availability of Covid tests; BCA had 385 staff, 1615 learners and had only been given 10 tests. Anecdotal evidence was that any staff or learners requiring a test were having to travel long distances. The Principal highlighted that this would become an issue moving forward if there were more cases of staff needing a test before they were able to return to work.

Risk 4 'Secure the full franchise agreement with the Royal Agricultural University (RAU) for all but the UoR provision. Improve the quality of the HE student academic experience as identified by the OfS' (Risk score remains at 16 'amber' after mitigation): The meeting was reminded that the HE Oversight Committee had been looking at the ongoing viability of HE provision at BCA and a decision to withdraw from non-franchised HE provision had been made earlier in 2020. The Principal informed the meeting that discussions were underway with another Landbased college to take on the BSc Vet Physio programme from September 2021.

Risk 5 'IT failure with loss of data for staff and students' (Risk score at 15 'amber' after mitigation): This risk score had been kept at its heightened level since the Risk Register was last presented. The cyber-security action plan and the audit of this area that Audit Committee were keen for management to undertake as soon as possible would further mitigate the risk. Governors agreed that they had taken considerable assurance from the presentation from the AP Digital earlier in the meeting.

Risk 6 'Student Transport and lack of effective tracking of learners' (Risk score at 12 'amber after mitigation'): The meeting was assured that progress on the new tracking system was being made.

Risk 7 'Quality and funding issues associated with the apprenticeship provision are not addressed' (Risk score of 12 'amber' after mitigation): The meeting was reminded that NARTS data published in March 2020 showed that BCA performance for 2018/19 was in the upper quartile nationally. The meeting was also reminded that all of the BCA apprentices were still on-role with no break in learning due to Covid-19.

Risk 8 'LGPS Deficit increase was significant in 2019/20 (raised to £17.4m from £10.7m in prior year) and TPS contributions could also increase significantly. (Risk score at 12 'amber after mitigation'): The meeting was assured that the FD was networking wherever possible to ensure that BCA was in line with other Colleges. Anecdotal evidence was showing that most FE Colleges had experienced a massive jump in the LGPS deficit position for 2019/20 compared with the prior year. It was also noted that the external auditors would look at the actuarial assumptions used in this calculation during the 2019/20 financial statements audit. RM highlighted that there was a separate paper to be considered later in the meeting to give assurance around the LGPS deficit.

The Principal sought approval from the Audit Committee to delete the 'struck-out' risks from the Risk Register before it was presented to Corporation in September. **Audit Committee members agreed that the following low scoring risks should be deleted from the Risk Register:**

- **Failure to maintain accurate and timely student data;**
- **Study Programmes not meeting the requirements of the Ofsted Inspection Framework**
- **Inadequate Student support**
- **Failure to comply with GDPR requirements**
- **Failure to engage with local business community including the LEP.**

The meeting commended this Risk Register/ Board Assurance format which underpinned the agenda for all Governing Body and sub-committee meetings.

The Board Assurance Framework/ Risk Register was NOTED and RECEIVED.

- **Covid-19 Health and Safety Risk Assessment**

The meeting noted version 5 of the Health and Safety Risk Assessment in relation to the reopening of the BCA campus post Covid-19 closure. This document was a revised version of the one approved by the Corporation on 3 June 2020. The Principal assured

the meeting that this document had been updated to reflect all current Public Health England and Government guidance (DfE) in relation to the operation of educational settings from September 2020. The updated sections were highlighted to clearly show the additions and changes. Audit Committee Members were assured that the Executive Team would continue to review this document on a weekly basis to ensure all H&S Risks in relation to the pandemic were mitigated.

The Covid-19 H&S Risk Assessment in relation to the reopening of the campus Board Assurance Framework/ Risk Register was NOTED and RECEIVED.

ITEMS FOR INFORMATION

62/20 College Transport Update

The meeting received an update paper from the FD which outlined the position with BCA Student Transport. The meeting was reminded that as discussed earlier in the meeting learners were only attending campus for 2 days each week. The uptake of bus pass purchases through enrolment was noticeably lower than previous years. Analysis indicated that volume was currently running at approximately 70% of the prior year with parents choosing to bring their son/daughter to school by car; this appeared to be an entirely Covid-19 response. The meeting noted that the impact of the lower uptake and the move to 2 days on site was likely to result in a reduction in income of circa £250,000 in the current financial year but this would be offset by potential cost savings of £100,000. RM informed the meeting that there was a chance that post-enrolment demand for passes would be higher than normal, when parents and students were assured about the introduction of appropriate Covid-19 related procedures and processes. However, there was no guarantee of this at the moment. The meeting discussed the options for mitigating the impact of reduced income. RM confirmed that as the start points for the twenty routes that the college operated were spread over a wide geographical area this meant that routes could not be merged easily. However, the meeting was given assurance that the College was looking at all options to change routes and/or vehicles wherever possible. Governors sought clarity around the possibility of College minibuses replacing bus services but the scale of the operation with numerous 53 and 70-seater coaches used on a daily basis precluded this as an option. RM also confirmed that the two companies that provided BCA with coaches - Heyfordian and Fernhill - were not able to reduce their prices; the coach sector had been hit very hard by the pandemic and had received minimal support from the government. RM informed the meeting that he would be completing an update to the IFMC in advance of the Corporation meeting to include the impact of the forecast loss of the transport income. The Principal confirmed that the College was continuing to make a case to the ESFA for some financial support through the Landex umbrella as land-based Colleges had been hit harder than general FE by this issue.

On a positive note the meeting was informed that one advantage of the reduced demand was that there was more space on the coaches. In addition, College management had worked closely with both Heyfordian and Fernhill to put measures in place that were appropriate under the circumstances, such as

- Students being obliged to wear face coverings
- Drivers having to wear face coverings when they are interacting with students
- Sanitising solution on all vehicles
- Screens in the minibuses
- All vehicles to be cleaned at least once a day
- Maximum possible ventilation on all vehicles
- Well organised embarking and disembarking procedures
- Third party coach drivers' movements on campus to be restricted to using the toilets in the Learning Centre.

RM also gave the meeting an update about the new tracking facility for the buses. The pilot that commenced in January came to a halt in mid-March due to lockdown, but work

had continued in the meantime with a view to reintroducing the pilot in September 2020 and rolling the facility out across all vehicles in the second half of the autumn term.

NOTED

63/20 Pension Matters

• **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 2020. A copy of the certificate (the 'EOYC') which detailed the Teachers' Pension Contributions for the year ended 31 March 2020 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 2019/20 was NOTED and RECEIVED.

• **Update on LGPS Deficit**

The meeting noted a paper presented by the FD which gave the meeting an update on the College's net deficit relating to the Local Government Pension Scheme ('LGPS'). As discussed earlier in the meeting this had increased from £10.82 million to £17.52 million in 2019/20.

Governors were reminded that the LGPS was a funded defined benefit plan, with the assets held in separate funds administered by RBWM. As a consequence of being a defined scheme the College had to reflect surpluses/deficits and annual charges in its financial statements. Even though the Teachers' Pension Scheme was also a defined benefit scheme, all colleges accounted for it as if it were a defined contribution plan (i.e. no surplus/deficit), simply because they were unable to identify our share of the underlying assets and liabilities. RM also highlighted that the LGPS service charge amounted to £830K in 2019/20, compared to £770K in the original budget and £813K in 2018/19.

Audit Committee members were reminded that movements in the LGPS deficit did not have an effect on the College's operating surplus or the various measures of financial health. However, they did have an adverse impact on the College's Profit and Loss (Statement of Comprehensive Income) and balance sheet as published in the financial statements. RM confirmed that the increase of £6.70 million was much larger than any other increase in recent years but was in line with the percentage increase seen in other colleges in 2019-20. Governors sought an explanation for the scale of this increase and noted that this was explained to a very large extent by a reduction in the discount rate used by the actuaries, from 2.15% to 1.40%. This alone led to an increase in the deficit of about £5.7 million. The discount rate had been adversely affected by a drop in the bond yield rate from July 2019 (c. 2.2%) to July 2020 (c. 1.45%).

The meeting also noted a table which gave details of other major changes compared to 2018-19, this included the following:

- Membership had increased by 132 to 602 members
- Minimum Employer contribution had increased from 25.0% to 25.7%
- Discount Rate was decreased from 2.15% to 1.4%
- Projected Costs increased from £770,000 to £1.240m

The meeting expressed concern about this ongoing and increasing deficit over which the College had no control; it would seem to suggest that all colleges were technically insolvent. RM reaffirmed his assurance that all colleges were in the same position and the

only possible action at individual College level would be to challenge the actuarial assumptions used. The meeting was reminded that the pension deficit was not included when any ESFA assessment of financial health was calculated. ***The meeting asked that RSM as external auditors should provide some additional narrative for the Financial Statements 2019/20 to make it clear to any reader that this LGPS deficit was outside management control and could not be attributed to financial incompetence.***

The detailed update on the LGPS Deficit was NOTED.

64/20 Enrolment Conversion rates September 2020

Audit Committee noted a paper which provided detail on applications, enrolments and conversion rates by curriculum area for the August 2020 enrolment. Conversion rates ranged from 97% (Performing Arts) to 55% (Science). Conversion rates for the two biggest areas of provision were 85% (Animal Management) and 85% (Sport). The overall conversion rate was noted as 83%. The Principal informed the meeting that current enrolment for 16-18 learners was standing at 1555 against the college target of 1530; this compared with a funded figure of 1375 in the prior year. Depending on the final figure at the 6-week census point, this would generate an additional £250/£300,000 growth in funding for 2021/22 which was not currently included in the financial plan.

Governors sought confirmation on what analysis had been taken with this data in terms of rationale for the strong enrolment. 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.

The meeting commended the very strong social media presence that BCA now had – they were very aware of the strong branding across LinkedIn, Instagram and Facebook.

The enrolment report was NOTED

65/20 Register of Outstanding Audit Actions

The Finance Director confirmed that there were no outstanding actions which had not yet been implemented from internal and external audit reports.

The verbal report was NOTED.

66/20 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 2020.

- Corruption/ irregularity

The meeting noted the report which was a nil return for the period 1 August 2020 to date.

- Whistle-blowing

The meeting noted the report which was a nil return for the period 1 August 2020 to date.

The Report was NOTED.

67/20 Date and Time of Audit Committee meetings 2020/21

The meetings were confirmed as:

- Wednesday 25 November 2020 at 4.30pm
- Wednesday 10 March 2021 at 4.30pm
- Wednesday 16 June 2021 at 4.30pm

68/20 Any Other Business

- ***Risks associated with BCA Estate***

The Principal provided this paper for information to raise awareness around the numerous risks associated with the College operating a large agricultural estate.

The update was NOTED.

It was AGREED that the Director of Campus and Estates would attend the November 2020 Audit Committee to enable Governors to seek additional assurance.

- ***Revision to Financial Authorisation Limits***

The meeting noted an extract from a letter received from the Department of Education on 17 August 2020 which outlined the availability of an initial £200m of the £1.5 billion in capital funding that will support the upgrading of the further education (FE) estate. This was now to be brought forward to financial year 2020 to 2021 and would support FE colleges to undertake immediate remedial work in this financial year to upgrade the condition of their estate and provide a boost as the country and its education system emerges from lockdown. The meeting noted that BCA's allocation for the financial year 2020 to 2021 was £502,476.42.

Although welcome news, there were conditions attached to the dilapidations grant, the most significant of which is that all works had to be completed by 31 March 2021. The meeting agreed that this was a very tight timescale, given that BCA would be looking to complete a number of projects as a consequence of receiving the funding in addition to those that were already planned.

In order to ensure that all works were completed on time and the college made full use of the monies allocated, the Executive Team were seeking approval of the proposal that the limits for both internal approval and the requirement to go out to tender were increased from the current £50K to £100K until 31 March 2021. In addition, the current limit for requiring three competitive quotes should be increased from £25K to £50K. During this period, projects that costed less than £100K would be approved by the Principal and Finance Director jointly and those costing between £50K and £100K would need three competitive quotes.

In order to maintain financial control and oversight a list of all projects costing more than £50K would be provided at all Audit Committee meetings during 2020/21.

The revised financial authorisation limits were APPROVED as presented.

There was no other business the meeting closed at 6.35pm.