



BOARD OF GOVERNORS **AUDIT & RESOURCES COMMITTEE**

Minutes
Wednesday 23 November 2022 at 5pm
Online via MS Teams

| | | |
|-----------------|--------------------------------------|---------------------------|
| | | <u>Meeting Attendance</u> |
| PRESENT: | Sam Foley (Chair) | (1 out of 1) |
| | Mobolaji Alabi | (1 out of 1) |
| | Jo Croft | (1 out of 1) |
| | Nathan Garat | (1 out of 1) |
| | Tony Haines | (1 out of 1) |
| | Rob Lewis | (1 out of 1) |
| | Ian Thomson | (1 out of 1) |
| | Peter Tyndale | (1 out of 1) |
| | Kiran Virdee | (1 out of 1) |
| IN ATTENDANCE | Gillian May (Group Principal & CEO) | |
| | Richard Munday (Deputy CEO) | |
| | Tracy Reeve (Director of Governance) | |
| PART ATTENDANCE | Susan Brady (Interim HR Director) | |
| | Graeme Clarke (Mazars) | |
| | Sarah Mason (RSM UK Audit LLP) | |
| | Hugh Swainson (Buzzacott) | |

PART I

| <u>MINUTE</u> <u>No</u> | | <u>ACTION</u> |
|--|--|----------------------|
| 1. | <u>Presentation of Human Resources Report, Susan Brady:</u> Minuted at agenda item 16. | |
| 2. | <u>Election of Chair & Vice Chair for 2022/23</u> The Director of Governance invited Members to elect a Chair and Vice Chair for the next academic year. It was proposed that Sam Foley be Chair and Jo Croft be Vice Chair. The Chair and Vice-Chair outlined their relevant experience. The elected Chair affirmed the importance of the Vice-Chair maintaining a clear view of the risk management role within the Audit Committee remit of the new joint committee. All Members were agreed. | |
| 3. | <u>Apologies for Absence</u> Apologies had been received from Angela Wellings who was not a member but a standing attendee at this new sub-committee. | |
| 4. | <u>Declarations of Interest</u> No Member declared a conflict of interest with the agenda. | |
| 5. | <u>Minutes of the Previous Meetings</u> The meeting considered the minutes of the TWFCG Audit Committee meeting of the 8 June 2022, Resources Committee meeting of 29 June 2022 and BCA Audit Committee meeting of 15 June 2022. These had all previously been circulated to all members and were agreed as a true record. They would be taken as signed by the Chair. All Members were agreed. | |
| 6. | <u>Matters Arising of the Previous Meetings</u> | |

MINUTE
No

ACTION

It was noted that all matters arising had been actioned.

Governors (RL) highlighted a typographical error in the paper which should have read £100,000 rather than £100,0000 under item 6 on page 2.

The Report was NOTED.

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to correct

ITEMS FOR DECISION/ APPROVAL

7.

TWFCG Revised Financial Regulations

The meeting noted the revised Financial Regulations which had been revised to reflect the new organisation post-merger. The Deputy CEO (RM) reminded the meeting that since TWFCG had merged with Berkshire College of Agriculture on 1 August 2022 both income and expenditure had almost doubled. This, along with changes to reporting lines and the structure of the group, and a recognition that certain approval levels were no longer appropriate, had led to a comprehensive review of the existing Financial Regulations in order to ensure that they were fit for purpose.

The Deputy CEO (RM) highlighted the key changes in relation to:

- Financial planning
- Budgetary control
- Purchase order approval
- Invoice payment approval
- Tendering and contracts
- Other purchases
- Single source supply
- Contract Register
- Establishment list
- Trading companies

RM highlighted that in addition, significant improvements were proposed to the content and format of the existing monthly management accounts and the budgeting process. The meeting noted that the target completion date for this work was the end of July 2023.

The meeting discussed the proposed amendment in relation to 'Tendering and contracts' (paragraph 6.4.2) where it was proposed that the threshold for competitive tendering be raised from £50,000 to £100,000. Governors suggested that this new threshold was too high even though TWFCG was a larger organisation now with turnover in excess of £40m. The CEO sought advice from Mazars as internal auditors and GC stated that he would review this offline, but his initial response was that £100,000 was too high in terms of sector benchmarks. The meeting agreed that the need for tight cost control post-merger would suggest a lower threshold but would wait for advice from Mazars. The meeting agreed that this would allow full transparency if the level of proposed threshold was also reviewed by Mazars as internal auditors. It would also ensure that a proper balance between appropriate controls and the burden of work was maintained.

ACTION:

i) Mazars to review sector benchmarks for threshold level for 'tendering' and advise Exec accordingly.

ii) A recommendation based on Mazars advice to be taken to the Board for approval.

Mazars

Deputy CEO

The meeting sought clarification on section 6.5.1 Other Purchases where the previous range from £2,000 - £10,000 was changing to £10,000 - £25,000. RM confirmed that some of the quantitative and other improvements would take time to implement; he was aiming for all system improvements to be made by 1 August 2023.

Governors (RL) highlighted a typographical error in the cover paper which had the existing and proposed figures transposed for Clause 6.9.1 Contract Register.

The meeting also highlighted an inconsistency in Clause 10.1.2 of the Finance Regulations where there were two separate value thresholds for gifts and hospitality - £75 and £50. RM confirmed that the correct figure for use in both circumstances was £50.

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ACTION: Clause 10.1.2 Gifts and Hospitality to be amended to use £50 in both instances.

Deputy CEO

Governors sought and were given confirmation on what was meant by 'single source of supply'. The Deputy CEO (RM) confirmed that this was in relation to purchases which were so specialised that there was only one or two companies who were able to supply e.g. specialist land-based equipment/ animal management items. RM confirmed that this would always be an exception and there would be a clear justification for why financial regulations on tendering had not been applied.

ACTION: The Chair suggested that an annual report should be brought to Audit & Resources Committee detailing any large purchases which had not gone to tender as well as a record of 'single source of supply' waivers.

Deputy CEO

Members considered the Financial Regulations Subject to the query in relation to paragraph 6.4.2 and AGREED to recommend them to the Board for approval.

Refer to Board

All Members were agreed.

8. BCA Capital Development Update: appointment of agent for Honey Lane Development

The meeting noted a paper which provide an update for Governors on the actions required to secure the sale of the land at Honey Lane, Hurley, Maidenhead. The meeting was reminded that the proceeds of this sale were to be used exclusively for the restoration of the listed historic assets at Hall Place (BCA) as planning permission for this plot of land on the edge of the BCA estate was only granted due to these Very Special Circumstances. The Group CEO (GM) highlighted the need for the new College group to tender for the appointment of a land agent to oversee the subsequent tender and sale of the land. GM informed the meeting that there would be two elements to taking forward this work:

- Securing the right land agent (via a competitive tender process) who would work with TWFCG to secure the best developer which would facilitate sale of the land
- Setting up a suitable mechanism – possibly via a trust - to administer the heritage asset repair and maintenance work over the next decade and then the ongoing repair and maintenance of listed assets at BCA.

The meeting noted the proposed terms of reference for a new working group which would report into the Audit and Resources Committee. The Capital Development Steering Group (CDSG) would advise the Audit and Resources Committee (and the Corporation of TWFCG) on all aspects of the capital development and land sale at BCA campus. As well as the above, the specific duties of the CDSG would include:

- Monitoring progress on the Section 106 agreement with Royal Borough of Windsor and Maidenhead (RBWM).
- Monitoring the revisions to the agreed plans under the 'Reserved Matters' planning application.
- Monitoring the consultation and communication process with BCA, the immediate neighbours, the wider local community and key stakeholders (including Ward councillors).

The proposed membership of the CDSG would include the Chair (Sam Foley) and Vice-Chair of Audit & Resources Committee (Jo Croft as CDSG Chair), Ian Thomson and Pippa Goodwin as ex-BCA governors and the Group CEO. The Deputy CEO would be a standing attendee as would the specialist external advisors who had worked on the project with BCA – Kevin Scott (property specialist) and Alison Knight (communications and RBWM network specialist).

The meeting sought reassurance that BCA would take specialist advice on the best timing to proceed with the land disposal. The CEO confirmed that current advice was that the property market was difficult so the college should concentrate on confirming the Section 106 requirements and looking at potential land agents. They would then be able to advise on the best time to take the project to the market. Governors highlighted the possible input of the DfE specialist property team LocatEd who might be able to provide additional independent

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No

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advice on the best timing for the project to be taken to market. The CEO also highlighted the possible impact of the ONS reclassification of FE colleges into the public sector which could impact on college land sales.

Governors sought confirmation on the urgency for the repair work to the heritage assets at BCA as this might impact on the timescale pursued to take the project to market. The Deputy CEO confirmed that whilst this was not currently urgent things could change at any time with a large heritage building.

The meeting APPROVED the proposed Terms of Reference for the CDSG as a sub-committee of Audit & Resources Committee.

This would be RECOMMENDED to the Board for approval.

All Members were agreed.

**Refer to
Board**

9.

Bank Account rationalisation and review of investment policy

The meeting noted a report from the Deputy CEO which updated Governors on the actions required with respect to the current banking arrangements for the new College Group. The proposal was to consolidate all monies to Santander as TWFCG was not looking to change their current banking arrangements at the present time. The current thinking was that the earliest date for TWFCG to retender for banking would be for the 2023/24 financial year but the meeting was reminded that this might be affected by the recent ONS reclassification of FE colleges into the public sector. The meeting considered the proposal to transfer £4 million to the 12 months deposit account, whilst allowing the CEO and Deputy CEO together to make recommendations as to the investment of any remaining surplus funds. Governors were assured that updates as to balances held would be standing agenda item at all future Audit and Resources Committee meetings. The meeting noted details of the current banking arrangements and the expected month-end bank balances per the latest forecast (in £000) until July 2023. It was noted that interest rates currently available with Santander (as of 14 October) varied between 2.1% to 4.45% based on different levels of notice (35 days to 12 months).

The meeting discussed the issues around ethical banking and RM confirmed that although this was not an area of strength for Santander, they were no worse than the other large banks. RM confirmed that the issue of ethical banking would be considered in future tenders. It was noted that of the bigger banks the Co-Operative Bank was the most ethical but also provided a higher risk.

The meeting agreed with the principle of simplification and working with one bank but sought assurances that the college would not lose the flexibility and benefit of keeping options open by having a second banking provider as 2023/24 seemed a long time away. RM assured the meeting that he had no concerns about the financial liquidity of Santander and had agreed in principle with Lloyds that the existing Lloyds account – with a current balance of £500 – would close. Governors suggested that as it was now quite complex to open a new bank account the existing Lloyds account should be maintained but effectively used as a dormant account so that the College maintained options.

The meeting AGREED that as proposed, a recommendation would be taken to the Board that TWFCG should:

- i) Consolidate all monies to Santander.***
- ii) Transfer £4 million to the 12 months deposit account, allowing the CEO and Deputy CEO together to make recommendations as to the investment of any remaining surplus funds.***
- iii) Provide updates as to balances held at all future Audit and Resources Committee meetings.***
- iv) Maintain the existing Lloyds bank account with a minimal balance.***

**Refer to
Board**

10.

Risk Register 2022/23

The Group Principal (GM) presented the Risk Register for 2022/23 which had recently been comprehensively updated by the Senior Leadership Team to reflect the post-merger organisation. GM informed the meeting that this document would be reviewed at each of the recent sub-committees before being presented to the Corporation in December 2022.

Members discussed the risks and their ratings, in detail and additional verbal assurance was provided for the key 'red' and 'amber' risks.

Risk 1 Failure to meet budget forecast (risk score remains at 20 'red'): The new risk 1 which was concerned with failure to meet budget forecast and reduce the operating deficit had been discussed in some detail at the October 2022 Governing Body meeting. The major inflationary pressures on energy and pay costs was still a key risk and the CEO asserted the need for the College to maintain a Good financial health grade. The meeting was pleased to note that the costed pay proposal approved by the Corporation in October 2022 had now been agreed with the Trade Unions.

Risk 2 External Safeguarding Risks (risk score remains at 16 'amber'): GM informed the meeting of two recent instances which had taken place off campus at Langley and Windsor but which were being treated as Safeguarding incidents. The meeting was assured that the Exec Team continued to work with all relevant agencies in relation to these incidents. GM also highlighted the fact that Chichester College had received an Ofsted monitoring visit after a similar safeguarding incident so she had put SLT and All Staff on alert for a possible pre-Christmas Ofsted Monitoring Visit.

Risk 3 Poor student outcome data at Langley results in a challenge to the Good Ofsted rating (risk score remains at 16 'amber'): The meeting was reminded that Vice-Chair (Rob Lewis) would take on the role of the Governors' 'special ambassador for Langley' to provide assurance for the Corporation Members on the implementation of the Langley College Quality Improvement Plan.

Risk 7 ONS review of the status of colleges as private sector organisations (risk score 'amber/ green'): This new risk was not seen as a major threat but it was too soon to assess all of the implications for colleges as the final announcement was not expected until 29 November. GM highlighted that the possible benefit of FE colleges being exempt from VAT would be a positive side to any reclassification into the public sector.

The Chair commended the clear format of the Risk Register which provided clear information on risk and assurance for governors.

Members NOTED the updated College Risk Register.

11.

Annual Internal Audit Report 2021/22

The meeting noted the internal audit report from Mazars presented by the internal auditor Graeme Clarke (GC). He confirmed that the internal audit strategy for TWFCG had been delivered as planned during 2021/22. The meeting noted that the overall audit opinion on the adequacy and effectiveness of the framework of governance, risk management and control was 'moderate'. This reflected the 'limited' assurance judgement given in the report on Purchasing and Procurement. The meeting noted that during the 'follow-up' audit one recommendation was still noted as in progress so had been carried forward. GC highlighted that the total number of new recommendations made in 2021/22 was 17; this was eight more than the nine raised in 2020/21. The main driver for this was the review of Purchasing & Procurement with eight recommendations raised in total. The meeting was pleased to note that recurring work in the plans year on year such as Learner Numbers and Follow Up for example, continued to provide positive assurances.

The meeting NOTED and RECEIVED the internal audit annual report from Mazars

- Internal Audit Report on Purchasing and Procurement

The meeting considered the detailed report from the internal audit review of Purchasing and Procurement and the Chair sought comments from the Deputy CEO (RM) on the findings. RM confirmed that the report was concerning and the numerous recommendations were disappointing. All of the eight recommendations had been accepted by management and were being implemented. However, most of the procurement systems were driven by the EBIS system which was very complicated and TWFCG previously had numerous approval levels which were being ignored by many staff pre-merger. To some extent this would be improved by the review of systems and process in the newly reviewed Finance Regulations (considered earlier in the meeting). RM highlighted the need for improved communications with internal stakeholders around the use of the EBIS system. He asserted that the purchase ledger team pre-merger were poorly resourced and had not been properly trained. The Chair

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sought confirmation that there was sufficient resource within the Finance Team to implement the necessary changes post-merger. RM confirmed that there were now 4.5 FTE staff working on purchase ledger across the new group; efforts were being put into improving future systems and compliance. Governors expressed surprise at this poor review and asked why this had not been identified earlier. GC confirmed that Mazars had not been asked to look at this during the last 3 year tenure as internal auditors. The meeting asked whether it would be better to move back to the prior BCA system but this was noted as not a feasible option, it was too late to revert and the Finance Team would make sure EBIS was being used correctly. The Chair sought confirmation that there had been no risk of fraud or loss and GC confirmed that although the EBIS system was not being used correctly there was no concern about fraud or financial loss.

The meeting NOTED and RECEIVED the internal audit report on Purchasing and Procurement

12.

Internal Audit Strategy 2022/23

RM presented a paper which outlined the first draft of the internal audit plan for 2022/23. The meeting noted that although considered by the CEO and Deputy CEO, this had yet to be agreed with Mazars. RM confirmed that the proposals had taken into account a number of factors, including the College's latest strategic plan and risk register 2022/23, the previous internal audits carried out in the College and the experience of the range of audits and their findings at other Colleges. The planned programme of work for 2022/23 being suggested by the Executive Team was as follows:

- Student Funding and Learner Numbers (ILR), to be completed in February 2023
- Apprenticeship funding audit, to be completed in February 2023
- Bursary and financial support for learners, to be completed in March 2023
- Financial Management and Reporting Systems, based on February Management Accounts, to be completed in April 2023
- Key financial controls, to be completed in April 2023
- Safeguarding practice (assessed through Leaders in Safeguarding), to be completed in May 2023
- Curriculum planning, to be completed in May 2023

The meeting also noted the detailed Internal Assurance Framework document which documented the audit areas and sources of internal and external assurance for Governors. The meeting was assured that the Deputy CEO and internal audit lead from Mazars (GC) would finalise the proposals and bring the final Internal Audit Strategy back to the December Board meeting for final approval. The Chair sought confirmation that 39 days was sufficient to provide adequate coverage and asked that the paper to the Board provided overt guidance on that.

Members NOTED the report and the proposed internal audit coverage 2022/23.

The final Internal Audit Strategy 2022/23 to be finalised by Mazars and the Executive Team and taken to the Corporation for approval in December 2022.

[Graeme Clarke left the meeting.]

**RM/ GC
Refer to
Board**

13.

TWFCG: Post External Audit Management Report & 2020/21 Financial Statements

Members were asked to consider the external auditors post-audit management report, 2021/22 financial statements, regularity self-assessment questionnaire and audit representations letter for TWFCG. Hugh Swainson (HS) from Buzzacott (external auditors) presented the Audit Findings Report. Members were advised that the current financial position presented was an operational deficit of £392,000 excluding FRS102 charges. The meeting noted that the improvement on the prior year position was due to improved income and less impact from the Covid-19 pandemic. The College had accumulated reserves of £45,627,000 (2020/21 - £23,768,000) and cash balances of £7,856,000 (2020/21 - £7,481,000). Tangible fixed asset additions during the year amounted to £942,000 (2020/21 - £1,451,000). £329k was spent in the current year from Further Education Condition Allocation (FECA) grant (£919k received in 2020/21). Grants had been received from

Windsor College Digital Centre Grant funded by TVBLEP (£160k) and Electric Vehicle Project Grant funded by TVBLEP (£72k). The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2021/22 the ESFA provided 91% of the College's total income.

Post-Audit Management Report: The meeting considered the Post-audit Management Report provided by Buzzacotts which provided an unqualified audit opinion on both the Financial Statements audit and the associated Regularity Audit. HS highlighted the few outstanding items that would need to be finalised before the accounts were submitted. One of these was the Going Concern judgement which would have to consider the combined financials of the post-merger college; HS confirmed that he did not foresee any issue with this even though an ongoing deficit for 2022/23 was forecast. The meeting noted the huge reduction in the LGPS pension liability but this was predicated on the actuarial assumptions used which were in line with the FE sector benchmarks; all FE colleges had seen this positive move. Governors were reminded that this was only a balance sheet transaction which had no impact on actual financial performance. It was noted the final financial year-end position was expected to achieve an ESFA financial health assessment of "Outstanding", which would be in line with the previous forecasts in the management accounts. HS highlighted the ongoing challenge around the EBITDA ratio which was low at 4.4% and also the need for close monitoring of the Staff: Income ratio as the post-merger organisation moved forward. The external auditor advised members there were no concerns or weaknesses identified in their post-audit management report.

Governors sought clarity on the two post-audit adjustments which had decreased the overall reserve balances by £125,000. RM confirmed that the two errors had been due to processing errors within TWFCG finance team. The £53,000 error in relation to the release of a deferred capital was due to a formula error on a spreadsheet. RM highlighted that even though these two errors resulted in the deficit being understated by £125,000 it was still a lower deficit than budget. The meeting was reminded of the positive inflow of £740,000 during the year for access rights at Strode's College.

The meeting discussed the Going Concern judgement in more detail and was reminded that the transfer of assets and liabilities from BCA to TWFCG would be reflected in TWFCG 2022/23 accounts. The meeting agreed that forecast cash balances post-merger would support the Going Concern judgement. Governors sought anecdotal from the external auditors on the position across other FE colleges regarding Going Concern. HS confirmed that he had seen a mixed picture but there was certainly a lot of pressure across colleges with regard to learner numbers and increased costs.

Regularity self-assessment questionnaire (SAQ): The meeting noted and received the Regularity SAQ which underpinned the auditors assessment of regularity and compliance during 2021/22.

The Chair thanked the external auditors at Buzzacotts for their comprehensive and clear report.

Members AGREED to recommend to the Board for approval:

- a) **The external auditor's post-audit management report.**
- b) **The 2021-22 report and financial statements for TWFCG.**
- c) **The regularity self-assessment questionnaire for TWFCG.**

All Members agreed the recommendations.

[Hugh Swainson left the meeting.]

[Sarah Mason joined the meeting.]

**Refer to
Corporation**

14.

BCA: Post External Audit Management Report & 2020/21 Financial Statements

Members were asked to consider the external auditors post-audit management report, 2021/22 financial statements, regularity self-assessment questionnaire and audit representations letter for BCA. Sarah Mason (SM) from RSM (external auditors) presented the comprehensive report and there were questions and interaction from Members. SM highlighted the different format for the BCA accounts which were not prepared on a 'going concern' basis after the dissolution of BCA on 1 August 2022. The meeting noted that when

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a Type B merger occurred (BCA merged into TWFCG under these arrangements) nothing was written down or adjusted, new balances were moved into TWFCG on 1 August 2022.

Members were advised that the current financial position presented was a deficit of £1.120m after allowing for LGPS pension-related charges; excluding these adjustments the position was an operating surplus of £618,000. The meeting noted that the Financial Statements were close to being finalised.

Post-Audit Management Report: The meeting considered the Post-Audit Management Report provided by RSM which highlighted that once finalised the external auditors anticipated issuing an unqualified audit opinion on both the Financial Statements audit and the associated Regularity audit. The meeting noted the assurances given against the generic FE College risks identified in advance of the audit. The external auditor advised members there were no concerns or weaknesses identified in their post-audit management report. However, there had been one issue identified as an ongoing finding within the regularity audit; the contracts for the College transport provision had not been tendered which did not align with the Financial Regulations. RM confirmed that the Finance Regulations would be amended to reflect the special circumstances around the coach providers which would make tendering difficult. The meeting noted the nine recommendations on controls identified during the audit none of which were significant. RM confirmed that where appropriate (i.e. if not removed post-merger), these would be actioned moving forward and included on the Register of Outstanding Audit actions brought to Audit & Resources Committee. SM commended the Finance Team at BCA as there were no audit adjustments required.

Letter of representation: SM confirmed that the Letter of Representation for BCA would be standard as used for a college that had already dissolved. This would be finalised once RSM had gained assurance around the likelihood and impact of any back-dated claims for holiday pay under the recent Harpur Trust legal judgement.

The Chair (SF) thanked SM for the clear and helpful report. SF also asked for a record of thanks to be included in the minutes for the Deputy CEO (RM) and the new post-merger Finance Team who had closed down two college financial year-ends and produced a very professional outcome working with each set of external auditors. The clean audit reports were a credit to this work.

Members AGREED to recommend to TWFCG Board for approval:

- a) **The external auditor's post-audit management report from RSM.**
- b) **The 2021-22 report and financial statements for BCA.**
- c) **The regularity self-assessment questionnaire for BCA.**

All Members agreed the recommendations.

[Sarah Mason left the meeting.]

**Refer to
Corporation**

15.

Annual Report of the Audit Committee 2021/22

The Director of Governance (TR) presented the two Annual Audit Committee Reports 2021/22; there was one report for TWFCG and one for BCA. The meeting was reminded that the purpose of this report was to provide assurance to the Corporation from the Audit Committee on the adequacy and effectiveness of controls and risk mitigation in place. The meeting was reminded that Annual Audit Committee Report was a mandatory requirement within the Post 16 Joint Audit Code of Practice. The varying format was based on the previous practice in each of the Colleges. TR highlighted that these annual audit committee reports would be submitted to the ESFA to accompany the financial statements from each of the colleges.

TR confirmed that she would review the format used for the one TWFCG Annual Audit Committee Report 2022/23 by using the best elements from each of the existing formats.

a) TWFCG

Members considered the TWFCG Audit Committee's annual report 2021/22 and AGREED to recommend it to the Board for approval.

All Members were agreed.

b) BCA

Members considered the BCA Audit Committee's annual report 2021/22 and AGREED

**Refer to
Corporation**

Refer to

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Corporation

to recommend it to the Board for approval.

All Members were agreed.

ITEMS FOR INFORMATION

16.

Human Resources (HR) Report

This item was presented by the Interim HR Director (SB). The report outlined the activity of the HR team as part of the post-merger transition which included;

- Policy reviews
- Union recognition agreement review
- Pay alignment
- Holiday for staff who do not work all year round (Harper Trust v Brazel legal ruling)
- Conversion of casual staff
- Staff survey activity (December 2022 with results in early 2023)
- HR systems

Policies: SB confirmed that four key policies for the new TWFCG - Grievance, Disciplinary, Capability and Sickness Management – would be considered by SLT during the last week of November and then would be taken for consultation with union representatives at the next Joint Consultative and Negotiation Committee (JCNC) meeting on 7 December. Governors noted that this meeting would also consider a new Union Recognition Agreement based on an AoC template which would replace the current version (last updated August 2017).

Pay alignment: SB confirmed that the pay alignment work to bring pay and holiday entitlement into line between TWFCG staff and BCA staff who transferred across under TUPE guidelines at merger. The meeting noted that Rockborn, the consultants who supported the Group with the merger, were undertaking a pay alignment review. This would enable the Executive Team to agree a strategy for aligning terms and conditions whilst ensuring the financial security of the group. It was anticipated that any pay alignment would not take effect until 1 August 2023. Governors sought confirmation on whether there was any legal risks by not completing this work within a specified timescale. SB confirmed that under TUPE transfer regulations BCA staff had transferred on existing terms and conditions, the post-merger employer were not meant to change these. There was no risk associated with timing or any liability for back pay but the need to undertake pay alignment was to ensure fairness moving forward.

Harper Trust v Brazel: SB confirmed that the College was responding as required to the July 2022 Supreme Court judgement relating to the holiday entitlement of staff who did not work all year round. SB confirmed that the College had sought legal advice with regards to the implications of this ruling on the Group and it was likely to mean that:

- the College would have to calculate holiday entitlement differently.
- term-time only staff would be entitled to more holiday.
- the College would have to pay casual staff holiday even if they have not worked.
- there will be an element of arrears to pay (up to 2 years).
- new contracts of employment would be required.
- there would need to be a fast-track implementation of claims using the iTrent system.

The meeting sought confirmation on the financial implications of any required changes and whether it might have an impact on the College's assessed financial health grades for 2021/22. The Deputy CEO confirmed that it would have a minimal impact for BCA and this had already been agreed with the external auditors. However, the situation at TWFCG was more complicated as there were a number of sessional staff; the exact figure would have to be finalised for the final version of the Financial Statements. The external auditor from Buzzacotts (HS) confirmed that this was something that many FE college were struggling to finalise at the moment.

HR Systems: SB confirmed that much work had been undertaken since the merger to migrate the BCA staff data to the Group's HR information system iTrent. The meeting was pleased to note that employee self-service had launched on Monday 14 November giving staff the facility

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to book holidays and access payslips online. SB also highlighted that processes for recruitment were also being streamlined with authorisation being moved online to the Talos system.

The meeting thanked SB for her report and the Chair commended the amount of progress made in HR work-stream during the first term post-merger.

Members noted the HR Report.

17. **Annual ESFA Letter: Financial Health**

The Deputy CEO (RM) presented the letter which had been received from the ESFA to confirm their assessment of the College's financial health after their review of the financial plan 2021/22 to 2023/24. The meeting was pleased to note that this confirmed financial health grades of Outstanding for 2021/22 and Good for 2022/23 (the current budget year). The Director of Governance informed the meeting that she would circulate the useful dashboard detailing elements of financial performance for TWFCG; this was currently being updated on the ESFA system. The Chair sought, and was given confirmation that this financial health grading was as expected by the Executive Team.

The meeting NOTED the ESFA letter confirming actual and forecast financial health for TWFCG.

ACTION: The Performance Dashboard for November 2022 to be circulated to all Audit & Resources Members as soon as available online.

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18. **Management Accounts to 30 September 2022**

This item was presented by the Deputy CEO. Members were advised that the College's forecast year-end income and expenditure position and the balance sheet reflected the revised budget that was approved by the Board in September 2022 (not the original budget prepared in July 2022). The meeting was reminded that the management accounts would be circulated to all governors by email on a monthly basis.

RM highlighted that the year-to-date variance was £12,000 variable against the operating surplus and £16,000 favourable for EBITDA. The operating surplus at the end of the first two months was expected to be £2.064m and the College was reporting a surplus of £2.076m. Income was £53,000 (0.6%) below forecast at £9.067 million but there were no significant individual variances to report for the first two months. Pay costs for August and September 2022 were £4.668 million, which was £81,000 below forecast but non-pay costs were £24,000 over forecast. The variances for establishment and administration costs were significant (at £181,000 favourable and £216,000 adverse respectively), but largely cancelled one another out. The individual variances were believed to relate to the mis-posting of an invoice which was currently being investigated. Governors were reminded that the full year operating deficit was currently expected to be just over £2.6 million.

On the balance sheet, fixed assets were very close to forecast at £94.473 million and current assets were significantly higher than budget at £12.983 million (£11.174m budget). This variance was more than explained by the cash balance, which at £10.503 million was £1.901 million more than forecast. Current liabilities amounted to £4.685 million, which was £1.070 million more than forecast. Loans were much less than expected as the BCA loans were repaid on 1 August, and this was not reflected in the forecast. RM confirmed that this would be corrected in the next forecast, which would be available in late January 2023.

The meeting considered the favourable cash balance (£1.901 million above budget), but RM confirmed that this positive variance was not expected to continue throughout the year. The meeting noted the forecast month-end cash balances throughout the rest of this year which ranged from £8.512m in November 2022 to a low point of £5.178m in March 2023, rising back to £7.198m by the year end.

RM reminded the meeting that the management accounts pack was in the process of being completely reworked over the next few months while finance systems were being aligned post-merger. It was anticipated that the final version of the pack would be used for the first time early in the 2023-24 financial year, but he assured the meeting that enhancements would be made in all packs produced in the meantime. Although the current pack was quite basic RM asserted the added-value of having monthly forecasts for both the Income and

MINUTE
No

ACTION

Expenditure Account and the Balance Sheet. The Chair confirmed that the Committee was looking forward to RM putting his stamp on the evolving format of the pack.

The meeting NOTED and RECEIVED the management accounts to 30 September 2022.

ACTION: RM asked for Governors' suggestions on features or information that they would like added to future management accounts packs.

AII/ RM

19. **Register of Outstanding Audit Recommendations**

This item was presented by the Deputy CEO (RM). The meeting noted that there were no legacy/carry over recommendations from previous years from either of the colleges that had not been actioned. RM highlighted that the current list was comprised of:

- TWFCG internal audit recommendations for 2021-22 as summarised in the report prepared by Mazars (as discussed in agenda item 11). These would be listed in detail for the next Audit & Resources Committee meeting, with progress shown against each.
- TWFCG external audit recommendations for 2021-22 as shown in the management report prepared by Buzzacott (item 13).
- BCA external audit recommendations as listed in the Audit Findings Report for 2021-22 received from RSM (item 14).

The Outstanding Audit Recommendations Report was NOTED.

ACTION: Detailed Outstanding Recommendations Register showing all recommendations, together with current status, to be presented to next A&R meeting.

**RM/
Head of
Finance**

20. **Fraud, Irregularity and Whistleblowing Report**

The Deputy CEO (RM) presented the report which confirmed that there had been no incidences of fraud, corruption or irregularity perpetrated against the College during the year to date 2022/23. The meeting noted that the Whistleblowing report was also a nil return for the period 1 August 2022 to date.

The Chair asked that at future meetings Audit and Resources Committee should be kept up to date with anecdotal evidence of the type and level of fraud being perpetrated in the FE sector. RM confirmed that he was made aware of sector frauds through the Finance Director's forum as well as briefings from the bank. RM also confirmed that although the risk could never be fully mitigated he was content that controls across the College Group were strong and staff remained vigilant to possible fraud.

Members NOTED the Fraud Report (nil return).

ACTION: The wider FE sector view on fraud to be included in future Fraud Reports to Audit & Resources Committee. To include what was being observed in the sector and why the Executive Team at TWFCG believed that sufficient mitigation was in place.

**RM/
Dir of Gov**

21. **Tenders to be undertaken 2022/23**

The meeting noted a report from the Deputy CEO which advised governors of the intended start, approval and completion dates of the tenders that would be undertaken in the current financial year.

| Description | Estimated start | Estimated completion | Board approval |
|--------------------|-----------------|----------------------|----------------|
| Catering contract | Dec-22 | Mar-23 | 17 May 2023 |
| Internal audit | Jan-23 | Mar-23 | 22 March 2023 |
| External audit | Jan-23 | Mar-23 | 22 March 2023 |
| Copiers & printers | Feb-23 | May-23 | 17 May 2023 |

The meeting was reminded that approval for the tender of cleaning services had recently been enacted by written resolution (email) due to the tight timescale. The Chair sought confirmation on whether these tender decisions all required Corporation (Board) approval or could they be finalised at Audit and Resources Committee. The Director of Governance (TR) confirmed that they would require the approval of the full Board but this would be taken with a

MINUTE
No

ACTION

strong recommendation from Audit and Resources Committee who would have considered the detail of the tenders. This close scrutiny at Committee level was specified within the Financial Regulations.

The Tender Report was NOTED.

ACTION: Committee Terms of Reference to be reviewed to ensure that this level of scrutiny and subsequent recommendation to the Board was explicit.

TR

22. **RSM Briefing: FE Emerging Issues**

The meeting noted a useful briefing paper from RSM which highlighted key emerging issues for the FE Sector. These included: ONS reclassification, Funding and accountability reform, Holiday Pay ruling (Harper Trust v Brazel ruling), Governance (specifically the need to undertake external governance reviews), Apprenticeships and new College Oversight Guidance.

The RSM briefing was NOTED.

23. **Dates and Times of Future Meetings**

The date and time of future meetings in 2022/23 were noted as:

- Wednesday 1 March 2023
- Wednesday 21 June 2023

Members sought confirmation on what level of financial information would be circulated in advance of the next meeting as March seemed a long time away. The Deputy CEO informed the meeting that management accounts would be circulated to all Governors on a monthly basis. The Director of Governance confirmed that she would also circulate any relevant briefing papers between meetings as appropriate.

Members NOTED the 2022/23 meeting schedule and verbal update.

24. **Any Urgent Business**

There were urgent items of business raised.

The Chair informed the meeting that she would be pleased to receive any comments or suggestions on how the new Audit and Resources Committee meeting was working.

The meeting closed at 7.00pm.

Chair.....

Date.....