

## The Henley College Corporation

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<b>MINUTES of the Meeting of the Audit Committee held on Monday 14 November 2016 at 09.00</b>		
<p><b>Members Present:</b>  Stephen Forward (SF) Independent Member/Vice Chair  Eva Rickett (ER) Parent governor  Jeni Wood (JW) Independent Member  Charles Wiggin (CW) Associate Member</p> <p><b>In attendance:</b>  Kulbir Sethi (KS) Director of Finance  Simon Cuthbert (SC) Acting Principal  Katherine Patel (KP) Partner, Buzzacott LLP  Jim McCaffrey (JMCC) Health &amp; Safety Manager</p> <p><b>Note Taker</b>  Pauline Eaton</p>		
<b>Agenda Item</b>	<b>Minutes</b>	<b>Action by</b>
1.1	<p><b>Opening of meeting</b>  The meeting opened at 09.10 am. SF chaired the meeting in Simon White's absence. Eva Rickett joined the meeting at 09.25.</p>	
1.2	<p><b>Apologies for Absence</b></p> <ol style="list-style-type: none"> <li>1. Simon White – out of the country on business</li> <li>2. Mohammed Khaliel – apology due to urgent community matter</li> <li>3. Jacky Gearey</li> </ol>	
1.3	<p><b>Declaration of Interests</b></p> <p>No other interests were declared.</p>	
1.4	<p><b>Minutes of the Meeting of 6 June 2016</b></p> <p>The Committee agreed that the Minutes were an accurate record of the meeting of 6 June 2016. This agreement was proposed by JW and seconded by SF.</p> <p>It was noted that Committee wished for Meeting Minutes to be distributed on a more timely basis in future.</p> <p><b>Action: Corporation Secretary</b></p>	<b>Corporation Secretary</b>
1.5	<p><b>Matters Arising from Previous Meeting</b></p> <p>Item 3.11: Corporation Secretary to confirm whether details of the amendments to the Social Media Policy relating to Risk 5 of the Register were sent out to the Committee and when.</p> <p><i>(Post Meeting Note: Amendments were emailed to Audit Committee members on 6 June immediately following the meeting, with information that the amendments would be taken forward to the Corporation on 27 June - see Corporation Minutes: item 6.1)</i></p>	

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1.6	<p><b>Financial Statement Auditors – Buzzacott</b></p> <p><b>(i) Draft Report and Financial Statements 2015/16</b></p> <p>The report, contained in Appendix 1.6(i) consisted of a report and then the draft accounts. The format of the accounts follows Education Funding Agency (EFA) and Skills Funding Agency (SFA) guidelines. Katherine Patel from Buzzacott reviewed the financial statement at Appendix 1.6 highlighting the following:</p> <p>The key item is the Income and Expenditure on Page 31. One result which is not so good is Apprenticeships which did not quite meet target; however, there was a saving on costs. SF said the underlying deficit is £361,000. Income was down significantly and at least another 100 students would be required next year to make up the shortfall. JW queried whether the 3 year linear would make any difference. SC commented that this has allowed the College to give more time to students from a teaching point of view. The risk is that the exam process is not clearly understood any more. In the past, predictions could be made. This year there is a new scale for GCSE results so it is not possible to predict results. The issue is that the new system will be hard to measure for a while. This won't affect recruitment but will affect teaching and how well students have done. Fortunately, universities are quite relaxed about this.</p> <p>The College is still rated as outstanding in spite of the deficit, after pension costs has been stripped out. SF mentioned that one of the aims of the governors is to maintain our outstanding status; in the next two years the College's finances will deteriorate, to some extent, into good financial health status and it won't be until 2018/19 that the situation is turned around.</p> <p>The Balance Sheet is very strong, with a reserve of £5m; altogether a good set of financial accounts. SC believes there has been a tendency to treat the excess funds as a buffer at a time when there have been students who needed help. A significant portion of the reserve amount resulted from the sale of other buildings which was greater than the cost of the buildings. In answer to the question raised by SF as to why there is such a large unspent amount still in reserve, SC stated that the STEM Centre might take about £2m of this amount. The total estimated cost of the STEM Centre will be £4m but the College will need to pay £2m.</p> <p><b>Action:</b> <b>KS to prepare a report for the Finance Committee with regard to the £5m cash in hand.</b></p> <p>SF queried whether there should be mention of the Area Review process in the Operating and Financial Review section of the annual report given that it had been a major part of the year's activities that had re-affirmed the Governors' view that the College was a viable independent entity in its own right. KP stated there may be an opportunity around page 9.</p> <p>JW queried why the College solicitors are in Birmingham given that local firms might be more accessible and familiar with the College catchment area.</p> <p><b>Action:</b> <b>KS to ascertain if this firm is the most appropriate for the College given their location.</b></p> <p>JW queried an item on Page 8, whereby childcare qualifications are slightly lower than the national average due to ICT level 2 being part of the framework. SC stated that the awarding body has decided that ICT is a requirement in addition to Maths and English. This has been introduced across the sector and is necessary to gain a full apprenticeship.</p>	<p>KS</p> <p>KS</p>
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	<p>In response to a query from regarding a Sixth Form Commissioner (mentioned on P12 under Stakeholder Relationships) it was explained that this is the person who oversees the sector on behalf of governance, like a senior solicitor. The new Sixth Form Commissioner is the former principal of Exeter.</p> <p>Corporation Secretary to make an amendment to Page 18 of the document under review. It should be noted that JW is a member of the following committees: Audit, Employment Policy and Stakeholder Engagement.</p> <p><b>Action: Corporation Secretary</b></p> <p><b>(ii) Post Audit Management Report 2015/16 (including Regularity Audit)</b></p> <p>KP reviewed the Post-Audit Report which provided feedback from the external audit process. Key issues are included on page 2 of the report. Overall, the audit was straightforward with the main change being in reporting and higher education scores.</p> <p>Key points to note:</p> <ul style="list-style-type: none"> <li>• In terms of the Financial Statement there are certain outstanding items which will be handled in due course. <ul style="list-style-type: none"> <li>➢ SFA funding reconciliation.</li> <li>➢ Receipt of letter of representation from the College.</li> <li>➢ Confirmation that there are no significant events since the time of the audit.</li> </ul> </li> <li>• Nothing else to report.</li> <li>• An accounting adjustment has been made for pension finance cost as a result of new reporting. However, the actual liability is exactly the same.</li> <li>• Payroll ratio has increased quite significantly during the year largely due to an insufficient increase in income. However, staffing has increased after stripping out of pension costs – so staffing costs have gone up.</li> <li>• Recommendation on page 4 relating to issues with the resource accounting software mentioned the previous year (see appendix 2 on page 13). The Chair asked KS to make sure that this was resolved by the next meeting. <b>Action: KS</b></li> <li>• See detail on pensions (appendix 3 on pages 14/15).</li> <li>• Requirement to notify governors of adjustments (page 9) – there are no such adjustments.</li> <li>• College would be graded as 'outstanding' in terms of the financial health model.</li> <li>• Teachers' Pension Scheme (appendix 3, pages 14/15) - need to recognise that costs are paid every month. As is seen with FE colleges, pension costs have increased significantly; the reason is down to the valuation of liabilities. An assumption of discount rate is out of our control as it is driven by investment companies. Page 15 shows the results of benchmarking based on 30 FE institutions based in SE England and Greater London.</li> <li>• Appendix 4 (pages 16/17) is for information purposes only.</li> </ul> <p>CW queried transportation costs. SC stated there will be no subsidies for transportation in future and it is not clear how this will affect enrolment numbers. However, the College is working with a consultant to see if using the present coach companies is the best option. KS commented there is less revenue from students but transport costs are increasing.</p> <p>It should be noted that the Committee is concerned about the deficit and needs to have an appreciation of how this can be mitigated in future years.</p>	<p><b>Corporation Secretary</b></p> <p><b>KS</b></p>
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	<p><b>Action:</b>  <b>The Corporation Secretary to take forward the Financial Statement and the Post-Audit Management Report to the Finance Committee and thence to Corporation for approval.</b></p>	<b>Corporation Secretary</b>
1.7	<p><b>Internal Audit Services</b></p> <p><b>(i) Discussion on 2016/17 Internal Audit Reviews</b></p> <p>The College normally has 2 internal audits per year performed by Buzzacott. The budget for 2016/17 is £3,000 plus VAT for each.</p> <p>It is believed that it would be beneficial for a very detailed benchmarking exercise to be undertaken which compares the College's performance with other colleges, not just in terms of finances but also considering space and staff utilisation, the income mix and a range of other measures. There are few firms that provide such a benchmarking service across a whole college; however, two quotes have been obtained, one from Tribal Benchmarking and the other from ICCA. (Please see annexure 1 and 2).</p> <p>SC considers there is a need for strategic guidance as there is a danger that what has been done in the past is just updated; we need to look at ways to do things differently and to know what other FE colleges are looking at. Also, with a new principal coming into post we need to have a new baseline. SF commented there is also a need to know how well the College is doing overall, not just financially.</p> <p>It is recommended that the College seriously considers undertaking a benchmarking exercise in 2016/17 instead of carrying out the customary internal audits. The choice of the provider can be decided by SLT after due consideration of all the proposals once received. Buzzacott will need to be informed of our plans so that they have an opportunity to make a bid.</p> <p>SF stated we should look at proceeding with benchmarking as it is within the remit of the Audit Committee to do so. JW asked if she can raise the subject of Tribal with her husband (who had dealt with Tribal before on a professional basis) as she recollects some comments he's made in the past about them. This was agreed.</p> <p><i>(Post Meeting Note: JW confirmed that Tribal were considered a leading company in such benchmarking exercises and that her husband had made highly laudatory comments regarding their competences.</i></p> <p>The Committee thus approved KS to proceed with the due process for selection of an organisation to undertake benchmarking of the College, to be selected by the SLT panel.</p> <p><b>Action: KS</b></p> <p><b>(ii) Audit on Sub-Contracting and Henley College Training</b></p> <p>It is a requirement from the SFA that the College undertakes an audit on sub-contracting and that Buzzacott had completed this. There were a few action points but these are completed (updates are contained in the document).</p>	<b>KS</b>

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1.8	<p><b>Risk Management</b></p> <p><b>(i) SLT Risk Register Update</b></p> <p>This document appears to be more robust and meaningful, and SF will address the matter of preparing a governors' risk register at the Governors' Away day next month.</p> <p>The SLT Risk Register had identified security as the number one risk. This is covered in agenda item 1.9. There is a formal process to mitigate this risk. SC commented that sometimes there are risks that cannot be mitigated against in a short timeframe; security is one of those areas. However, he believes the College has a good process to which staff are wholly dedicated with regard to keeping students safe. Nevertheless, there is a need to keep everyone on their toes as responsibilities and risks are every changing.</p> <p>SF to highlight the security risk to the Corporation Meeting pending discussion of the Security Review. <b>Action: SF</b></p> <p><b>(ii) Risk Management Acton Plan</b></p> <p>The Action Plan shows the detailed actions being taken to mitigate risk.</p> <p><b>(iii) Risk Management Annual Report</b></p> <p>The Risk Management Annual Report was noted with no additional comments over and above those that will be raised by SF in the Governors' Awayday.</p> <p><b>(iv) Review Risk Management Group Minutes</b></p> <p>The Risk Management Group Minutes were viewed and there were no additional comments.</p>	<p>SF</p> <p>SF</p>
1.9	<p><b>Health &amp; Safety</b></p> <p><b>(i) Annual Health, Safety and Security Report</b></p> <p>JMcC highlighted the following:</p> <ul style="list-style-type: none"> <li>• There had been a low accident rate - students have bought into the concept that they make it a safe place.</li> <li>• New lighting at the back of D1 Arts is a priority and lighting generally is under review especially with regard to the dark evenings. JMcC commented that the D1 steps required a light and the Chair asked that this be rectified a s matter of priority.</li> <li>• Fire services ok.</li> <li>• Communications – JMcC is using the staff briefing every Monday for this purpose.</li> <li>• The new Health and Safety Policy is easier to read and clearer than in the past.</li> </ul> <p><b>(ii) Security Review</b></p> <p>A detailed Security Review had been undertaken and a Risks Register produced. Please see appendices to this agenda item for full details.</p>	<p>JMcC</p>

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	<p>In summary, the College is also looking at the bigger picture with both campuses. With regard to Deanfield, a gate is needed as the public are walking through as a short-cut. At the front of the Deanfield site there are 5 entrances; gates are proposed that would close at night and open during day. It has been identified that more security guards are required on site; at least two at Deanfield and one at Rotherfield. Later, swipe cards may be considered. At the playing field, it is proposed to install a strong fence around the perimeter; however, this would require planning permission. Also, a stronger vehicle barrier near the car park is required as there is a tendency for this to be vandalised.</p> <p>A BCIF bid to cover all costs is therefore needed to implement these changes and would be submitted in early December. JMcC indicated that quotes are currently being awaited. KS indicated that the cost would be in the region of £300,000-£400,000; maybe up to £1/2m.</p> <p>SF recommended that a 3 phase approach be applied to the overall project so that costs could be more easily managed either if BCIF funding was received or if the College had to fund some of the measures itself. KS mentioned that the funding can come from restricted reserve if we don't get the BCIF funding. Irrespective of which funding route was achieved, there was a recommendation by the Committee to proceed with this project.</p> <p>SF will need to take the matter of security risk and how this can be mitigated to the Corporation. The potential 3-phase approach could be covered at that point.</p> <p><b>Action:</b>  <b>KS/JMcC to identify the 3 phases and costings (including BCIF)</b>  <b>SF to take the proposed 3 phase plan to the Corporation</b></p> <p>ER suggested it would be helpful to do some marketing/PR to Henley residents about our plans and the reasons for the actions, at the appropriate time.</p> <p><b>(iii) Health and Safety Audit</b></p> <p>All items actioned except for 2 matters which will be completed in November/December.</p>	<b>KS/JMcC SF</b>
1.10	<p><b>Annual Assessment of Fraud</b></p> <p>The result of the Annual Assessment was almost the same as for last year except that the cash collection has been reduced from high to low.</p>	
1.11	<p><b>Audit Committee Annual Report 2015/16</b></p> <p>The Chair briefly reviewed the report which covered 1 August 2015 – 31 July 2016. The College received an unqualified External Audit Report.</p> <p><b>Action:</b>  <b>It was agreed that the Audit Summary Report be put forward to the Corporation for approval.</b>  <b>SW to sign-off on the Audit Summary Report</b></p>	<b>Corporation Secretary  SW</b>
1.12	<p><b>Election of Chair and Vice-Chair</b></p> <p>In absentia the Chair has asked to stand down due to pressing work commitments and Stephen Forward was asked to become Chair of the Audit Committee. This proposal was made at the Corporation Meeting and SF has agreed. However, according to the terms of reference for the Audit Committee this proposal was put to a vote at this Audit Committee</p>	

