

United Colleges Group Corporation
Joint Meeting of the Audit Committee and the Finance and Resources Committee
Wednesday 1 December 2020, 6 pm, by Zoom

Present:

AUDIT COMMITTEE - Derrick Betts (Chair), Norman Whyte, Grainne Brankin.

FINANCE AND RESOURCES COMMITTEE - Tony Johnston, Franklin Asante (Chair), Stephen Davis, Lee Horsley, Alex Fyfe, Laura Griffin.

In attendance

Amanda Thorneycroft, Claire Collins, Shachi Blakemore (Buzzacotts LP)*, Alex McDonald (BDO), Zoë Lawrence, Nick Bell.

*For relevant agenda items only

| A | JOINT MEETING |
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| 1 | <p>Apologies for absence Apologies had been received from Ross Mackenzie and Amish Nathwani.</p> |
| 2 | <p>Declarations of interest in agenda items None were received.</p> |
| 3 | <p>External Auditor’s Report: Financial Statements Audit and Regularity Findings Report 2020/21 <i>(Papers circulated in advance)</i> SB presented Buzzacott’s report to the Committees. She highlighted the outstanding matters listed on page 3, and the changes to the auditing standards on page 7. One of the changes to the audit standards referred to the ESFA’s funding reconciliation usually received at this time of the year, and that this should not be relied upon for assurance of the accuracy of student data. SB explained that greater reliance on internal audit of student data would be made. She noted the Learner Records IA, which was to be discussed later on the agenda, and whether this created any contingent liabilities that may need to be included in the governance statements. SB also brought to the Committees’ attention the tuition fees which were unable to be collected as part of the online enrolment process in 2019/20 and that it was currently unclear what the scale of loss might be. The four recommendations in appendix 4 were also noted by the Committees.</p> <p>AF commented that it would be interesting to know the levels of tuition fees that remained uncollected but enquired how that would affect the audit process. SB explained that they were required to make two audit opinions, one that the financial statements were true and fair and the second that there was regularity on systems and processes. She was of the view that at the current time because it was not possible to be certain of the level of non-payment of tuition fees that this may be a point of impropriety notwithstanding the circumstances during the pandemic to enrol students online. AT reminded the Committees that some colleges offer the courses for free and no tuition fees were charged. AT attributed the reducing trend on income from tuition fees to several factors including the changes in curriculum (running few HE courses) and the funding rules where more courses were centrally funded. SD echoed these remarks. DB asked if the cost base had included the fees. SD said that it was a mixed economy with different funding streams so was not particularly affected. TJ reminded members and the EA that governors were alerted to the short fall in tuition fee</p> |

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| | <p>income very early in the academic year and recognised that protecting students and staff from Covid-19 was the priority at that time. Action had been taken to ensure remedial action was in place for this situation not to reoccur in 2020/21 enrolment.</p> <p>TJ also commented that he considered the decision to procure 4000 laptops for students in lockdown to address issues of digital poverty and ensure continued learning for students was still valid. The college had little warning of the need to close and transfer learning online. It was necessary to act quickly to procure the devices as an issue of business continuity. The laptops would continue to be used for future students and were purchased on a basis of sale or return. Laptops provided by a government scheme were not available for a further six months. Students aged 16-18 and adult students on a bursary were eligible for a laptop. SB said that the audit had considered the process in ordering the kit and noted the decisions made by the Corporation to do so. FA asked at what point it was expected that the outstanding items in the draft report would be resolved and whether the Committees wanted to see a further version before recommending it to Corporation. AT said that it was expected that the further information would be provided to the auditors the following day, so a final report would be available early the next week.</p> <p>Members were content to recommend the External Auditors report to the Corporation for approval pending the changes which would be circulated by email for agreement.</p> <p>Letters of Representation <i>(Papers circulated in advance)</i> The Committees were content to recommend the letters to the Corporation for signing.</p> <p>Regularity Self-Assessment/ Fraud Questionnaire <i>(Papers circulated in advance)</i> Members reviewed the above as documents on which the auditors rely in the delivery of their work. Members approved the documents for signing.</p> |
| 4 | <p>UCG and CWC Enterprises Financial Statements for year ended 31 July 2021 <i>(Papers circulated in advance)</i></p> <p>SB explained that these financial statements were largely in the same format as previous years. She queried whether the internal audit report on learner records which had been given limited assurance would give rise to any contingent liabilities which should be reported in the financial statements. AT opposed this and drew members' attention to the management responses in the IA report, that UCG had had a funding audit by the ESFA twice in the last two years which had resulting in minimal claw back. She was not prepared to amend the report in light of this. It was agreed that this issue would be discussed between the two sets of auditors and AT outside of the meeting and the Corporation would be advised of the final recommendation.</p> <p>GB commented that the Financial Statements Annual Report was limited in scope and included no marketing or communications aspects for external stakeholders. She felt that it was weak on risk and suggested that more consideration be given to this in future years. SD agreed that the report was thin. It was based on the usual Casterbridge template. He acknowledged that there may be scope to develop it into a more corporate report.</p> <p>Pending the decision on the Learner Records IA the Committees were content to recommend the Financial Statements for the College to the Corporation for approval.</p> |

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| | <p>Members welcomed the £250k insurance claim received in support of the Cockpit Theatre made in response to drop in income from the pandemic. This would be recognised in the following year's accounts. Members noted the accumulated losses for CWC Enterprises and the closing cash balance. Without the support of the College, the subsidiary would struggle to continue as a going concern given the amounts falling due within one year. Members agreed to provide a letter of support for Corporation approval.</p> <p>Members were content to recommend CWC Enterprises Financial Statements to the Corporation for approval.</p> <p>ZL made reference to the transfer of accountable officer responsibilities from Nick Bell to Stephen Davis and that the documentation referenced above would form a statement of transfer regarding regularity, propriety and compliance. It was agreed that this statement would not be finalised for the transfer until the final versions of these documents were approved by the Corporation.</p> |
| 5 | <p>Section of meeting without Executive Members present</p> <p>In line with best governance practice this section of the meeting was with the audit representatives and governors only. SB said that she recognised that the Committees may consider Buzzacott's views to be harsh, but also felt responsible for ensuring that there was sufficient challenge and that the right questions were asked. AF acknowledged this, but felt that circumstances had been unprecedented during the pandemic and the issues raised were part of necessary business continuity. TJ recognised that the work of the EA was in the governors' interests and was content with the degree of challenge particularly at a time when the college would be taking on significant risks on the redevelopment at Wembley. DB expressed concern that the issues with the tuition fees was consistent with issues in receiving timely and accurate data in other areas of the business and questioned whether this was a wider systemic issue. TJ commented that much of this was a result of the college running two separate MIS systems which needed to be resolved. The SLT were aware of the problems and were working towards solutions. SB commended AT and her team for all the hard work which had gone into producing the information for the audit and the Finance Team's full co-operation.</p> <p>SB left the meeting at the end of section A.</p> |

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| B FINANCE AND RESOURCES COMMITTEE | |
| 1 | <p>Declarations of interest in agenda items</p> <p>None were received.</p> |
| 2 | <p>(i) Approve minutes of the Finance and Resources Committee meeting on 6 October 2021 <i>(Papers circulated in advance)</i></p> <p>The minutes were approved and signed as an accurate record.</p> <p>(ii) Actions and matters arising</p> <p>a. Staff feedback from bullying & Harassment Training</p> <p>In October 209 staff members received Bullying & Harassment awareness training. 77% of those who attended said that they appreciated the content and there were further requests for more scenario work to develop skills. TJ asked what the impact of the training was and if the number of people coming forward with issues had increased. CC explained that there had been an</p> |

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| | <p>increase of peer-on-peer complaints. She felt that many of these could have been resolved by the manager informally which will inform ongoing training support for managers.</p> <p>b. Inclusive wording on Family Friendly Policies The wording was reviewed and there were no changes made.</p> |
| 3 | <p>Management Accounts (P3) October <i>(Papers circulated in advance)</i></p> <p>AT presented the Management Accounts for October. She highlighted the areas of the budget which were on profile and the main variances some of which were due to timing. AT advised members that the potential growth funding from the ESFA due in April and currently included in the budgets was unlikely to be realised or not to the level originally expected. It was hoped that the positive payroll variance at this point in the year may be able to be retained to compensate for the reduction/ lack of ESFA growth funding as needed.</p> <p>AF asked what pay rises had been included in the budget and if this included the increase in national insurance (NI) in the Spring. AT said that a 1% pay increase had been included but there was currently no provision for the increase in NI. AF noted the cash flow in March and November 2022 following the purchase and sale of property and how the RCF would support these periods. TJ asked when AT would be preparing a budget reforecast. AT expects this to be for the end of March 2022 based on RO6 reporting.</p> <p>Members noted the management accounts.</p> |
| 4 | <p>Pay and Reward Strategy <i>(Papers circulated in advance)</i></p> <p>CC presented her strategy to the committee which was set out in five areas Talent Attraction, Talent Retention, Recognising and Rewarding Excellence, Work Life Balance and Equality and Transparency. TJ welcomed the long over-due strategy and commented on the auditor's report which stated that UCG's payroll as a percentage of total income was the lowest compared with other London colleges at 52%. He queried whether UCG was investing less in staff than other colleges. CC said that this figure was low with the average being around 63%. She thought it may be that some of the support staff were lower paid. AF said that this percentage on its own could be a misleading benchmark as the cost profile of the whole organisation would need to be taken into account to arrive at a meaningful comparison. SD said that he was aware that other college's salaries were higher for some posts, and the mix of permanent and HPLs in UCG's workforce may also be relevant. Job security for those on a HPL contract was an issue being addressed.</p> <p>LG thanked CC for the comprehensive strategy but asked if there was understanding about what staff valued the most and that a simpler approach may be better. In some organisations staff benefits have been converted back into cash as this was what the staff wanted the most. LG advised not to over complicate the strategy unless there was knowledge that it would make the most impact. CC acknowledged that there would need to be some prioritisation to implement the strategy. She felt that the most important aspect was to make sure staff felt that they were fairly paid, the same level of remuneration for a similar job both internally and across the sector. HPL fractionalisation was also an early priority.</p> <p>AF advised that the HR KPIs be developed carefully so as not to create perverse incentives. She also asked for more information on the proposed three-year pay deal and was mindful in a volatile economic climate not to over-inflate expectations.</p> |

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| | <p>SD explained that there were currently negotiations taking place with trade unions on the HPL contract which would hopefully improve quality of learning and student retention. It was anticipated that the costs of the contract changes would be self-financing in the longer-term as it would be linked to increases in student numbers. He was conscious of the external environment to remain competitive on salaries but still affordable.</p> <p>Members approved the Pay and Reward strategy.</p> |
| 5 | <p>Enrolment Review <i>(Paper circulated in advance)</i></p> <p>SD set out the main points of this paper which covered systems, curriculum and communications aspects of enrolment. He referred to a research report by Chalkstream which would be distributed to governors for information after the meeting. This research surveyed those who made an application to UCG but did not enrol and the reasons for this. These were mostly regarding geography, curriculum offer, communication and a lack of prioritisation of applications. It was noted that those who had an interview were no more likely to enrol than those who had not. This aspect would be investigated further. TJ welcomed the openness and honesty of the valuable review process and asked who was leading on enrolment. SD said that this was an all-college effort but Paul Bradley and James Wilson would be the main leaders. LG asked if UCG was the first choice of college for those students who did enrol. SD said that this was difficult to gauge as there was not a single point of application to FE unlike the university sector. Members noted the report.</p> |
| 6 | <p>Cockpit Theatre</p> <p>NB provided a verbal update on three options that could be considered in redeveloping the Cockpit Theatre site. Further advice was being taken and a fuller paper would be presented to the Corporation at its meeting on 15 December.</p> <p>The F&R Committee meeting closed at 8.10 pm. F&R members and relevant SLT members left the meeting.</p> |
| C AUDIT COMMITTEE ONLY | |
| 1 | <p>Declarations of interest in agenda Items</p> <p>None were received.</p> |
| 2 | <p>(i) Approve Audit Committee minutes of 20 October 2021</p> <p>The minutes were approved as an accurate record.</p> <p>(ii) Actions and matters arising</p> <p>a. Audit Committee Annual Report</p> <p>The amendments requested at the October meeting had been included in this version. It was agreed that reference to the data breach and the Learner Records Audit would be included for the final version that would be approved by the Corporation on 15 December.</p> <p>b. Policy Framework Audit – Update</p> <p>ZL had taken this forward with the SLT and it had been agreed that SD would provide an update on progress at the next meeting in March 2022.</p> <p>c. IT Change Management Internal Audit</p> <p>An updated version of the report was provided for the committee, but there was insufficient time to discuss it so it would be carried forward to the next meeting in March 2022.</p> |

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| 3 | <p>Internal Audit Annual Report 2020/21 <i>(Papers circulated in advance)</i></p> <p>There was insufficient time to discuss this report. It would be provided to the Corporation for information.</p> |
| 4 | <p>Internal Audit Reports <i>(Reports circulated in advance)</i></p> <p>I. Learner Records</p> <p>It was agreed that the Committee would await the outcomes of the discussions between the audit parties and the Executive before considering this report further.</p> |
| 5 | <p>Data Breach <i>(Papers circulated in advance)</i></p> <p>Members noted the paper and agreed that this should be referred to in the Audit Committee Annual Report as it was a compliance matter. The error which lead to the breach was unfortunate, but the risk was considered small in the circumstances. Remedial action had been put in place with actions to prevent re-occurrence.</p> |
| 6 | <p>The Audit Committee meeting closed at 8.30 pm.</p> |

SIGNED: **Date:**

Franklin Asante, Chair F&GP

SIGNED: **Date:**

Derrick Betts, Chair Audit