

United Colleges Group Corporation
Joint Meeting of the Audit Committee and the Finance and Resources Committee
Wednesday 29 November 2023, 6 pm, by Zoom

Present:

AUDIT COMMITTEE - Derrick Betts (Chair), Grainne Brankin, Amish Nathwani, Stephen Grainge, Andrew Dowsett

FINANCE AND RESOURCES COMMITTEE - Tony Johnston, Franklin Asante (Chair), Stephen Davis, Alex Fyfe, Ross Mackenzie, Nadia Babar, Laura Griffiths, Alastair Procter.

In attendance

Amanda Thorneycroft, Peter Mackereth (Buzzacotts LLP)*, Leisyen Cox (Scrutton Bland), and Zoë Lawrence.

*For relevant agenda items only

A	JOINT MEETING
1	<p>Apologies for absence There were no apologies – 100% attendance.</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 2022/23 <i>(Papers circulated in advance)</i> PM presented the main findings from the post-audit management report commenting that at this point the financial statements provided for this meeting were still in draft form and slight changes had been made to them since they had been issued to the committees. He highlighted the outstanding matters in the report and that work was progressing to resolve these. PM then went through the risk items which included the Wembley Park Project, how the costs had been capitalised and the adjusted items in the table on pages 7 and 8 of the report. Commentary was also provided on how these had been treated. He sought the committees’ view that they were satisfied with this position. He noted that there was a possibility that an impairment review might be needed in the future to assess the total cost and value of the Wembley project.</p> <p>The treatment of the additional income from the sale of the right to light at the Olympic Office Centre (OOC) was highlighted in the accounts and that this would not be reoccurring. PM also explained the position on the LGPS pension liability, and the impact of the discounted rate, so this was capped at nil. Overall the financial health ratio was good, though it was recognised that if the income from the sale of the right to light was taken out this would be requires improvement.</p> <p>SG commented that the operational deficit for the year included in the audit report was not quoted in the financial statements. He also sought an explanation on the adjustments for the holding costs for the OOC. AT explained that it had been the original intension for all the holding costs to be capitalised, as a cost for holding the asset, until the new college building could be constructed. However, this was challenged by the auditors, so a compromise position was reached. The details were set out in tables in their report for transparency.</p>

SG noted the section in the financial statements on Defined Benefit Obligations and asked if this had been thoroughly audited. PM confirmed this and that employers' contributions had been linked to payroll plus external advice from Barnett Waddingham had been taken. AT commented that the narrative of the financial statements was based on a model provided by the DfE (known as Casterbridge).

AN queried the aged creditors and accruals on page 26 of the report and the online banking amount as a default value. PM explained that the college carried forward rather than reversed out these accruals, though it was thought the balances were correct. AT agreed to look into the online banking value, though was content that there were sufficient controls in place. AT also confirmed that the management responses to the auditor's recommendations would be completed for the next version of the report to be shared with the Corporation on 13 December.

SG noted the negative net asset position of CWC Enterprises financial statements. AT said that this subsidiary company took income from commercial letting and the letting of the Cockpit Theatre and was anticipating making a small profit. The Covid pandemic had impacted on the theatre income but had recovered more recently. However an adjustment to the accounts since the time of the papers being issued, would now place the company in a loss position. It had been agreed to make this adjustment to the accounts as it was of material value to the company. It was noted that it would not be possible to reverse the losses in one year so a plan would be developed to return to a positive net asset position. AF asked for the details of the adjustment. This concerned the lettings income from the OOC which could not be included as income for CWC enterprises because the letting agreement was with the college, not the company. The income was recognised as other income in the college accounts.

The reported loss for CWC enterprises and its impact on the company as a going concern would in prior years be addressed through a letter of support from UCG. Following the ONS reclassification of colleges, UCG was unable to provide the letter of support without DfE approval, for which at this point there was insufficient time to achieve before the submission of the accounts to the DfE at 31 December 2023. It had been agreed with the auditors that CWC enterprises could be viewed as a going concern should the college not seek immediate recovery of the negative net asset position in the next 12 months of the going concern period. A plan would set out the time period that this would be recovered over. TJ sought confirmation that a letter of support would not be issued. PM confirmed this and that this was because the college would not make moves to recover the intercompany debt. This would not affect the Group's financial position but would be reflected on the colleges balance sheet. **Members were content to recommend the External Auditors report to the Corporation for approval pending the outstanding matters being resolved and further versions of the financial statements as amended.**

Letters of Representation

(Papers circulated in advance)

As there were several outstanding issues still to be addressed in the auditors' report, the letters of representation were yet to be shared. These would be available for the Corporation meeting on 13 December 2023.

Regularity Self-Assessment

(Papers circulated in advance)

	<p>Members reviewed the regularity self-assessment on which the auditors rely in the delivery of their work. Members approved it for signing.</p>
4	<p>UCG and CWC Enterprises Financial Statements for year ended 31 July 2023 <i>(Papers circulated in advance)</i></p> <p>AT made clear that the CWC Enterprises financial statements would record a loss. There would be changes to the narrative for UCG financial statements but the numbers would remain unchanged. The table at the bottom of page 34 was optional and AT said that this would be taken out in the next version. SG had queried why the income from sale of the right to light had not been included in this box.</p> <p>TJ asked for the avoidance of any doubt that the next version of the financial statement for UCG would state on page 10 that CWC Enterprises made a loss of approximately £80/90k, and that UCG did not need to seek approval from DfE for posting that loss? This was confirmed on the proviso that the college would not be calling in the debt in the going concern period, and that the company was not in this position on a longer-term basis.</p> <p>The Committees were content to recommend these Financial Statements to the Corporation for approval pending the amendments discussed and review of the final versions.</p>
5	<p>Section of meeting without Executive Members present <i>(SD&AT left the meeting)</i></p> <p>AF asked the auditors why they thought the audit had not run as smoothly this year compared to other years. PM acknowledged that there was a pressure on financial teams in many colleges, however he commented that UCG's team was struggling with the workload and much of it was last minute and poorly planned, though the responses received were good. This impacted on the ability of the auditors to view the financial position holistically due to the delays in receiving some evidence. Approaches to modify the audit schedule in future years would be considered to work with workload constraints. He also commented on the pressures from the Wembley project on the finance team. TJ said that he didn't refute the resourcing issue but noted that the audits had become more formal and based on written evidence uploaded to a portal which presented a different way of working. NB noted the comment in the auditor's report about the accounting system and asked if a new system would improve matters. PM said that it would possibly but it was difficult to be sure. GB commented that clearer explanations needed to be made to the governing body on the changes made to the documents since issue, and that this should be more forthcoming. This would provide better assurance. DB agreed with this.</p> <p>FA asked PM's view on any specific areas of focus for the governing body as a result of their audit. PM said that the capital project was a significant risk and sufficient attention needed to be made to it and the 'what if' scenarios. The costs of the project must not escalate. AF commented whether any reference would be made to the Wembley project on the post-balance sheet events. The planning application was not likely to progress further before 31 December so this would not change.</p> <p>SG asked for a description/ list of changes to the documents from those issued for this meeting and the final versions at Corporation so attention can be directed to the amendments more easily. ZL said she would take this back to AT.</p> <p><i>(SD & AT returned to the meeting)</i></p>

	PM left the meeting at the end of section A.
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B FINANCE AND RESOURCES COMMITTEE	
1	<p>Declarations of interest in agenda items None were received.</p>
2	<p>(i) Approve minutes of the Finance and Resources Committee meeting on 4 October 2023 <i>(Papers circulated in advance)</i> The minutes were approved and signed as an accurate record. AP noted the failure to appoint to a staff finance position and asked if this continued to be vacant. AT confirmed this to be the case. AP advised strongly to advertise the post at the earliest opportunity in the New Year to be able to secure quality candidates.</p> <p>(ii) Actions and matters arising These had been completed.</p>
3	<p>Management Accounts (P2) September <i>(Papers circulated in advance)</i> AT commented that the September management accounts were the first ones of the academic year and generally showed a good start to the year, though it was too early to gauge the agency staff expenditure. She explained some updates to the dashboard and how this now included more information on cash flow through to March 2025. Money on deposit was not shown for cash in hand days. AT also highlighted that payroll reflected the initial staff pay position at the time of budget setting and not the conclusion of the later pay negotiations. Overheads were not a cause for concern at this point, though it was noted that utilities were high but were expected to settle once a new contract came into effect later this term.</p> <p>AF asked that the holding costs for the OOC be separated out and provided on a separate tracker in the same way as capex. AT agreed to do this as they were recorded under a separate code. These would be provided with each set of management accounts.</p> <p>TJ asked about the issues in recovering borough income. AT explained that until the number of students could be agreed, and a PO raised it was not possible to issue an invoice. However, as soon as that was completed the invoicing would proceed. SD commented that this provision would be funded centrally from the ESFA from 2024/25 which would be a positive outcome. He also caveated that the £30m DfE loan was still to be finalised and for governors to be mindful of that and the potential for this cash flow position to change.</p> <p>Members noted the management accounts.</p>
4	<p>AoB Contract Approvals <i>(Paper circulated in advance)</i> AT set out two contracts which required Corporation approval as they were above the limits set out in the Standing Financial Instruction. The contracts related to the replacement of three lifts and decking at the Paddington campus. Funding from the Capital Transformation Fund to be spent on building improvement in buildings that would be retained for a minimum of five years would be used. NB suggested that some of the grant be spent on lifts at Willesden campus, but this did not fulfil the restrictive criteria for the grant. AF sought clarity on these</p>

	<p>contracts being fully covered by grant monies. AT confirmed this. The wooden decking would be replaced by a composite material which would require less maintenance and last longer than wood. AP asked if the contract on the lifts was an upgrade or replacement. SD thought it was an upgrade and that parts from the existing lifts would be retained to maintain the other lifts in the building as parts were becoming increasingly obsolete. The Committee resolved to recommend the contract approvals to the Corporation for approval.</p>
C	AUDIT COMMITTEE ONLY
1	<p>Declarations of interest in agenda Items None were received.</p>
2	<p>(i) Approve Audit Committee minutes of 11 October 2023 The minutes were approved as an accurate record.</p>
3	<p>Internal Audit Reports <i>(Papers circulated in advance)</i> Mental Health and Well-being This audit received significant assurance. LC explained how this IA related to the earlier audit on staff sickness absence. There was one recommendation on page 4 of the report which had been accepted. This referred to an action plan being developed and implemented in response to feedback from staff and student surveys. Otherwise it was a clean report. SG asked to what degree the audit focused on processes and procedures as the medical aspects of mental health could be quite specialist areas. LC said that it was a process audit looking at how issues were identified and responded to and did not cover the medical aspects. DB asked if training and awareness had been included in the audit. LC confirmed this and also that the audit did not include safeguarding as that would be audited separately. Members noted the IA report.</p>
4	<p>Internal Audit – Follow up AT presented this check list of follow up audit recommendations and their current status. It was agreed that revised implementation dates would be included and that completed actions would be closed out. GB asked if the Health and Safety training planned for after the autumn half term had taken place yet. AT was not certain and would check.</p>
5	<p>Internal Audit Annual Report <i>(Report circulated in advance)</i> LC said that she did not think that there were intentions to amend this report following this meeting, but that she would check with PG and confirm.</p>
6	<p>Internal Audit Progress Report <i>(Papers circulated in advance)</i> LC confirmed that the current audits were on track and two had been completed. The maths and English audit had been moved to January as the original dates for that had coincided with the Ofsted Inspection. AN noted that the staff costs reported in the external auditors' post audit report were 14% lower at UCG compared to benchmarks and whether this was negatively impacting on the quality of teaching and learning. Member discussed the possible factors that may lead to this difference, and how this may be a measure of efficiency. GB recalled the discussion on recruitment at the strategy event in January 2023. ZL agreed to circulate the paper in response to that which had been provided to the F&R Committee. Consideration was given to how this aspect may be included in other IAs.</p>
7	<p>Audit Committee Annual Report</p>

	(Draft circulated in advance) Members noted that the changes proposed at the previous meeting had been included and were content to recommend this report to the Corporation for approval.
	Meeting closed 7.48 pm

SIGNED: **Date:**

Franklin Asante, Chair F&GP

SIGNED: **Date:**

Derrick Betts, Chair Audit

ACTIONS

Ref	Action	Owner	Status
A3	Review the online banking value – which appears to be a default £99999	AT	
A3	Include the management responses in the Post- Audit Management Report for the Corporation meeting.	AT	Complete
A3	Include a paper for the Corporation meeting with the Financial Statements for UCG and CWC Enterprises setting out the changes that have been made since the version that was shared with the committees (or include a track changes version if this is possible).	AT	Complete
B3	Prepare for future F&R meetings a separate running total of expenditure on OOC holding costs	AT	On F&R Agenda
C6	Share the F&R paper on recruitment in response to the Jan 22 Strategy event more widely	ZL	Complete