

**Woking College
Finance & Audit Committee**

Minutes of the meeting of the Finance & Audit Committee held on Wednesday 11th March 2020 at 6.30pm in the Principal's Office, Woking College, Rydens Way, Woking, GU22 9DL.

Present:	John Moffat	Chair
	Brett Freeman	Principal
	Tim Stokes	
	Jonathan Miles	
	Yasmin Aslam	(From 7.05pm)
In Attendance:	Gaynor Mather	(By telephone)
	Nuweed Razaq	Deputy Principal
	Fiona Munday	Finance Director
	Barbara Maude	Clerk to the Trustees

Item	Agenda Description	Action
1.	<p>Apologies for Absence & Declaration of Interest</p> <p>In terms of Committee members, apologies had been received from Rob Kemp and Mike Mulheron. The apologies were agreed. Yasmin Aslam had indicated that she would be arriving slightly late.</p> <p>In respect of observers, Gaynor Mather joined the meeting by telephone and Sangida Khan had sent apologies.</p> <p>It was confirmed that the meeting was quorate. No member present declared an interest in any item on the agenda.</p>	
2.	<p>Minutes of previous meeting</p> <p>The minutes of the previous meeting of the Finance & Audit Committee held on 27th November 2019 were agreed as an accurate record and approved for signature by the Chair.</p>	

3.	<p>Matters arising</p> <p>In terms of matters arising, item 1 (the election of a Vice Chair) was deferred as nobody present declared an interest in taking on the role; item 2 had been completed and the Committee minutes, once approved by the Chair, would be circulated to all members as a matter of course after a meeting. Item 3 (Report of Committee’s Annual Activities) formed a separate agenda item; Items 4, 5, 6 had all been completed, with the additional comment that the “looking ahead” audit approach on item 6 would form part of the agenda for the next meeting. Items 8 and 9 formed separate agenda items again for the meeting and would therefore be reviewed later and finally, item 10 (sample KPIs) had now been received from the current auditors and would be circulated for information to all members by the Clerk outside of the meeting.</p>	
4.	<p>Management Accounts</p> <p>The Committee reviewed the January 2020 Management Accounts. The January accounts showed an operating surplus of £409k which was £206k better than the budgeted surplus to date. The forecast had been updated for known variances and it was now forecast that the operating surplus would be £516k.</p> <p>Variances to both income and expenditure were discussed with members noting, for example, the additional income received by way of High Needs Funding. There had also been staff savings in terms of pay expenditure which was under budget. This was principally due to teaching appointments, made after the budget had been set, were made at lower grades than provided for in the budget; certain members of staff had reduced their contracted hours and some members of staff who had left had not been replaced but existing staff had been allocated additional hours.</p> <p>In terms of non-pay expenditure, it was noted that premises costs were expected to be £18k over budget and this would be investigated further to see if better value for money solutions were available. Premises projects were in line with the budget although they were expected to be over budget at year end due to a kitchen refurbishment in the canteen.</p> <p>The Committee discussed the forecasted surplus, with the Chair of the Board questioning that whilst they had been savings in terms of staff pay it was vital that the quality of teaching and learning was not impacted. In addition, the College not only had to consider what it did now but how it invested for the future. Flowing from that discussion, the Principal was asked to provide details at the next meeting of precisely how the surplus could be best utilised, in terms of students, staff morale and resources. This would also tie in with the CIF bids as the results of both bids would be known by that time.</p> <p>The Committee resolved: To receive the January 2020 management accounts and commend them to the Board.</p>	BFR
5.	<p>Budget 2020/21</p> <p>The Committee reviewed the budget assumptions that were intended to be used for producing the 2020/21 budget and forecasts for 2021/22 and 2022/23.</p> <p>The assumptions indicated that the College’s cash flow would reduce based on the assumption that the College would be successful with the CIF bid as well as investing in</p>	

the Old Woking Community Centre for the benefit of the College and its students as it was anticipated that part of the Community Centre would be used for teaching purposes. In addition, the surplus would reduce in 2021/22 based on the assumption that both learner numbers and the funding rate would remain unchanged but salaries and other costs would rise.

In terms of the ESFA 16-18 recurrent funding, the College was funded for 2020/21 based on 1,379 students. It had been assumed that as at September 2020 there would be 1,380 students, which based on the current number of students already in College who would be going into their second year and the number of applications and acceptances received to date, the Committee considered to be prudent.

In terms of expenditure, and notably pay expenditure a Cost of Living Allowance (COLA) of 2.5% had been assumed for both support and teaching staff. The Principal reported that sector negotiations were on-going, but feedback indicated that there was likely to be a recommendation of a two-year deal, equating to 5% over 2 years. It had also been assumed that in 2020/21 there would be additional headcounts in IT, Finance, Premises and 3 new teachers at the high pay grade.

The Committee discussed the forecast capital expenditure for 2020/21 based on the CIF contribution towards the planned expansion project; rolling investment in IT and the Old Woking Community Centre project. The Committee discussed the capital expenditure on IT, noting that in 2020/21 investment would be focussed on upgrading existing College servers and then moving forward with the College's IT Strategy in subsequent years.

Flowing from this discussion, the Committee also discussed the level that had been set for reserves in accordance with the previous Reserves Policy, which had been £500k. The revised Reserves policy set the level at £600k and after discussion, it was agreed that the level should be amended to £500k as previously agreed.

It was noted that in terms of the ratios, the correct number of cash days in hand for 2022/23 was in fact 31 and not 40, and this would be amended.

The Committee endorsed the Budget and Forecast assumptions for 2020/21 but asked that for the next meeting, the Finance Director should prepare a sensitivity analysis on variables such as student numbers, grants and staff pay.

It was also noted that Board approval of the Budget Forecast Return Outturn (BFRO) was required by the ESFA deadline of 21st May 2020 & 3 Year Budget Forecast Return by 30th July 2020. As both of these deadlines did not fall within the normal sequencing of Board meetings, it had been agreed last year, that the Board should delegate authority to the Chair of the Board and the Chair of the Finance & Audit Committee to sign off the BFRO and 3 Year Budget Forecast Return respectively.

This year, to simplify matters, it was proposed that the Committee would commend to the Board that the Chair of the Finance and Audit Committee be duly authorised to sign off both the Budget Forecast Return outturn and 3 Year Budget Forecast Return.

The Committee therefore **resolved:**

	<p>To commend to the Board that the Chair of the Finance and Audit Committee be duly authorised to sign off both the Budget Forecast Return Outturn and the 3 Year Budget Forecast Return which would be ratified at the next following Board meeting.</p>	
6.	<p>Risk Management & Board Assurance</p> <p>The Finance Director gave an oral update on the College’s current approach to internal audit scrutiny. The External Auditors had just advised the Finance Director that under a change to the Accounting Standards, external audit firms would no longer be able to undertake any internal audit work for the same institution. This change would come into effect from the financial year 2020/21.</p> <p>For the current academic year, Wilkins Kennedy would therefore still be able to undertake a Funding Audit. In addition, it was proposed that they should complete a Compliance and Governance Audit. Whilst the College would still very much like to commission a cyber security audit, the Finance Director reported that there had been a considerable variance in the fees quoted for this work. However, recommendations for audit providers to undertake this particular audit were currently being sought from other S7 Colleges and it remained the College’s intention to commission this particular audit. Any such proposal would be circulated to members outside of the Committee for their information. It was also proposed, that if feasible a VAT audit would also be undertaken in 2020/21.</p>	
7.	<p>Fraud & Whistleblowing Reports</p> <p>The Committee reviewed the updated Whistleblowing Policy which had been amended to reflect that the Chair of the Finance & Audit Committee was now the first Trustee that any “whistle blower” may seek out if disclosures were made concerning the Principal. The change had been made so that the Chair of Trustees may retain an independent position in case the whistle blower sought to have any initial College decision reviewed.</p> <p>The second change was the establishment of a number of Staff Confidential Reporting Representatives who could guide and advise staff on the reporting process and represent them should they wish. The Academies Financial Handbook 2019 had recommended that that there should be a designated member of staff for this purpose and the College had decided to identify 6 members of staff so that there was a breadth of staff members that a whistle blower could contact.</p> <p>Members queried as to why the policy did not reference students. The consensus was that employees were more likely to whistle blow, whilst students were more likely to complain. As such there was a separate complaints policy for students, but to avoid any confusion, it was agreed that the Whistleblowing Policy would include a statement that a complaint made by a student would follow the Student’s Complaints Policy.</p> <p>College management confirmed that there were no fraud or whistleblowing reports to receive.</p>	
8.	<p>Policies for Review & Sector Briefings</p> <p>The Finance Director advised that the Financial Regulations had now been amalgamated with all other relevant financial policies into one complete document. The various financial policies were now appendices to the main Financial Regulations</p>	

thereby ensuring that all the financial policies could be reviewed, amended and updated at the same time.

The new Financial Regulations had been updated and it was noted that the main changes were as follows:

- The value of capital projects had been amended from £100k to £150k;
- Emergency unbudgeted expenditure had been added as a new section;
- Grouped items (such as a suite of computers) with an individual value of less than £1,000 but a group value of £3,000 or more would be capitalised as per the external auditor's recommendation;
- Inclusion of related parties;
- Inclusion of novel, contentious and repercussive transactions section; and
- Updated provision for indemnities.

The Committee reviewed the Financial Regulations Policy and then considered each appendix, namely:

- The Seven Principles of Public Life
- Fraud Policy & Response Plan
- Gifts & Hospitality Policy
- Reserves Policy
- Investments Policy
- Charging & Remissions Policy
- Fees Policy for 19+ Students
- Discretions Policy; and
- Trustee and Directors Allowance Policy.

As agreed earlier in the meeting, the Committee recommended that the College's amount of funds held in reserves, excluding restricted asset and pension reserves should be £500k, and not £600k as stated in the draft Reserves Policy.

In addition, the Chair of the Board agreed that she would firstly send to the Finance Director, outside of the Committee some queries she had on the capital programmes section and secondly wording that had appeared originally with regard to indemnities should be included in the new revised version.

In terms of the Investments Policy, members also discussed whether the College should be exploring utilising separate bank accounts as currently only the first £85,000 of an investment was protected by the Financial Services Compensation Scheme. It was agreed that the Finance Director would review the current situation, take a sounding from other S7 Finance Directors and find a practical solution and advise the Committee of any proposed changes at the next meeting.

The Committee were advised that previously there had been a separate Bribery Prevention Policy but the elements of this policy had now been incorporated into the Gifts and Hospitality Policy. However, if members felt that a separate policy was required this could be added. The Committee were satisfied that the Gifts and Hospitality Policy was robust and therefore sufficient and an additional policy was not required.

Members reviewed and noted the Trustees and Directors' Allowances Policy which was a new policy.

	<p>It was also suggested that in addition the revised Whistleblowing Policy should form an appendice to the new Financial Regulations as well.</p> <p>Subject, to the additional comments noted, the Committee resolved: To commend to the Board the revised Financial Regulations together with the appendices which would include the revised Whistleblowing Policy.</p> <p>The Committee reviewed the Scheme of Delegation. Comments had been made outside of the Committee regarding some inconsistencies between the Financial Regulations and the Scheme of Delegation and it was agreed that these would be addressed and an amended Scheme of Delegation re-circulated to members.</p> <p>Save for those changes, the Committee resolved: To commend to the Board the revised Scheme of Delegation.</p>	BMA
9.	<p>Any Other Business</p> <p>As discussed at the previous meeting, and in accordance with the Committee’s Terms of Reference a summary report of the Committee’s annual activities had been prepared by the Clerk. The report in draft form had now been reviewed by the Chair and, after his comments were incorporated would be circulated to members outside of the Committee. The intention was that the report would be undertaken at the conclusion of the academic year and form an agenda item at the first meeting of the new academic year as from 2020/21.</p> <p>Members noted that in accordance with the Academies Financial Handbook 2019 the audited Financial Statements had been submitted to Companies House by 31st May 2020 deadline.</p> <p>Covid-19</p> <p>The Committee then discussed the Covid-19 outbreak in the UK and the College’s response. To date, the advice from the UK Government was that schools should remain open.</p> <p>In the event of the College having to close, then the IT department was ensuring that all staff could access College documents from home; with laptops being provided to any member of staff that needed one. There was also a very clear expectation that if the College was closed during term time that all staff would be available from 9am to 4pm, Monday to Friday.</p> <p>All teaching staff had drafted emails ready to be sent to both students and parents in the event of a closure. The importance of meeting the needs of all students was discussed, especially those with Learning Support needs.</p> <p>All trips not yet paid for would be moved to the summer term. The Principal considered that the College may be required to close possibly an additional week either before or after the Easter holidays, but this could change if the spread of the virus accelerated. Hygiene reminders were prevalent throughout the College, for example, displayed in toilets, on posters and reminders were being given in tutor sessions as well.</p>	BMA

	<p>Any student who had underlying health issues, such as asthma were being supported and staying away from College. Staff were in touch with students and their parents in these circumstances.</p> <p>The Principal advised that the college's response was calm, balanced and proportionate. Management were also ensuring that there were clear avenues of communication.</p> <p>With regard to the issue of examinations in 2020 then the Principal advised that the exam boards were currently making plans for all eventualities.</p>	
10.	<p>Date and Time of Next Meeting</p> <p>It was agreed that the next meeting of the Committee would take place on Thursday 18th June 2020 at 6.30pm.</p> <p>This was a change to the usual Wednesday due to the College Open Evening taking place on Wednesday 17th June.</p>	