

GRANTHAM COLLEGE
JOINT AUDIT AND FINANCE & RESOURCES COMMITTEE MEETING

Minutes of the Meeting held on 13 January 2021, 18.00
Remote via MS Teams

Present:

Mr N Manoussakis	Finance & Resources Committee Chairman / General Member (F) (joined meeting at agenda item AFC/21/106) Appointed Chair at agenda item AFC/21/103
Mr M Argyle	Audit Committee Chairman / Lay Member (A) Appointed Chair at agenda item AFC/21/103
Mr G Brewis	General Member (A)
Mr P Deane	Principal & Chief Executive (F)
Mr I Hyland	General Member (F)
Mrs A Mosek	General Member (F)
Ms N Skins	General Member (A)
Mr S Welton	General Member (A)

In Attendance:

Ms A Harrison	Director of Finance
Dr S Peacock	Vice Principal – Higher Education and Institute of Technology
Mrs C Temprell	Vice Principal – HR & Student Services (left the meeting after agenda item AFC/21/112)
Mr A Ali	Internal Audit, RSM
Mr R Barnett	Internal Audit, RSM
Mr S Atkins	External Audit, PKF Cooper Parry
Mr N Simkins	External Audit, PKF Cooper Parry
Mrs J Taylor-Holmes	Clerk

Agenda: Some of the agenda items were taken out of order, the order within the minutes represents the order in which items were discussed in the meeting.

	AFC/21/101 - Apologies for absence	
1	No apologies were received, all Committee members were present.	
2	It was noted that Mrs N Halliday had resigned as Governor and was therefore no longer a member of the Audit Committee.	
	AFC/21/102 – Confirmation of eligibility, quorum and declarations of interest	
3	No notice had been received of any member becoming ineligible to hold office. The meeting was quorate and there were no declarations of interest in agenda items.	

<p>4</p> <p>5</p>	<p>AFC/21/103 – Election of Chairman</p> <p>Mr N Manoussakis was appointed as Chairman of the Finance & Resources Committee for 2020/21.</p> <p>Mr M Argyle was appointed as Chairman of the Audit Committee for 2020/21</p>	
<p>6</p> <p>7</p> <p>8</p>	<p>AFC/21/104 – Minutes of the previous meetings</p> <p>The minutes of the previous Audit Committee meeting held on 24 June 2020 were approved as a true and accurate record.</p> <p>The minutes of the previous Finance & Resources Committee meeting held on 2 July 2020 were approved as a true and correct record.</p> <p>There was no urgent business notified.</p>	
<p>9</p>	<p>AFC/21/105 - Matters Arising</p> <p>All matters arising from the previous meetings were either complete or on the agenda for consideration.</p>	
<p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p>	<p>AFC/21/112 Human Resources Dashboard</p> <p>Mrs C Temprell, Vice Principal – HR and Student Services provided a presentation which detailed the HR position.</p> <p>The presentation provided an update on the HR dashboard and information on the HR priorities had changed. The HR priorities were discussed in March 2019 before the first lockdown and the priorities had changed.</p> <p>A copy of the presentation would be circulated to all Committee members.</p> <p>The dashboard was reviewed for the period September to December 2020.</p> <p>Mrs Temprell provided sickness absence data which was one of biggest HR costs.</p> <p>In the quarter, the cost had been £35,774, with the majority (£27,000) relating to staff on long term sickness. The College had been seeing growth in issues relating to mental health which meant that not only is the long-term sick absence increasing but there had also been an increase in short term sickness absence. At the commencement of the first lockdown staff sickness had decreased, the college is seeing now that staff are struggling as the resilience of staff is decreasing.</p>	<p>Action: Mrs Temprell / Mrs Taylor-Holmes January 2021</p>

16	There had been an increase in costs of sickness absence of £7000 compared to the previous year's position and the College had not achieved target of 2.5%	
17	Committee members reviewed the KPI's.	
18	It was noted that the turnover target was set at 4.63%, this had been achieved (2.3%). In terms of days to recruit, this target had also been achieved.	
19	Mrs Temprell commented that it would be interesting to see how turnover is impacted in future months when the pandemic ends.	
20	Priorities for 2020/21 were noted.	
21	In relation to staff COVID-19 rates - 82 cases including those in close contact with a positive case and self-isolating. Of those cases, there had been only 7 positive staff cases.	
22	50 employees had been furloughed following the new lockdown which commenced in early January.	
23	The College had commenced lateral flow tests for staff who are required to continue to be on staff and will follow soon for vulnerable students who are continuing to attend College.	
24	In relation to testing, this will be provided regularly, 3-5 days following first test for students. If identified as a close contact, the student will receive a test for the following 7 days.	
25	Consent had been requested from staff and students.	
26	Committee members asked about the take up of the lateral flow tests. Mrs Temprell explained that out of 200 consent forms received back, 8 had not provided consent. Committee members provided experience of staff withdrawing consents over time following the commencement of a pilot in October. This would be something to monitor over time.	
27	Mrs Temprell explained that mental health and wellbeing is a key focus, staff are struggling personally and resilience is waning soon into the new lockdown. The College is continuing to consider what can be done to support staff, including the ability to work flexibly, stressing the importance of breaks and the importance of taking exercise and getting fresh air. The College is ensuring there is regular communication with staff.	

28	In relation to recruitment – Mrs Temprell provided information on Kick start – this is a Government initiative funded to bring unemployed people into the College through the Job Centre taking on general roles such as customer service, cleaning and estates roles. The positions are fully funded.	
29	The College has also been looking to obtain sponsorship status from the Home Office to allow the College to recruit from overseas into hard to recruit roles such as in Engineering.	
30	Mrs Temprell confirmed that a new HR and Payroll system was being implemented to make processes more efficient.	
31	In relation to Web Content Accessibility Guidance (WCAG) compliance, work was continuing to ensure that the College was compliant and not discriminating against anyone with a disability through our internal communications or on our external website.	
32	Committee members thanked Mrs Temprell for the update.	
33	Committee members received the update.	
AFC/21/106 Audit Follow Up Register		
34	Ms A Harrison, Director of Finance presented the Audit Follow Up Register.	
35	Mrs Harrison explained that the report detailed progress against Internal Audit recommendations and that these were the management agreed follow up actions.	
36	The follow up report detailed progress, it was colour coded and RAG rated. It was noted that the layout had changed.	
37	Progress was discussed and it was noted that progress was being made in all areas.	
38	Actions from the Internal Audit reports presented to the meeting would be added to the Register following the meeting.	
39	Committee members received the Audit Follow up Register.	
AFC/21/107 Risk Management Update		
40	Ms Harrison presented the Risk Management Update.	
41	Minutes of the Risk Management meeting on 10 November 2020 and changes to the Risk action plan were noted.	

42	The unexpected reduction in staff due to COVID related issues had been included within the action plan.	
43	It was noted that the action plan had been last updated prior to Lockdown 3.	
44	Mr P Deane, Principal and Chief Executive referred to 7.1 in the Risk Management action plan and the increase in risk to HE and FE sector in relation to cyber fraud.	
45	Committee members received the Risk Management Report.	
AFC/21/108 External Audit		
46	Mr Atkins, PKF Cooper Parry explained that due to his lengthy involvement with the College he had acted as second partner on the recent audit with Mr N Simkins, PKF Cooper Parry being the lead partner.	
47	Mr Simkins presented the External Audit Report and draft Audited Financial Statements.	
48	Firstly, Mr Simkins presented the Audit Findings document for year ended 31 July 2020. The pressure on finance teams in the sector was noted. Mr Simkins thanked the Director of Finance and the finance team for supporting the audit process and the smooth flow of information. The College had been early adopters of a remote audit process, had used this method in previous years and this had supported the completion of the audit.	
49	The final version of the financial statements was not yet complete, final changes and conclusions would be brought to the Corporation meeting for final approval on 20 January 2021.	
50	Mr Simkins presented the summary report and the two Audit opinions; one on the audit and the regularity report.	
51	Committee members noted that required letters of representations. No significant issues had been identified in those letters.	
52	In terms of findings, there had been seven internal control improvements identified; six amber rated and one green.	
53	There had been no issues identified in relation to key risks and testing in those areas.	
54		

55	Committee members noted the audit adjustments, in particular the liability in relation to pensions was discussed.	Action: Mrs Harrison January 2021
56	A financial overview was provided. Overall operating deficit of £906,000 in year, there was also a deficit relating to pensions liability which increased the deficit to £2,984,000.	
57	List of outstanding matters was noted. Mr Simkins confirmed that he was awaiting confirmation that bank covenants not been breached, no problems were anticipated.	
58	In relation to going concern, it was noted that whilst the College had cash reserves, a going concern paper would be provided to the Corporation meeting to sign off.	
59	Detailed findings of the audit risks were discussed and improvement recommendations noted. Banking covenants was an area of concern within the sector and this was recommended to be an area of greater focus going forward.	
60	Recommendations in relation to the publication of the Register of Interests and update of Governors declaration of interest forms was noted.	
61	The Audit report was unqualified with a clean regularity report.	
62	Committee members discussed the pension deficit, it was noted that although it is a liability, it is an accounting principle that is applied. For the Corporation, the important figure is the contribution rate	
63	The Committee reviewed the Letters of Representation. There were two letters (based on standard letters in relation to the sector); one in relation to the financial statements from the College to the Auditors, there was one specific section for the College at point 12 and referred to bank covenants.	
64	The second was the Regularity Letter of Representation, this was specifically to include the ESFA. This was a standard letter with no specific comments for Grantham. There was a requirement that this letter was signed by the Accounting Officer.	
65	Committee members asked about the bank covenants. Mr Simkins explained that the bank covenants had been received but PKF was awaiting confirmation that the current covenants had been complied with.	

66	The Committee reviewed the draft Report and Financial Statements for year ended 31 July 2020.	
67	Mrs Harrison confirmed that she had identified minor changes in the report and these would be made.	
68	Mr Simkins asked for any feedback to be provided to Mrs Harrison by Friday 15 January 2021.	
	<p>Committee members recommended the following to the Board for approval;</p> <ul style="list-style-type: none"> • Audit Completion document – Year ended 31 July 2020 • Letter of Representations • Draft Audited Financial Statements – Year ended 31 July 2020 (subject to any amendments identified with those amendments being highlighted to the Board) 	
	AFC/21/109 Internal Audit Reports	
69	Mr R Barnett, RSM provided a summary of the outcome of the Internal Audit on the Capital IoT project (2019/20). This Internal Audit had a specific focus on tendering processes. Information was provided on the conclusions; the opinion was positive and reasonable assurance was provided. Key findings identified within the report and were noted by the Committee members.	
70	There were three medium priority management actions which were noted along with the management response. All dates had now passed for the completion of the action and it was hoped that on follow up all those items could be identified as completed.	
71	Committee members commented on the importance of a signed contract.	
72	Mr A Ali, RSM provided a summary of the outcome of the other two internal audit reports completed since the last Audit Committee meeting, it was noted that the two reports were scheduled as part of the 2020/21 plan.	
73	Mr Ali explained that the Safeguarding review had been completed, the key findings were reviewed along with the five low priority actions which had been identified.	
74	It was noted that four Governors had not completed the safeguarding training and there were no terms of reference in place for the Safeguarding team.	

75	Mrs J Taylor-Holmes, Clerk to the Corporation confirmed that Safeguarding update training would be provided to all Governors at the Governor development session in February 2021 along with an update on Keeping Children Safe in Education.	
76	Substantial assurance had been provided in relation to the Safeguarding internal audit.	
77	In relation to the final report; Remote working, substantial assurance had been provided. It was agreed that this audit had been really useful to looking at the current position regarding lockdown and remote working and learning.	
78	One medium, three low priority recommendations had been provided, all were discussed and noted. Overall good controls had been observed.	
79	Mr Ali provided an update in relation to the remaining Audits outstanding from the 2019/20 plan. Mr Ali explained that all audits were scheduled to take place by March 2021.	
80	Mr Ali commented on the positive support and co-operation from the staff at the College.	
81	Committee members received the Internal Audit reports.	
AFC/21/110 Annual Reports		
a. Audit Committee Annual Report 2019/20		
82	Mrs Harrison provided the report explaining that this was a standing item to be approved for recommendation to the Board. Committee members noted that the internal audit opinion had been presented to the June Audit Committee meeting.	
83	It was noted that the audit opinion from Internal Audit could not be provided due to the fact that all audit work could not be completed. Assurance had been provided that all outstanding Audits would be complete by the end of March.	
84	Committee members confirmed that assurance had been received from the Internal Audits which had been completed and the external audit had produced a similar report to that provided in previous years.	
85	Committee members reviewed the Audit Committee Annual Report 2019/20 and approved the report for recommendation to the Board.	

86	b. Risk Management Annual Report	
87	Mrs Harrison presented the Risk Management Annual report and appendices.	
88	It was noted that the two Internal Audit reports completed in year were linked to risks on the risk register.	
89	Committee members reviewed the Risk Management Annual Report and approved the report for recommendation to the Board.	
90	AFC/21/111 Internal and External Auditor appointment	
91	Mr Deane explained that it was recommended that appointment of Internal and External Auditors be deferred due to the current lockdown position.	
92	A paper would be brought to the next Audit Committee meeting providing a recommended process.	Action: Mr Deane / Mrs Harrison March 2021
93	It was noted that the it would be recommended to go through a procurement process and that the College would look to start the process when out of lockdown in March / April to ensure that the process is concluded for next academic year.	
94	Committee members received the update.	
95	AFC/21/113 Estates update	
96	Mr Deane confirmed that some work had commenced to obtain planning permission on the Barracks site. It was hoped that outstanding information would be provided and planning permission could be submitted in the coming months.	
97	Mr Deane explained that the College had been successful in the bid to the LEP and had been awarded £1.6m to refurbish link block and to complete other work.	
98	A bid to the Decarbonisation fund for £2.5m had been submitted to reduce carbon footprint to bring in LED lighting and new windows. This was part of the Government plan to stimulate the economy.	
99	The College was awaiting information from the DfE about the capital fund; £287,000 been provided this year, matched to LEP funding. The DfE had provided an extension to spending the funds as the funding was originally due to be spent by the end of March 2021. The extension was linked to the LEP	

	funded work, the College was awaiting a contract from the LEP.	
97	There was an opportunity to bid for the refurbishment of buildings and equipment linked to T-Level delivery from September 2022.	
98	Mr Deane commented that the College had appointed a new Head of Facilities to support current and future works. Chris Rushen had been appointed who was very experienced and an engineer.	
99	Committee members noted the report.	
	AFC/21/114 Report on Capital Programme (IoT)	
100	Dr Peacock provided a brief overview of progress of the project.	
101	Dr Peacock explained that after a slow start due to the pandemic, the project is progressing well. There are regular project meetings via MS Teams.	
102	All subcontractors had now been appointed.	
103	Monthly capital drawdown returns are submitted and there is a total expenditure to date of £518,000, remuneration of £435,000 had been received. The latest capital grant request for £83,000 had been submitted and this was expected this month	
104	Dr Peacock reported that the project was on track in terms of programme and budget.	
105	Committee members noted the report.	
	AFC/21/115 Finance Report	
106	Mrs Harrison presented the Financial Report. The Report contained a number of appendices covering, Income and Expenditure Account for period ending 30 November 2020, Balance Sheet as at 30 November 2020, Cashflow forecast to November 2020, Debtors Report and Capital Expenditure and Details of Asset Additions 2018-19.	
107	Mrs Harrison reported that the College has an operating deficit of £214,688 against a budgeted deficit of £601,238 giving a favourable variance of £386,550. The College is forecasting a financial health rating of requires improvement.	
108	In relation to loan covenants, Mrs Harrison referred Committee members to section 3.13 of the report, Mrs	

	Harrison explained that there was a risk of the College breaching loan covenants due to three consecutive deficit years. Mrs Harrison confirmed that she was in regular communication with the bank, they were aware that the impact is COVID related and this is being taken into consideration.	
109	Mr Deane commented that the current value of the two loans is around £500,000, the current cash position could repay the loans. Mr Deane confirmed that there had been no defaults on the loan payments.	
110	Mrs Harrison referred Committee members to the COVID-19 update within the report. This detailed the original budget and the current predicted out-turn this year. Catch up funding and other income will be received that was not originally forecast.	
111	In relation to ESFA funding; clawback is being considered for the adult budget. Mrs Harrison explained that last year to obtain the full amount of funding, performance was reduced to 68% and this is being considered due to the impact in 2020/21 also.	
112	In relation to the financial health scores with ESFA, EBITDA is scoring below 1% and is anything scores 0, automatically requires improvement despite performance in the other indicators.	
113	Committee members asked about Erasmus and Brexit. Mrs Harrison explained that current Erasmus funding had been provided up to 2021. There was a risk that the funding may need to be paid back. Some of spending in 2019/20 has been claimed back through insurance claims. Committee members asked whether the College should make provision for that. It was agreed that the income and associated expenditure could be removed from the management accounts. It was noted that some European projects had extended the funding. Mr Deane commented that a replacement scheme was due to be introduced.	
114	Committee members commented on the potential negative impact on student experience with the removal of the Erasmus scheme.	
115	Committee Members received the November Financial Report.	
	AFC/21/116 Committee Effectiveness Review –Audit Committee and Finance & Resources Committee	
116	Mrs Taylor-Holmes explained that this process of annual review would support the annual review of the Board and	

	any actions identified would be discussed and added to any Board improvement plan.	
	Audit Committee	
117	Committee members discussed the effectiveness assessment, the Terms of Reference and the Workplan.	
118	It was agreed that the Audit Committee quorum would remain at 2 until further recruitment is completed. No amendment to the Terms of Reference was suggested.	
119	Committee members commented that they feel well briefed and the sector update added to the agenda was positive.	
120	Committee members discussed the skills and experience of members and it was agreed that the links to the Standards Committee was useful. It was noted that Mr Welton's tenure of Governor was due to end at the end of 2021.	
121	Recruitment to the Committee was discussed, and the need to get two additional Governors. It was noted that this was on the agenda for the Search and Governance Committee.	
122	Committee members agreed to continue to rate effectiveness as 2 'good'.	
123	Committee members noted the Committee work schedule.	
	Finance and Resources Committee	
124	Committee members discussed the effectiveness assessment, the Terms of Reference and the Workplan.	
125	Committee members discussed the remit of IT and the potential for a breach of controls and cyber fraud. It was noted that this had been discussed as one of the areas on the risk register and the impact on the sector. Mr Deane explained that Mrs Temprell had overall responsibility for the IT team and it was agreed that the Head of IT would be invited to attend the next meeting to provide an update on IT Strategy and ILT strategy along with information on investments made in infrastructure and staffing and training and detail on the use of remote learning and how the College might utilise this in future.	Action: Mrs Temprell March 2021
126	It was agreed that a review of IT annual expenditure would be useful and where had been the best use of funds. It was noted that there had been expenditure and additional license funds spent in year.	
127	Committee members reviewed the Finance & Resources Committee Terms of Reference, the membership of the	

	Committee and the quorum and agreed that this was appropriate.	
128	No amendments to the Terms of Reference were suggested.	
129	Committee members felt that the Committee should be graded 2 – good.	
130	Committee members noted the Committee work schedule.	
	AFC/21/117 Matters for specific note to the Corporation	
131	<ul style="list-style-type: none"> • Outcome of the Financial Statements Audit and the recommendation for approval (subject to the final draft) • Outcome of Internal Audits and follow up • Recommendation of the Annual Reports; Internal Audit Annual report, the Risk Management Annual Report and the Audit Committee Annual Report. • Updates on estates position and the outcome of any funding bids. • The Committee had reviewed the Finance report at end of November 2020. • Both Committees had undertaken a review of Committee effectiveness and had made recommendations for future Committee agenda items. 	
	AFC/21/118 Impact on Students of Items Discussed / Agreed	
132	All the capital projects to improve the estate and facilities for students and the Erasmus project.	
133	The College could not continue to be a going concern without sound financial management, this is core to the function of a successful College. The outcome of internal audits, particularly safeguarding provided assurance that the College was operating within the relevant framework to support students.	
	AFC/21/119 Urgent Business / Any other Business	
134	Committee members thanked Anita and the finance team for support of the meeting and the preparation of the Annual Financial Statements.	
135	There being no further business the meeting closed.	

Date of next Meeting:

The Finance & Resources Committee would meet on Wednesday 10 March 2021, 17.00 by MS Teams.

The Audit Committee would meet on Wednesday 10 March 2021, 18.30 by MS Teams

Signed as a true and accurate record

Chairman

Date

Agenda Item	Description	By whom	By when
AFC/21/112 Human Resources Dashboard	A copy of the presentation would be circulated to all Committee members.	Mrs Temprell / Mrs Taylor-Holmes	January 2021 Complete
AFC/21/108 External Audit	In relation to going concern, it was noted that whilst the College had cash reserves, a going concern paper would be provided to the Corporation meeting to sign off.	Mrs Harrison	January 2021 (Corporation)
AFC/21/111 Internal and External Auditor appointment	A paper would be brought to the next Audit Committee meeting providing a recommended process.	Mr Deane / Mrs Harrison	March 2021
AFC/21/116 Committee Effectiveness Review – Audit Committee and Finance & Resources Committee	F&R Committee – IT presentation to the March meeting	Mrs Temprell	March 2021