

GOVERNORS & VOTING MEMBERS PRESENT: Iain Turri [Chair], Roger Bridgeman, Richard Powell, Phillip Berry [4]

ATTENDING: Shane Blackshaw [Executive Finance Director], Lee Glover [Validera– Internal Auditor] (part), Svetlana Bajic-Raymond [Chair of Governors, observing]

APOLOGIES: Leanne Sowersby [Governance Professional] [0]

ABSENT WITHOUT APOLOGY: None [0]

CIRCULATION: All Governors, & Clerk to Governors unless CONFIDENTIAL.

| ITEM | ISSUES RAISED IN DISCUSSION | AGREED ACTION |
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| 7. Internal Audit [Validera] | <p>7.1 Internal Audit Progress Report 2023/2024</p> <p>7.2 Procurement Cards Audit</p> <p>7.3 Review Outstanding Audit List [Update]</p> <p>Discussion around the audit plan. LG will be led by the committee, happy to have the committee involved in the audit discussions surrounding the audit strategy, or LG and SB can meet and bring a proposal to the committee.</p> <p>If the plan is likely to remain generally the same as the three year plan that was discussed last year, then the committee does not need to be involved, but if there is to be deviation from the plan, then there should be further discussion.</p> <p>LG advised that there will be likely be some amendments due to changes that happen in the course of the year – not wholesale change, but some audits may be swapped in or out as priorities change – for example potentially looking at cash flow – but we will always bring an amended plan for the committee to look at and approve.</p> <p>Agreed that SB and LG will agree a proposal, IT to approve.</p> <p><i>LG left the meeting</i></p> | <p>SB/LG/IT</p> |
| 1. Welcome | <p>1.1 Welcome: The Committee Chair Iain Turri welcomed everyone.</p> <p>1.2 Quoracy: The meeting was declared quorate [4/5]. Noted that there are currently two vacancies on the committee.</p> <p>1.3 Apologies: Leanne Sowersby. Noted that the meeting was being recorded for minutes to be produced.</p> <p>1.4 Absentee without apology: None</p> | |
| 2. Declarations of Interest | <p>2.1 Declaration of Pecuniary Interest/Disability Access/Equality/Safeguarding 2023/2024: There were no fresh disclosures.</p> | |
| 3. Minutes Previous Meeting | <p>3.1 Open Minutes of Previous Meeting [20 March 2024]: The Minutes were agreed to be a true and accurate record of the meeting and were passed for personal signature and for publication on the College website.</p> | |
| 4. Actions Review [Agenda not itemised] | <p>4.1 Circulate Procurement Card Review - Complete</p> <p>4.2 Provide the updates re budget position – To be discussed at this meeting</p> | |

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| | <p>4.3 Discuss training to support governors to interrogate accounts at Resources – to be deferred for the moment, this is around issues for Resources members to pick up rather than the Audit committee. SB will raise this at the Resources Committee. Discussion around whether a review of the skills on the committee would be useful.</p> <p>4.4 Consider standing report re IT security/breaches etc. – this is complete.</p> | SB |
| 5. Matters Arising | 5.1 None | |
| 6. College Risk Management Review | <p>SB talked through the key points. Noted that changes are highlighted in red, as well as summarised in the attached document, and there has been a significant update.</p> <p>Highlighted two changes to risk scores for risk 6.5 (loss of systems or data) and 6.7 (loss of major parts of the building, including the IT server room). These have both moved from low to medium risk, and this is due to the need to upgrade some of the infrastructure. This has been built into the 24-25 budget and once this work is complete, SB is confident the risk will revert to low.</p> <p>Also highlighted two new risks – insufficient liquidity in cash flow management and around cyber-attacks. Discussion around the cyber-attack risk – the probability is rated based on the probability of an attack getting through. Some of the current IT infrastructure is more vulnerable than we would like. Security must be part of the criteria for deciding priorities in upgrading infrastructure. Discussion around the possibility of upgrades, and the process involved, potentially increasing the vulnerabilities to attack. SB will ensure that the IT manager is mindful of this.</p> | |
| 8. External Audit [Moore] | <p>8.1 External Audit Planning Letter Year Ended July 2024: The external audit planning letter has been provided. The scope is what would be expected for a financial audit. We would expect them to look at the, ‘going concern’ status of the college in the light of recent cash flow issues.</p> <p>We will need to consider the level of the fees. The committee need to approve the scope of services and the fee to the Board.</p> <p>IT explained the, ‘going concern’ status. This is a 12 month assessment of the college’s ability to meet its obligations etc. If they have concerns, they will discuss these with governors and the audit would likely be qualified. Noted that the going concern consideration takes account of the 12 months from the time the accounts are signed. Discussion around this and the impact of the 2023-24 accounts not having been signed off due to the loan agreement breach. This will be discussed further.</p> <p>Agreed to recommend to the Board, to continue with Moore for external audit.</p> | |

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| <p>9. College Financial Matters</p> | <p>9.1 College Budget Financial Plan 2024/2025: SB talked through the key points and the process of setting the budget. Noted that some of the IT investment proposals have been moved into future budget plans in order to be able to set a balanced budget and to meet the goals – replenish the cash balance, generate a sufficient operating surplus and invest cash back into IT infrastructure. Most of the assumptions have been on the cautious/conservative side. There is still a risk around pay awards, that this will be above the government funding and we cannot afford for this to happen. This may mean we have to depart from the collective bargaining and only pay what we can afford to pay. MC has already been in touch with the SFCA around this.</p> <p>We have also built in some assumed savings, primarily from staffing, and we are about to begin the consultation process for this.</p> <p>Throughout the process we have been modelling the figures to ensure that we are improving in relation to the financial health ratings from the ESFA. The ESFA recommend around 25 cash days in hand. We expect to finish the current year with about 12 days. The budget presumes a target of 20 days by July 2025, with a view to increasing again for July 2026. This is to balance with allowing us to invest in IT infrastructure.</p> <p>The aim is to more than double the operating surplus for 2024-25 from this year, which will replenish our cash reserves and generate cash that can be spent on capital investment.</p> <p>SB talked through the capital projects.</p> <p>We have undertaken some sensitivity analysis on the high value budgets to understand the impact of price fluctuations etc. and have recommended budgets based on taking a reasoned view of what likely fluctuations will be.</p> <p>SB talked through the modelling for 2025-26. Student numbers over 2150 will allow us to replenish cash reserves and have some left over for further IT investment. Discussion around potential student numbers, recruitment is looking good, but SB is being cautious at this stage. Further discussion around how recruitment will impact funding – retention is also important. SB has not budgeted to assume any additional in-year funding, as this would not be confirmed until March 2025.</p> <p>SB also highlighted the KPI section and the three main KPIs used by the ESFA to determine our health rating. We will struggle with the current ratio due to still having the loan and the low cash balances. This will gradually creep up until July 2025. The key is generating more surplus and more cash so that the current ratio will increase with time.</p> <p>Risks are highlighted in the report and SB talked through these. Noted that the FE commissioner raised a concern around cash balances not being able to cope with unexpected overspends. We are moving to monthly BACs payments, so that payments will go out after the ESFA payments come in, and we will be able to pull spending from certain budgets if needs be. Discussion around this. Budget holders will have monthly limits on spending in order to control payments.</p> <p>SB will continue to produce monthly and daily cash flow statements for the ESFA for 2024-25.</p> | |
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| | <p>Re the loan breach. The ESFA have referred this to HM Treasury who have not yet responded. The auditors are now of the view that if this was a concern, there would have been a response and the accounts need to be signed off. They have now received all of the draft 2024-25 budgets etc in order to complete the going concern assessment in order to complete the sign-off of the accounts.</p> <p>There is a new issue around the terms of the loan covenant. The end of year forecast suggests we are still going to fall short of the target for the loan covenant. This will mean that the auditors will consider the college to have failed to meet the terms of the loan covenant, and this will automatically trigger the entire outstanding loan to be treated as a current, rather than a long-term, liability, which will decimate our current ratio assessment and potentially adversely affect our overall financial health rating. The solution to this is that the bank provides a waiver at 31 July 2024. SB has met with the bank and is awaiting a response to this request.</p> <p>Discussion around the possibility of asking the Resources Committee to consider ways to generate income for the college. SM noted that MC has been making a number of funding applications, particularly around IT infrastructure investment. If these are successful, this will reduce the amount of funding the college has to provide for this and bolster the cash position. SB will discuss this further with MC.</p> <p>Q – To what extent have we identified where the targeted savings will come from? It is a mix of things. Around £10k is income and the rest is staffing. Within that there are two positions that were assumed to be built into the budget that are now being removed again, so effectively no implementation. Another post is relatively new and would not incur redundancy costs, The other three do require staff consolation and some relatively small redundancy costs which are netted off within the savings target. The risk is in the time delay potentially meaning that we only get 10 or 11 months of savings. The target is now around £140k in savings. The budget will now go to Resources.</p> <p>9.2 Freedom of Information Annual Report / 9.3 GDPR/SARs: There was to be a paper EW has not been able to produce a report. SB will get an update to be circulated by email.</p> <p>9.4 College Information Technology Security: SB talked through the key points. Noted that Validera will be carrying out a cyber security audit next week.</p> <p>Q – Is this that colleges generally are becoming more of a target – is there central information we can compare to? SB understands that there is information available and that we are benefitting from good practice elsewhere. It seems to be prevalent everywhere and public sector organisations are deemed to be easy targets. Governors congratulated the IT team on ensuring that the significant attack carried out was not successful. SB noted that the team are working on a real time dashboard that will tell them when someone is trying to attack. Discussion around the attackers and how much we know about them, where they are from etc.</p> | SB |
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| | <p>9.5 Colleges Financial Handbook 24-25: SB noted that one of the requirements of the handbook is that those responsible for financial governance of the college must read the financial handbook. SB has provided a briefing note to provide some context for the changes. The report includes hyperlinks for each section of the handbook.</p> <p>SB highlighted Part 3 and Annex A, which talk about audit committees, their roles and responsibilities and internal review. One of the things governors need to do is satisfy themselves that internal control measures are adequate to meet and comply with the handbook.</p> <p>Also highlighted that they strongly recommend that colleges have an estate strategy and reserves policy. A reserves policy would be very useful in terms of managing the cash flow and actively managing savings through an interest earning account. The estate strategy will follow on from the IT strategy, which should be completed by the end of this academic year.</p> <p>There does not appear to be any immediate need for change to the terms of reference of the committee. Noted that there is no requirement to appoint an internal auditor, but that it would be very difficult for the committee to audit college processes without someone with expertise to do this on our behalf. Discussion around this – the handbook refers to internal review rather than audit. It has previously been felt that employing an internal auditor was a valuable expense to allow the committee to provide assurances to the Board and ESFA.</p> | |
| 10. Assurance Review of Funding for 16-19 Tuition Fund | <p>This is for information, to note that we were audited, no issues were identified.</p> <p>The funding has now ended and the associated expenditure has now been removed from the budget.</p> | |
| 11. Policy Review | 11.1 None | |
| 12. Safeguarding/PREVENT | <p>12.1 Safeguarding/PREVENT – Committee Duty Review – standing item: Nothing specific to discuss here.</p> <p>Q – Are we still having issues with SEND funding from Bristol City Council? Communication and working relationships have significantly improved during the current year, particularly with the appointment of a new SENDCo and the work that AM has been doing.</p> | |
| 13. Audit Committee Matters | <p>13.1 Evaluation of Effectiveness of the Audit Committee - IT feels that the process of this meeting has been effective. There is a potential issue with only having four members and would like to fill those two vacancies. There is a good range of relevant skills currently in the committee. Discussion around filling the vacancies – there are already two co-opted members of the committee. IT would like to see one more governor on the committee.</p> | |

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| | <p>13.2 Committee Briefing Next Meeting: The next meeting is in-person with internal and external auditors, so no briefing is proposed.</p> <p>13.3 List Audit Committee Topics for Board of Governors: IT will report approval of the scope and fee for the external auditor. IT will also report around the budget and the Colleges Financial Handbook. It might be useful to also raise the cyber security issues.</p> <p>13.4 Governors' Audit Committee Annual Report [Minutes Nov § 12.5]: IT will look at the format of this when he has completed the Financial Handbook. This will come to the November meeting.</p> | IT |
| 14. Other Business [Not Notified] | Clarified the position of Governance Professional. SBR thanked the committee and SB for their work | |
| 15. Correspondence | 15.1 None | |
| 16. Next Meeting | Wednesday, 27 November 2024 at 16:00 hrs [Subject to confirmation]. | |
| Minutes Agreed | <p>Minutes agreed as true and accurate record</p> <p>Signed: _____ Committee Chair</p> <p>Wednesday, 27 November 2024</p> | |