Minutes of the Meeting of the Audit and Assurance Committee 1 March 2022 at 6:00pm

Present	In Attendance
Sundeep Bhandari (Chair) (SB)	Sarbdip Noonan (Principal) (SN)
Jean Lammiman (JL)	Bob Pattni (Deputy Principal) BP
	Robert Heal (Director of Governance) (RoH)
	Mike Cheetham (MC) - RSM Internal Auditors

1. Chairs Opening Remarks
SB checked the meeting was quorate. RoH confirmed that quorate with a minimum of 2 members present. SB welcomed everyone to the meeting.

2. Apologies for Absence
SR, OC, MLHP Auditors and EG (RSM Auditors)

3. Declarations of Interest
None

4. Minutes of the Meeting of 23 November 2021
These were accepted as a true record.
RoH shared EG's response to the action point on recommendation for committee reviews by RSM, stating that it was not common practice to audit committees, but RSM could if requested. SB invited MC to comment. MC noted that RSM observe committees as part of a board review. SB noted his other Boards had received criticism from the Financial Regulator for not having committee reviews, where auditors rely on the minutes. MC noted there were different rules for the Financial sector. SN noted that auditors in FE generally rely on meeting minutes to form opinion. SB was content with this as an FE practice. MC suggested we do it as part of any board review. RoH noted that Governance were to discuss a Board review for November. The committee agreed that this should be part of that.
All action points were noted as complete.

5. Matters Arising Not on the Agenda
SB asked if the College had any students from Ukraine? SN explained this was being explored. SB noted that we should be cognisant of sensitivities. SN responded, we will be talking to them through pastoral teams and addressing their needs. **SB asked any information be circulated to the Board. – Action**
BP reminded that Government advice had been issued on dealing with 16-18 age group anxiety over the Eastern European situation.SN said we should be mindful to all the student body. JL noted there was a strong Romanian contingent in Borough for demographic purposes.

6. Business Continuity Plan

BP noted that the plan was not issued in full. However, the only changes to previous was new guidance from DfE and Gov on Covid Regulations which had been shared and absorbed into the plan. **BP we will issue the plan with a cover note for the Board meeting. - Action**

RECOMMENDATION
NOTED
BUSINESS CONTINUITY PLAN

7. Internal Audit Reports

7i. Follow Up Report

MC suggested that there had been little progress, but there were only a few items so was not seen as an issue. There were no high risk management actions pending. BP stated that 5 of the actions had been implemented, 2 are on-going, 3 are yet to be implemented.
SB noted no high risk and none outside timeline, but asked will they all be met? BP confirmed they will be met.
SN mentioned safeguarding, which was outside this report. JL asked the situation with safeguarding? SN this is subject of a future audit, there is a new Head of Student Services and we are seeking to defer the audit for 1 month to allow them time to establish themselves. The audit was due in April, so seek to defer to May. JL as long as we are on track with staff handover. MC asked, can we discuss date as this is in the RSM audit plan for April. **Discussion to be continued offline. SN/ MC**

7ii. Key Financial Controls

MC all financial controls are Green, with no issues raised. Overall, RSM state their review should be taken as a 'clean report' of the Key Financial Controls. SB, commented, well done to BP and the team, but asked what is on the horizon that we should be considering? SN noted that we didn't meet contract numbers of students; which represents a £1/2m loss, however there is a per student uplift and financial guarantees, which mean that we will only see a £63k loss after changes. But this means we ae effectively delivering more with less. BP added, there are contingency plans in place, with work towards targets this year and finance mitigation plans, we will push towards our strategic plan and hit targets. JL challenged on this contingency. BP elaborated: we will make sure there is a clear business plan; that the student offer meets student demands; we are working with schools to target an improvement in intake, with multiple start dates we can continue enrolling throughout the year; there is a change to Bursary & FSM support, which is where we lost some students previously; we will improve the learner journey, engage and retain students with a follow up enrolment process at half term; and recruitment also through satellite sites. We are consolidating on the number of centres and adding remote adult education delivery to these sites. There will be no new sites this year. SN, added a caveat, that there is a new 6th form locally and local schools are strong competition. If we do not recruit the numbers, we will moderate the staffing resource allocation. **JL sought information on the new local 6th form and this was agreed to be discussed offline. SN /JL**

SB asked, is this a financial risk in future years and for our capital investment? SN, yes, the numbers in the capital build plan is based on student number growth. We cannot add 16-18-year olds in year as this disrupts learning and should be avoided; but we should get them on the right course first time. Students impacted have low prior attainment, missed learning and the Government are supporting more guided learning hours. SB, this should be noted as an emerging risk. However, I am not sure this is a risk register worthy risk. BP it is captured under risk 6 finances related to student numbers, every year we have been growing our numbers and this is the first year this has stalled.

BP asked MC for a sector view. MC responded, September 2020 saw a sector growth in student numbers during the pandemic. Last year they dropped back as they all went back to other offers of learning post pandemic. SN we are concerned it is going to drop further before stabilising. SB can we bring to the Board attention. SN it will be in my Principals report. BP it is also in the indicative budget to Resources which will also highlight the risk.

7iii. Progress Report

MC, RSM state their reviews are working to plan and the balance of reviews will take place before the summer Committee meeting.

RECOMMENDATION
NOTED
INTERNAL AUDIT REPORTS

8i. Management Accounts to 31 January 2022

BP stated these Management Accounts represent the mid-point of the financial and academic year. The College continues to operate under Government advice relating to the COVID-19 pandemic due to omicron surge. The Board approved a 2% pay award for staff in December 2021, being back dated to August 2021. The pay award was paid in the January period. The AoC recommended a 1% across the sector, so this was above average.

SB asked for feedback from staff, SN stated it was well received, as staff also had a bonus payment. BP added, remember they also had 3 months working from home allowance and Covid sickness was not counted as sickness absence. There was also no claim for furlough and our Pay to Income ratio stayed within margin.

BP continued, the data in the report now shows prior year as per action points. The College prudently decided not to include a pay award for 2020/21 in the budget, opting to wait on actual financial performance. Reviewing the Summary Income & Expenditure for 2021/22 table below shows a surplus of £37k for the YTD, against a target of £44k surplus. The Year Forecast Surplus is now £50k to 31 July 2022 which has been reduced from £169k (Nov 2021 report) due to the 2% pay award. Investigating best case / worst case, shows we are likely to achieve near to best case through winning business cases to GLA & ESFA, recognising income and positive EHCP outcomes. So, surplus may be £110k, but may improve further. SN noted the EHCP claims are now coming through and these are a huge amount, so it is more likely to hit £110k than £50k.

JL asked how many students we haven't met with EHCP's? SN, there are numbers across all Boroughs, we are strenuously claiming EHCP's contracts. JL noted that Harrow Borough has a revised SEND strategy and it would be expected.

SB questioned the financial position against last year. BP explained, the table showed prior year and that this was around the same figures as last year, suggesting we are in a good position. However, last year we hit target and this year we are 69 learners down, in that sense we are worse off. We will seek ways to improve on where we are. SN added, last year we had lagged funding which won't be there next year. BP added, cash balances are the highest we've reported. Government intervention on IT with additional laptops means we are not expending funds on this ourselves.

SB asked, is there a risk that we are hoarding cash and the ESFA will claw back? BP noted that we are an independent college, so they not entitled to take cash away. However, the DfE will look at our reserves and determine our contribution to the Capital build; they may say they want us to put in more, so we need to show our reserves and why we have it, for example additional redevelopment, furniture and IT after the build. SB, is this narrative detailed. BP, yes, in the reserve policy. SN, confirmed, as long as we offer value for money and can show reserves are required to DfE.

BP, KPI's are healthy. Areas of overspend are in teaching departments, we are finding they currently want to spend more on students and we are allowing this through contingency for mental health / wellbeing. SN added, we are managing student and staff expectation to cover staff absence and wellbeing. BP, continued, the cost of agency staff is a need we have to cover; and we have recruited permanent staff over temporary / interims.

As the College is still recruiting 19+ learners, the College will remain prudent, reporting improvements in the Forecast Surplus when actions/ bids have crystallised. There are also concerns regarding the LGPS pension costs (based on prior year actuarial valuations) which are affected by external market conditions and are beyond the College's control. SB noted that current markets suggest deficit likely to increase.

RECOMMENDATION
NOTED
MANAGEMENT ACCOUNTS TO 31 JANUARY 2022

8ii. Monthly Monitoring Report

BP noted, the Pension liability assumptions to 31/07/21 have been reviewed by external auditors and they improved the surplus for 2020/21 to £723k. This was an exceptional period and will not be repeated. The College is reporting a surplus of £37k to 31 January 2022. The College expects to deliver the forecast year outturn of £50k by the year end by managing income, (recruitment targets) and costs closely. The final forecast outcome may be improved and progress will be updated through these reports. The Best Case is a surplus of £110k. The Statement of Comprehensive Income figures have been adjusted to reflect the Management Accounts and ultimately the Financial Statements for the year to 31 July 2022.

Regarding our learner targets, the 16-19 is £9.169m, we are currently showing £8.715m, being £450k below target. If there is an under-recruitment to the 16-19 learner number contract in 2021/22, this will be reflected in 2022/23. However, we have had the indicative allocation for 2022/23 and the ESFA is giving an additional funding of £400 per learner to support an additional 40 hours of delivery. This means we have mitigated the financial loss, but will need to deliver additional programs within this. SN noted that the base line funding has increased along with the uplift. So, we will not be financially impacted, but this is fortuitous. But will still need to deliver the additional 40 hours program. The Adult skills budget is well within; Level 3 loan target will be achieved; the HE target is within expectation, although other Colleges have seen a large loss. The comprehensive income risks are pensions and the planned surplus. Indications are we will meet plan.

RECOMMENDATION
NOTED
MONTHLY MONITORING REPORT

9i Risk Register as at February 2022

BP noted the College is making good progress against the identified risks and has been assured through the positive outcomes of recent internal audit reviews, that the College has reviewed progress in terms of compliance and risk mitigation, allowing the following areas to be RAG rated as GREEN or AMBER since the January 2022 review.

Top Key Risks that remain as Amber are:
AIM 1: Ensuring excellent learning, teaching and assessment leading to higher student achievement. Risks 1.1 (updated to include reference to Satellite Centres) moved to Green in Jan 22, 1.2, 1.3 moved to Green in Jan 22, 1.4, 1.5, 1.6, 1.7
AIM 2: Excellent learner support providing a high level of satisfaction for learners and stakeholders. Risk 2.1, 2.3, 2.3, 2.4, 2.5
AIM 3: Organisational excellence in all that we do. Risks 3.1, 3.2, 3.3, 3.4 Moved to Green in Jan 22, 3.7
AIM 4: Taking the Curriculum Strategy to the next level in 2020/21 and securing a sustainable future for the college. Risk 4.1, 4.2, 4.4
AIM 5: Aligning Human Resources with the College's strategic direction. Risk 5.1 Moved to Green, 5.2, 5.4 Moved to Amber, 5.5, 5.6
Noted 5.1 to move back to amber based on cover
AIM 6: Establishing sound financial health for the College. Risks 6.1 6.3, 6.4, 6.5, 6.6 Moved to Green in Jan 22, 6.2 remains Red
All risks references changed to Lois Vassell from Susanne Davies (LV from SD) in Jan 22.
The College has comprehensive insurance policies in place and financial risks are covered subject to restriction in the insurance schedules.

SB, no real comments, but wish to **check the future risk is added regarding learner recruitment finance risk. - Action**

RECOMMENDATION
NOTED
RISK REGISTER AS AT FEBRUARY 2022

9ii. Key Performance Indicators as at February 2022

SN noted that progress against all KPI's are monitored monthly. This report summarises the new set of KPIs and the progress to date:
• Overall College Attendance Rate as at the 17th February is 81.56% against a target of 86%
• Overall College Punctuality as at the 17th February is 87.66% against a target of 91%

SN noted, post Covid means we are having to change habits, students are doing the work offline but attendance & punctuality is an issue.

• ESFA 16-18 Enrolment Target is 1548 on the 17th February our 16-18 funded headcount is 1486, that's a decrease of -62 against our allocation
• ESFA 16-18 Funding allocation is £8,526,492 as at the 17th February our 16-18 funding is £8,069,950
• ESFA 19+ & GLA Target is 2100 enrolments (1000 heads) as at the 17th February 19+/GLA enrolment is 2407 enrolments (1023 heads)
• ESFA & GLA Funding Target is £1,806,822 as at the 17th February is £1,622,712.
• ESFA ER Apprenticeship Funding Target is £59,064 as at the 17th February our apprenticeship funding is £21,066.

SN added, we are still in discussion with ESFA on apprenticeships on when we can start.

• ESFA 19+ Loan funding Target is £247,994, our income as at the 17th February is £247,994

• Key Financial Indicators are RAG rated Outstanding, and the Forecast Surplus is £37k, staff cost/cash ratio £2.92: £1 for the end of January 22.

JL asked, on the issue of punctuality & attendance contrasted to learner engagement, is there an indication of shift of preferred delivery to online learning? SN responded, the Government want more face to face learning. We need to change the culture and develop compliance through challenge by staff.

RECOMMENDATION
NOTED
KEY PERFORMANCE INDICATORS AS AT FEBRUARY 2022

9iii. Finance Software proposal

BP explained that one of our risks is the current finance software of the College which is being maintained to an acceptable level. Though, for the medium term, the software is not fit for purpose due to the following reasons:

- the finance software of the College has been in place since early 2000 however, following changes to software upgrades and organisational change at Unit4, this version of the finance software is no longer supported;
- New modern servers do not support the current finance software as it is based on Windows 2000 and hence an older server is being utilised. This older server is also approaching the end of its life cycle, which is a risk to the finance software.
- Due to the old server and the finance software not being supported, the risk of cyber-attack is mitigated by 'sand banking' or isolating the finance server from the rest of the College network. Very limited access is available on-line, which itself hinders processing and functionality.

It is on the Audit & Assurance long term plan and due for an upgrade; and we have resources available. Three finance software suppliers who specialise in the FE sector demonstrated their software and provided pricing to implement a new cloud-based finance software. They included the yearly support and licence costs which will enable workflow-based procurement. In addition, each new supplier would offer web-based functionality, online procurement and offer carbon reducing strategies e.g. reducing the use of paper and creating an efficient paper free environment. BP explained the cost impact over a 5-year plan. This would be negotiated alongside our HR and Payroll software to align as a suite of programs.

JL asked, are we convinced the cyber security is equal in each. We do not wish to compromise on cyber security at this time. BP responded, they are all similar and aligned to out authentication and cloud security protocols.

JL, are we satisfied with the provider of our current HR and Payroll software?
BP, yes for existing services and cost.

SB, what is the timeline for implementation? BP replied, to install before end of academic year. 1st August transfer across open transactions and then run. SB, is there sufficient time for testing? BP, yes, but we need their consultants, however if delayed, we would look for a mid-year start. Best time is 1 August. JL, is it on the risk register? BP, yes, it is Red currently, but following the implementation this would be Amber and updated to add implementation risks.

The committee approved in principle and re-endorsed the paper

RECOMMENDATION
APPROVED

FINANCE SOFTWARE PROPOSAL

9iv. IT Disaster recovery – Server Room

BP explained that the College has a large amount of IT equipment and is operationally dependant on IT services being available for teaching, learning and College support services departments. The current Server Room is the key component of the College IT network, with all IT services either running within or connected via the single Server Room. This makes the Server Room a major single point of failure and with a serious incident such as a fire, it would mean no IT services for several weeks. Extra mitigation controls have been put in place to reduce the risk however, there is still an unacceptable single point of failure that was designed as part of the legacy IT infrastructure. The proposal is:

• As part of our IT Disaster Recovery planning, we would create a secondary server room in another building. Extra fibre optic links from each building would need to be installed and redundant servers would need to be purchased.
• A cloud first approach would also be adopted, with services such as email and file storage being moved to the cloud with new software setup in the cloud were possible.

The secondary server room will be migrated into the new campus, into a purpose-built server room. With this strategy, we will greatly increase the resilience of our IT systems, making a dependable, reliable system that could be quickly operational following a catastrophic event.

This is a significant risk that requires a significant capital expenditure. This gives us resilience while we are developing the capital build project. We have high cash balances to cover this and this will protect the College.

JL asked, if the server building or secondary building are suspected to be clad and a fire risk? BP, after Grenfell this was asked and buildings were checked as fire resistant. But they have a combustible resilience. These buildings will all be replaced as part of the Capital build. JL do we need to secure buildings from fire first? BP, the DfE have surveyed everything including integrity and have identified high risk areas, but cladding was not one of these, so this is not a high risk. SN remember, the new server room will also be in the new build. SN added, we are seeing current server issues that means a secondary server room would be beneficial.

SB asked, does the server room have sufficient systems to prevent issues, like in the event of fire etc? BP, yes, and we have a secondary data room, which is back up only. This proposal is for a second server room to act as a reciprocating server.

SN added, we are experiencing temperature alerts. SB asked, what is happening? BP responded, both servers failed through overheat even with the current Air Conditioning. SB asked, is this on the risk register? SN responded, we have a plan to action. SB noted, this needs to be on risk register. BP added, IT resilience is on the register, this would be an additional mitigation to the wider problem. This was part of the IT strategy and we are raising this as a risk to this committee. We recommend this proposal to the committee, being option 4 with the greatest assurance.

SB asked internal audit representative for comparison to FE sector, MC replied, it makes sense that you have a second server and many FE colleges do.

The committee approved in principle and endorsed the paper

RECOMMENDATION
APPROVED
IT DISASTER RECOVERY

10. Annual Review of Register of Interests
RoH explained the Annual Register has been updated this year with all Governors, Exec, SLT and Staff with budgetary responsibility to allow greater transparency to decision making at both Governance and SLT level. Previously this register only included Governors.
The register was reviewed by the Auditors at the commencement of the year with nothing of note identified. Since this audit, new Governors and Staff have been added and made declarations which have been identified as not holding directorships or positions of note.
The Register is a live document and available for review at any time.

Committee noted.

RECOMMENDATION
NOTED
REGISTER OF INTERESTS

11. LGPS Ethical Investment Strategy Update
A paper supplied by SR which fed back on the LGPS ethical investment strategy was circulated immediately prior to the meeting and concluded that LBH Pension Fund has due regard for ESG issues in its investment strategy, has taken significant steps to achieve a reduction in the carbon footprint; and that the recommendation is that we watch and monitor whether there is any drift away from attention to these issues in terms of its asset allocation in the future.

Committee agreed and noted

RECOMMENDATION
NOTED
LGPS ETHICAL INVESTMENT STRATEGY UPDATE

16. Any Other Business
None

17. Date of next meeting
6.00 pm Tuesday 24 May 2022

Meeting ended at 7.25pm

Signed

Chair

Date: 14 June 2022

Action points:

Item	Action	Responsibility	Timescale
5	SB asked if the College had any students from Ukraine? SN explained this was being explored. SB noted that we should be cognisant of sensitivities. SN responded, we will be talking to them through pastoral teams and addressing their needs. **SB asked any information be circulated to the Board. – Action**	SN	May 2022
6	**BCP Plan - BP we will issue the plan with a cover note for the Board meeting. - Action**	BP	March 2022
9i	**Risk register - check the future risk is added regarding learner recruitment finance risk. - Action**	BP	May 2022