

SOLIHULL COLLEGE AND UNIVERSITY CENTRE

**CONFIDENTIAL MINUTES OF THE MEETING OF THE ANNUAL AUDIT
COMMITTEE/CORPORATION MEETING HELD ON 30TH NOVEMBER 2020 ON TEAMS, starting at
7pm**

PRESENT (Audit Committee Members): Lucy Lee (Chair)
Paul Large
Geraldine Swanton
Tony Worth (External)

PRESENT (Corporation Members): Barbara Hughes (Chair)
Paul Assinder
Stan Baldwin
Scott Beasley
Carol Harvey-Barnes (Staff Governor)
Tony Lucas
Sukhy Nijjar
Sally Tomlinson

IN ATTENDANCE: Theresa Lynch (Clerk)

Mark Dawson – KPMG
Louise Tweedie – RSM
Laura Goodwin - RSM

Confidential – Independent Governors and Auditors only

1. Pre-Meeting for Governors and Auditors

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1.1 Internal Audits - Governance Arrangements – Financial

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Heather Evans (Vice Principal Finance)
Pete Haynes (Vice Principal HR and Student Services)
Sam Bromwich (Director of Risk, Control and Compliance)
Theresa Lynch (Clerk)

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2. Membership Matters

2.1 Apologies for Absence

There were apologies for absence from Badri Gargeshnari.

2.2 Declarations of Interest

There were no new declarations of interest.

3. Minutes of the Audit Committee meeting held on 20th October 2020 and actions from previous meetings

The minutes of the meeting held on 20th October 2020 were **agreed** as a true and accurate record and signed with the Chair's e-signature.

The action log was noted.

4. College KPIs and Annual Priorities Outturn 2019/20

The Principal presented the College's KPIs and annual priorities outturn position for 2019/20 and confirmed that the year had ended well, particularly in light of the challenges presented by the COVID-19 crisis. A BRAG system of rating had been adopted as some elements had been impacted by unavoidable changes in circumstances that necessarily meant the item could not be shown to be achieved.

Q. Achievement rate outcomes – clarity was sought regarding achievement in relation to national average?

A. It was confirmed that achievement rates for study programmes and adult programmes were at or above national average and recent data had been submitted that meant that both timely and overall achievement for apprenticeships would now be above national average.

Discussion took place regarding the impact on contributions of the increase in pension costs and this and other issues discussed previously had meant that some areas had been unable to meet their contribution target. The Principal confirmed, however, that overall the College had met KPIs, targets and banking covenant requirements.

Clarity was sought regarding the nature of work experience opportunities for study programme students in the light of COVID-19 and the Principal confirmed that a lot had been done before the lockdown occurred, but the outcome position including circumstances where 'substitute' work experience had had to be used.

5. Year End Audit Matters

5.1 Letter of Representation

The FSA auditor presented the standard letter of representation required on behalf of the College.

Resolved to approve the Letter of Representation and agreed that the Chair of the Corporation sign on behalf of the Corporation.

5.2 KPMG Management Report

The FSA Auditor presented the KPMG Management Report and confirmed that subject to some outstanding matters (identified on page 5) it would be possible to provide a clean audit opinion. He explained that the opinion confirmed that the accounts provided a true and fair view and were prepared in line with accounting standards. This included the accounts directive of the ESFA and the OfS. It was the first year that an opinion was provided specifically with regard to expenditure in relation to the access and participation plan and grant and fee income.

The Report included reference to issues raised by the COVID-19 crisis, increases in Local Government pension scheme liability and reflected the position of the College with regard to the overall financial position and KPMG's opinion regarding 'going-concern'.

The FSA Auditor explained that the audit had been carried out remotely and although this had presented some challenges, it had overall been successful and completed in a timely fashion. No issues had been highlighted. Review of the key risks facing the College had not highlighted any issues. There were no control issues and not material adjustments to the accounts. The outstanding issues related to:

- Receipt of final ESFA funding statements to confirm the income recognised in the financial statements;
- Completion of our post balance sheet events and going concern reviews including a review of the latest management accounts, financial forecasts and cash flow projections as well as our internal going concern consultation.

Q. How does the College compare across the sector?

A. On a financial basis the College has made a surplus during a difficult period, with pressure on adult, apprenticeship and commercial income and this reflects well. Some non-cash items, eg pensions liability has a detrimental effect suggesting a reduced profitability, however, the cash position is extremely good in relation to the rest of the sector. The fact that no issues have been raised during the audit presents a well controlled financial environment.

Q. Are any colleges dealing with the pensions liability differently?

A. Some colleges are trying to look at it differently, however, the options are limited. Assumptions can be changed, but it does not change the underlying issues related to the scheme. The only way to deal with it in a long-term period is to review pension provision, for example, different pension arrangements for new staff (through a limited company for example) to allow more control over the pension liabilities.

Resolved to receive and approve the KPMG Management Report.

5.3 Internal Auditors Annual Report 2019/20

The Internal Auditor confirmed that the opinion was positive for 2019/20. This was very positive, given that the majority of colleges tended to fall into the second category of assurance. She noted that the Plan was based on the risk register and that the areas audited were felt to be appropriate and that therefore the positive outcome provided good assurance for the Corporation.

The Chair of the Committee noted that the report had been considered at the Audit Committee on 20th October 2020.

Resolved to receive and approve the Internal Auditors Annual Report for 2019/20.

The Audit Committee members agreed that assurance had been adequate throughout the year and through the year end reports to provide Corporation with confidence to receive and approve the financial statements:

5.4 Financial Statements and Members Report 2019/20

The Vice Principal Finance gave a presentation regarding the financial position of the College at the year end 31st July 2019. She noted that the details of the discussion at the pre-finance meeting had been recorded and were available for reference.

The KPIs with 3 years of comparison data were presented to show the patterns and trends. Overall income had dropped during the year due to COVID-related expenses, with outturn position at just over £42m. EBITDA performance was strong and there was an in-year surplus achieved. The increase in pension liability of £21.3m was noted. The Vice Principal Finance explained that borrowing had reduced overall and the College had a positive net cash position, which had been maintained during 2019/20, even though capital expenditure had been used for the Stratford re-development project. This was positive in relation to the going-concern position of the College.

The Vice Principal Finance explained that the Corporation needed to be satisfied that the College would remain a going concern throughout the current financial year and into 2021/22. Key documents that formed evidence to demonstrate the positive financial position and forecast position for 2021 were identified in the report circulated to Governors. The Vice Principal Finance confirmed that:

- The revised forecast for 2020/21 was in line with budget
- The forecast for 2021/22 had been reviewed and updated
- Cash balances and cashflow forecasts showed positive net funds
- The banking covenants were forecast to be achieved.

The related risks and sensitivities that underpin this position were discussed.

Q. In the cashflow forecast there is investment income identified in December 2020 and May 2021 – what do these relate to?

A. These are the TGH overage payments, that would be received following formal planning approval.

Resolved to approve the Financial Statements and Members Report 2019/20.

5.5 Notes of the Pre-Corporation Finance Meeting held on 18th November 2020 and Pension Briefing information from Halesowen College

The contents of the notes of the Pre-Corporation Finance Meeting held on 18th November 2020 were noted. The Clerk noted that a briefing would be set up for Governors with a representative from the WM Pension Fund to further understand the details relating to the pension liability. **Action.**

The Chair of the Group explained that it had been a useful meeting with good discussion and responses from management to provide assurance regarding the triangulation of the financial information.

6. Financial Regulations Review

The Vice Principal Finance presented the Financial Regulations. She noted that a full review had taken place and minimal changes were required. The auditors had reviewed the suggested changes.

Resolved to approve the Financial Regulations.

7. Health and Safety Termly Report 2020/21

The Vice Principal Finance presented the report and noted that this was the new format that would go to the Audit Committee and through to the Corporation each term.

The number of accidents had reduced because staff and students spending less time onsite and sporting and other activities had been suspended.

It was noted that mental health champion data would be reported through the Actions Report in the first instance and going forward would be reported via the Safeguarding Report in future.

8. Additional Audit Work and Fees

8.1 KPMG Fee Query – Matters Arising from June 2020

This item was deemed confidential.

8.2 Additional Audit Work

This item was deemed confidential

9. Internal Audit – Performance Review of Internal Auditors during 2019/20

This item was deemed confidential.

10. Audit Services Tender

This item was deemed confidential.

11. Compliance, Value for Money and Risk SIG Update Report

The contents of the Compliance, Value for Money and Risk SIG Update Report was received for information.

12. Internal Audit – Progress Report

The contents of the Internal Audit – Progress Report was received for information.

13. Date of the next Audit committee Meeting

The next meeting of the Audit Committee was scheduled for Tuesday 16th March 2021 at 6pm.

Signed:  _____ Date: 16 March 2021
The meeting ended at 8.15pm.

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Mark Dawson – KPMG

The Internal Auditors left the meeting.

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The FSA Auditor left the meeting.

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