



BRIGHTON HOVE AND SUSSEX SIXTH FORM COLLEGE

MEETING OF THE AUDIT COMMITTEE HELD ON

THURSDAY 23rd NOVEMBER 2023 AT 6.00 P.M. IN THE PRINCIPAL'S OFFICE

Present: Jo Davis (Chair), Rob Milton, Daniel Osorio

In Attendance: William Baldwin, Jutta Knapp, Louise Pennington and Kirstin Baker (Co-Chair of Governors for item 2.1)

Chris Rising (MacIntyre Hudson – Internal Auditors) joined the meeting via M.Teams

Chris Mantell (Alliotts - External Auditors).

The meeting was quorate.

NOTE: FOR EASE OF REFERENCE QUESTIONS AND COMMENTS FROM GOVERNORS HAVE BEEN INCLUDED IN BOLD ITALICS

SECTION 1: ROUTINE AND STANDING ITEMS

1.1 Apologies and Welcomes

Welcomes: Kirstin Baker (Co-Chair of Governors) – for external audit item, Daniel Osorio, Chris Mantel (Alliotts, External Auditor), Chris Rising (MacIntyre Hudson Internal Auditor)

Apologies: Sarah Bovill, Paul Lovegrove, Neil Perry

The meeting was quorate.

It was resolved to take items 2.0 and 2.1 at the start of the meeting, after which Chris Rising, who was present via Teams to present both items, would then leave the meeting – refer item 2.0 and 2.1 items below.

Note 1: Co-Chair of Governors to be in attendance for item 2.1 – and it was agreed that as this was Kirstin Baker's first Audit Committee attendance, that she would be allowed to observe for the whole meeting.

Note 2: Chris Mantel (Alliotts, External Auditor) will be present for items 2.0, 2.1 and 2.2. and it was agreed item 2.1 and 2.2 should immediately following item 2.5 taken after 2.0., at which point Chris Mantel will then leave the meeting.

Note 3: Chris Rising (MacIntyre Hudson, Internal Auditor) will join the meeting via Teams (item 2.0 and 2.5) and 2.5 will be taken immediately after 2.0, so that Chris Rising may then leave the meeting.

1.2 Minutes of the Meeting held on 22nd June 2023

The minutes of the last meeting were agreed and signed as a correct record of the meeting, subject to the following amendments.

ACTION: Clerk/Chair

1.3 Matters Arising

a) Actions' Schedule

The contents of the actions' schedule were noted by the Committee, taking into account those items which had been completed and those which were being carried forward or due to be completed later in the year.

1.4 Declarations of Interest – None

At this point it was resolved to defer item 1.5 until after the Internal and External Auditors had presented their items.

1.5 Principal's Update

William Baldwin provided the following update:

Student Numbers

Enrolment targets overall were met, although we were slightly down for A1s converting from Category 3. Funded target (students here after 6 weeks) saw a growth of 125 students on last year. Additional funding is being paid for exceeding a 100 Student threshold (25 Students approx. £120K in year). Work is underway ready for the next admissions deadline of 1st December 2023.

Funding

The additional 2.5% uplift announced at the end of the summer term was enough to allow the College to pay a 6.5% pay award (even though this wasn't fully funded). It also meant that the College could withdraw the staffing efficiency and timetable consultation (at least for now) which looked at extending contracted teacher contact time. The additional £125K for over recruitment wasn't in the budget and can be added to the bottom line.

Class Sizes

The cap on class sizes was increased to 23 this year (and will rise again to 24 next year). This has increased our average class size but is not something that has impacted equally across all courses. Teachers report that it isn't so much the additional body in the room that causes workload, it is the assessment and support that does. We're confident it won't impact noticeably on quality but ultimately it is asking people to do more for the same. The variation between courses was commented upon at some SARAP meetings in terms of more case work for teachers and staff workload to maintain the student experience. This work is ongoing.

National Politics

The party conference season saw a lot of mention of colleges. Rishi Sunak announced the 'Advanced British Standard' which (if they retain power) is ten years in the making. There is a lot to like about it – more breadth, more hours and increased equality of qualifications – and it is important to push these principles to all parties. The Conservatives are stuck fast to the defunding of BTECs, which will impact on our curriculum provision. Although Labour have said they will pause and review this, depending on the date of the next election, we may be too far down the road to un-do some of the changes. This is high on the risk register and will be re-visited at the Spring Term Committee, especially in respect of BTECs' removal and changes and impact on curriculum provision. **ACTION: James Moncrieff**

SARAPS

We have completed the majority of SARAP validation meetings now – many thanks to Governors who came to these. Outcomes from these will feed into the overall College Development Plan which will be seen at December's Corporation meeting.

Estates

We have applied for planning permission for a new Student Services building to replace the modulars – as referred to above – north-west of estate. As part of this we have also sought permission to include a new modular block on the outdoor multi-use sports pitch to help accommodate the increasing demographic growth. The current condition Improvement Fund bids' maximum available per College is £4M with is less than the College would need for its proposed project and owing to the ONS reclassification FE Colleges may no longer borrow. However, as noted above, the College still intends to submit planning for the project.

Digital

The Cybersecurity Audit now has three outstanding red areas (compared to the 18 initially flagged) so good progress is being made. Mark Monahan has been a fantastic appointment and is bringing additional insight and expertise into this area.

Oxbridge Admissions Tests

There have been stories in the press that these were a complete shambles and they did affect BHASVIC students. The University's digital platform was not sufficiently robust and led to multiple problems and poor communications on what to do next. As a result, the majority of subject entrance tests will not be used as part of the selection process this year. Oxford has apologised for this.

LSIF (Local Skills Improvement Fund)

The Local Skills Improvement Fund bid from FE Sussex has been successful (announced last week) to be used across the wider Sussex and Brighton & Hove. As colleges, we will share £4.6m over two years. BHASVIC will benefit from capital investment in digital technology to aide teaching and learning. The national funding totals £165M. This will be manifested in new technologies especially around teaching and virtual/augmented reality and other reality and in a second project the College will also aim to look at how education providers in certain sectors of employment work together, with Alison Cousens leading on this project.

Royal Visit

Prince Edward visited the college in October to look at our inclusive Duke of Edinburgh Awards' provision. It was a fun event. HRH was great with our students and really interested in talking to them. Thanks were recorded to Lesley Clarke who had taken on the responsibility for leading on the D of E award and created national level interest in our inclusive approach to the scheme.

Open Evenings

Last week we held our annual Open Events which yet again proved extremely popular with a particularly large crowd of visitors on the first day (Wednesday) but Thursday was more quiet owing to other Brighton and Hove events, including football. Overall, this bodes well for application numbers and we will be able to update Corporation on numbers of these vs target after the December 1st Deadline.

QUESTIONS from the Committee:

The Committee raised various questions and the following points were recorded:

- a) Cost of living impact on Student applications from those living further away, noting also other factors regarding Student choices including other Sixth form competitors (Worthing, Eastbourne and Haywards Heath) in the wider area and this is being kept under review. Despite this, the College is anticipating further growth in Student numbers next year.
- b) Regarding conversion rates, more Students are going into A2 than predicted.
- c) Staffing levels remain broadly the same, despite an increase in numbers owing to an increase in class sizes from 22 to 23 (23 to 24 for next year).
- d) Colleges were awarded an additional 2.5% uplift, which has enabled BHASVIC to be able to offer Staff the 6.5% nationally agreed pay rise; part of the uplift also improved the College's bottom line. However, the 6.5% pay rise was not fully funded, with approximately 2% unfunded.
- e) SARAP validation meetings – cycle for this year has nearly finished, the outcomes of which will feed into the final CDP going to Corporation in December 2023.
- f) Estates – planning permission to replace the existing modular buildings and consideration whether to submit a bid for funding as the maximum grant is £4M, plus the option of a £2M loan on top, plus if we include £2M of the college's own money, but this will not meet the cost of the project at £10.5M, so it wouldn't be appropriate to submit a bid if the College cannot afford the project costs in total. SLT has asked the architect for input/review of the plans to determine whether it's possible to revise the costings to enable a bid to be submitted – the architect and quantity surveyor are meeting tomorrow. Part of the planning submission also extends to seeking permission to build an additional modular block/classrooms on the netball court to cater for additional students (rather than having to extend the timetable). Resources Committee discussed the matter in detail at its meeting on Monday evening – minutes will be included in the Corporation meeting papers for the December 2023 meeting.
- g) Cyber Security audit follow up – this was due to be presented to the Audit Committee this term, but the final report is awaited from auditors, so will go to the March 2023 meeting instead (with good progress to date - 18 areas for action have been reduced to 3). The audit report was carried out by MacIntyre Hudson, which outsourced this to a specialist cyber security company. The next stage in the cyber security development will be to involve JISC in scenario testing which Mark Monahan (Assistant Principal (Digital and Communications)).

SECTION 2: AUDIT AND INTERNAL ASSURANCE ITEMS

2.0 Committee Members to raise questions and discuss Audit Matters in the absence of Management

The Committee was given the opportunity to raise questions regarding the audit work in the absence of management. Following a brief discussion it was confirmed that there were no questions to raise from the Committee and the auditors also confirmed that they had no issues to raise regarding the audit work.

2.1 Audit Management Report

a) Audit Findings Report with

b) Financial Statements (for information – via link in agenda) for the year to 31 July 2023, Letters of Representation for Financial Statements and Regularity Audit

Chris Mantel presented the papers and drew attention to the following:

- Congratulations to the College. There are strong financial controls in place, which appear to be closely followed, with no issues – major or minor, identified, so a clean audit report.
- Only comment in the report relates to the treatment of pensions (LGPS) which is an asset but not shown on the balance sheet in line with the respective accounting standards (FRS102). In response to a question from the Committee, it was noted that the pension position in some Colleges was as a liability, owing to discount rates applied and the impact this can have on pensions; liability has to be disclosed in the balance sheet, unlike the asset.
- Audit work progressed smoothly and started early in the year, with one interim visit followed by a final visit, noting the additional work this year, being the first year since Alliotts' appointment.
- Regularity audit confirms whether the College is acting in accordance with the ESFA Funding Agreement and associated regulations, and also reflecting revisions made in respect of the ONS reclassification, the latter of which has added to the complexity and requiring further work. The auditors have also confirmed a clean regularity audit has been achieved.
- It was noted that in general SFCs are less complex than the large FE/GFE Colleges where issues such as borrowings and Student bad debt issues can be problematic.
- It was reported that a revised College's Financial Handbook will be issued shortly in a more concise form with approximately 40 rather than 200 plus pages.
- Attention was also drawn to the ONS impact upon the financial statements with a bridging process underway between the Government accounts and Colleges' accounts. At this point the year end of 31/7 remains in place for Colleges and indications from the ESFA suggest that this is likely to be unchanged. However, the latter needs to be confirmed by the Treasury. It was also noted that with a potential change in Government in the near future, this may also have an impact on Colleges.
- ***Page 16 Going Concern – the Committee queried the reference to recruitment in 2023/2024 and it was confirmed that this related to Student recruitment.***
- ***Page 20 loan arrangements – in respect to a question regarding the current loans, it was noted that at some point a transfer will need to be made from the bank loans to a DfE loan, once the term of the current loans end. It was noted that some Colleges had already gone through the process or are in the middle of negotiating loan and/or overdraft facilities and not all have been successful. Chris Mantel confirmed that there had been some early teething problems owing to the DfE not understanding the FE sector system sufficiently causing delays but that broadly, clients who had experienced the process had found it fairly straightforward. It was noted that early preparatory action was essential and as per the actions schedule, the College will be reviewing its loan arrangements at least 6 months prior to the term end (first loan (variable) due for review in May 2025). With a DfE loan there may or may not be a better interest rate, lending terms may remain unchanged, but there will be no covenants.***

There were no other questions from the Committee which was reassured by the auditors report and positive feedback. Thanks were recorded to the External Audit Team and Jutta Knapp and the Finance Team. The Committee endorsed the recommendations made within the Report and recommended these to Corporation. **ACTION: Jutta Knapp**

At this point Chris Mantel was thanked for his report and left meeting.

2.2 Regularity Audit Framework Questionnaire

This document, which has also been revised by the ESFA to reflect the new ONS reclassification requirements and is one of the documents which Jutta Knapp (finance) and Louise Pennington (governance) prepares for the external auditors. The contents of the document as presented, were noted, and recommended to Corporation for approval.

ACTION: Jutta Knapp

It was also noted that this document once approved by Corporation and signed/dated, would be submitted to the ESFA along with the Annual Report and Financial Statements.

The RAFQ was recommended to Corporation for approval. **ACTION: Jutta Knapp**

2.3 Audit Committee Annual Report for the year ending 31 July 2023 (Audit Committee Chair to sign after Corporation approved)

The contents of the Report were noted and this was recommended to Corporation for approval, noting the Co-Chairs would be asked to sign this after the meeting, after which a copy will be sent to the ESFA along with the Annual Report and Financial Statements and RAFQ. **ACTION: Jutta Knapp**

In response to a question from the Committee regarding the reference to the year end on pages 46 and 47, Jutta Knapp confirmed that the date entries were correct.

2.4 Update on Audit Recommendations

The contents of the paper were recorded by the Committee noting that there were no actions outstanding in respect of the governance audit, or were in progress - 4 recommendation actions identified from the audit. Jutta Knapp explained that the actions/recommendations listed had either been completed or were due to be completed once the usual point in the cycle for particular items had been reached.

Regarding the cyber security audit, as reported earlier the follow up report was due to be issued shortly and would be presented to the next meeting in March 2024, after which the cyber security action plan would be updated further.

Referring to the learner number recommendations listed which had now been completed, these would be removed from the next report.

2.5 Internal Audit Reports

- a. **Audit Annual Report**
- b. **Cyber security follow-up Report** - deferred to next meeting, when the Report will have been issued by the auditors.

Chris Rising presented the Audit Committee Annual Report and recorded the following:

- Opinion 2.2 on page 4 of the report – positive feedback based on the work carried out and confirmed that the College has adequate and effective management controls and governance processes in place, with details of the reasons for this.
- Internal Controls - All of the audit work completed over the year, has provided “substantial assurance” including governance, financial planning/budgetary control, ILR, with only positive outcomes recorded.
- Referring to the follow up Cyber security audit – good progress has been made (reduction from 18 red items to 3 remaining noted as recorded earlier). This was a critical piece of audit work and significant progress had been made.
- Congratulations from the auditors was recorded in respect of the College continuing to maintain a strong internal control environment.

Congratulations were recorded to Jutta Knapp and her team.

At this point, Chris Rising was thanked for his report and he left the meeting.

2.6 Risk Register and Risk Management Policy

William Baldwin presented the new Risk Register and revised Risk Management Policy to Audit Committee and the following points and questions/responses were recorded:

- The revised Risk Register has been generated following input from the auditors and the recent EBR (Spring Term 2023).
- The Committee discussed the new format including the individual risk details, formatting, risk grading and risk assurance. To date both the Q & C Committee and Resources Committee have had their termly meetings, and

confirmed that adequate assurance has been gained in respect of the risks for which each Committee has responsibility, together with favourable feedback on the new Risk Register details and format.

- The Audit Committee welcomed the risk rating detail including the breakdown of inherent and residual risk, together with the respective controls and impact arising from the controls, together with the target risk.
- Risk 8 (page 79) – accommodation – in response to a query raised by the Committee, it was agreed that the residual risk should be revised to read “3x5” rather than “3x4”. **ACTION: William Baldwin**
- Risk 16 (page 80) it was queried whether Audit Committee should be included along with Resources Committee as some of the issues relate to Audit Committee too. In response it was recognised that as the Audit Committee was the overall recipient of the full Risk Register, that it wouldn’t be appropriate for the Audit Committee to be included here.
- Page 81 Risk Assurance Map – in response to a suggestion from the Committee, William Baldwin agreed to review whether to include the inherent risk and the recommendation from the Committee was that this should be included, although noting that in respect of the criteria for this, it would only mean adding 1 more risk to the list (Business Continuity Risk 15). **ACTION: William Baldwin**
- The Committee was reminded that the Risk Register was reviewed termly by SLT before being presented to Committees Corporation.
- Looking at the higher risks and level of assurance available, it was noted that as the College had done for cyber security risk, it would be open for the Committee/s to commission audit work to gain further assurance, where thought necessary.
- The commentary column between the residual risk and the target risk was discussed, which provides information about how the College will aim to achieve the target risk rating. Having discussed risk 8 and the existing commentary, the Committee requested that additional commentary should be added to this and any other risks where relevant, to ensure that the reasons for the residual risk rating, and action needed to reach the target, were clear to Governors. **ACTION: William Baldwin**
- The Committee also queried the numbering for strategic and operational risks which were sequential and agreed that “S” for Strategic Risks and “O” for Operational Risks should be added to each risk number, so that they could be more easily identified within the heat map. **ACTION: William Baldwin**
- Page 82 within the likelihood score the description for “unlikely” and “possible” were the same and it was agreed to amend this. **ACTION; William Baldwin**

The contents of the Policy were noted and endorsed.

Subject to the points and actions already set out above, the current Risk Register was recommended to Corporation for approval, along with the Risk Management Policy. **ACTION: William Baldwin**

SECTION 3: CONSENT AGENDA

Policies and Other Documents

Nothing to record here – noting that the Risk Management Policy which had been recommended to Corporation for approval, had been considered under the Risk agenda item.

3.1 Disaster Recovery Plan Update

It was noted that the separate IT/Cyber Security Disaster Recovery Plan would be presented to Spring Term 2024 Audit Committee. **ACTION: Jutta Knapp/Mark Monahan**

SECTION 4: OTHER MATTERS

4.1 FRAUD REPORT

It was confirmed that there were no instances of fraud of which the College was aware, since the last meeting. Get regular updates from Lloyd’s banks re current fraud around, but biggest issues will be cyber.

4.2 ANY OTHER BUSINESS – None

a) Front Sheet Papers to Accompany Papers to Corporation for approval or for information

It was resolved that the front sheets in respect of items to be included in the Corporation meeting papers, should include a record of the discussion, and recommendation held at the Committee Meeting, along with the meeting paper (revised if necessary). Regarding papers included within the consent agenda, it was confirmed that links would be included in the agenda to those papers, although the front sheet would be included in the meeting pack. ACTION: Jutta Knapp/William Baldwin/Louise Pennington – regarding this item, the Committee agreed that each item going to Corporation had been discussed and confirmed that the front sheet executive summary would be updated as per the minutes. ACTION: Jutta Knapp

In response to a question from the Committee regarding the change in External Auditor – Jutta Knapp confirmed that the transition from the outgoing to the new auditors had worked very well and that Alliotts’ experience in the sector had been demonstrated in their audit work and that communications with all members of the Team had worked very well.

At this point the Co-Chair of Governors confirmed that following the presentation of the External Audit item, she agreed that appropriate assurance had been provided and that it would not be necessary for the External Auditors to attend the Corporation to present the Annual Report and Financial Statements/external audit work.

4.3 Date of Next Meeting – Thursday 14th March 2024 in the Principal’s Office, Room 22

SECTION 5: CONFIDENTIAL BUSINESS

5.1 Confidential Minutes from the Last Meeting – None.

5.2 Matters Arising – not applicable

5.3 Any Other Business (confidential) – not applicable

The meeting closed at 7.10 p.m.

It was noted that the agenda for the next Audit Committee meeting in March 2024, would include disaster Recovery and the Cyber Security Follow up audit report. **ACTION. Jutta Knapp**

Louise Pennington

Clerk to the Corporation

Chair

Date