



**CALDERDALE COLLEGE  
AUDIT & FINANCE AND RESOURCES COMMITTEE MEETING**

**Draft Minutes of the Meeting held on 25 November 2021, 17.35  
Remote via MS Teams**

**Present:**

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| Peter Clark      | External Governor (F&R)         |
| Rachel Court     | External Governor (A)           |
| Katherine Disley | External Governor (A)           |
| Pat Drake        | External Governor (F&R)         |
| Richie Dunk      | External Governor (A)           |
| Adrian Furness   | External Governor (A) (AF)      |
| Jenny Grainger   | External Governor (A)           |
| John Rees        | Principal & CEO (F&R)           |
| Chris Reeve      | Co-opted Governor (A) (CR)      |
| Malcolm Rogers   | External Governor (Chair) (F&R) |
| Andrew Wright    | External Governor (F&R)         |

**In Attendance:**

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| Richard Laycock    | External Governor                        |
| Sharon Bowker      | Executive Director (Finance and Funding) |
| Jonathan Creed     | ICCA                                     |
| Callum Flannagan   | Grant Thornton                           |
| Jane Taylor-Holmes | Clerk                                    |

*Agenda: There were no changes to the agenda.*

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|   | <b>FRA/21/101 - Apologies for absence</b>  |  |
| 1 | No apologies were received, all Committee members were present.                                  |  |
| 2 | Apologies were received from Ms J Gray, Vice Principal Curriculum, Quality and Student Services. |  |
|   | <b>FRA/21/102 – Confirmation of eligibility, quorum and declarations of interest</b>             |  |
| 3 | No notice had been received of any member becoming ineligible to hold office.                    |  |
| 4 | The meeting was quorate.   |  |
| 5 | There were no declarations of interest in agenda items.  |  |
|   | <b>FRA/21/103 - IT / Security Deep Dive presentation</b>   |  |

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| 6  | Mrs Bowker provided a presentation on IT security.   |  |
| 7  | Mrs Bowker shared the current IT structure. It was noted that during the latter part of the previous year, the IT technician role had been established. This had been filled by an internal promotion and a vacancy remained on hold.  |  |
| 8  | The presentation detailed the current projects, future developments and challenges.  |  |
| 9  | In relation to work to configure current systems, there had been significant work in this area with the bulk of the work to be undertaken during the week of 17 December to coincide with the Christmas break to reduce disruption.  |  |
| 10 | The work included the relocation of fire walls, and the requirement to move two physical pieces of equipment. There was no cost associated with this work, just time.  |  |
| 11 | Mrs Bowker explained that one of the requirements was to replace the network switches. The failure to do so would result in the College failing the Cyber Essentials accreditation. Mrs Bowker explained that this accreditation was a requirement within the ESFA funding agreement and all Colleges should have this as a minimum. The College would be at risk of not maintaining funding if the accreditation was not achieved.                |  |
| 12 | The College had agreed to invest in over 300 laptops in the next few months. One of the issues which was being encountered was that the IT Team was busy dealing with problems with old equipment. It was hoped that the new equipment would reduce time spent on maintaining old out of date stock and allow more proactive work to be undertaken.  |  |
| 13 | Mrs Bowker explained the position regarding future investment in equipment. In another 12 months there would be a total of 975 staff and student computers which were old; the overall cost of replacement was around £500,000. There would be a significant staff resource issue in replacement of such large numbers of equipment. There was a commitment to replace 300 computers before 2025 which were due to be unsupported after this date. |  |
| 14 | Mrs Bowker commented that there was a working group which would be re-established after Christmas. This would engage with key stakeholders to review what is needed. It was noted that both staff and student working patterns had changed and the working group would consider this. In relation to Wi-Fi, it was suggested that work in this area  |  |

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| <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p> <p>26</p> | <p>would be brought forward to 2022/23 along with the replacement phone system.</p> <p>Mrs Bowker explained that a new phone system may not be required and options available such as MS Teams or mobile phones would be considered.</p> <p>The introduction of an online booking and payments system had been considered. This would cost over £70,000 and for the amount of income taken it didn't appear like a good investment. A Student App would be considered.</p> <p>The IT team were keen to work on integrated ID cards for learners; this was common in other Colleges. Although the cards were quite expensive, the advantages would outweigh the costs.</p> <p>Options were being reviewed for a new HR and payroll system.</p> <p>External assurance and annual penetration tests would be undertaken in December / January.</p> <p>In addition to the Cyber Essentials accreditation, the College also had JISC subscription, which provided regular updates and web hosting management.</p> <p>In relation to the vulnerability test results, these demonstrated a reduction in critical risks. There were however new vulnerabilities arising all the time and it may be the case that the existing red and yellow assessments may have been resolved but new ones may have since arisen.</p> <p>Committee members commented that it would be interesting to see movement in the next vulnerability test results.</p> <p>It was agreed that the summary results of testing would be considered at the March Finance and Resources Committee meeting.</p> <p>Committee members asked about any challenges faced in relation to the purchase of new IT equipment. Mrs Bowker commented that there were no supply issues anticipated in relation to the purchase of laptops due to the specification required. There had been some challenges and delay in relation to the purchase of some specialist equipment for T-Levels.</p> <p>Committee members commented that it was positive that a working group had been established to ensure that stakeholder views are considered. The challenge of</p> | <p><b>Action: Mrs Bowker March 2022</b></p> |
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| <p>27</p> <p>28</p> <p>29</p> <p>30</p>                     | <p>developing an IT strategy in conjunction with curriculum need was also discussed. It was suggested that this would be considered jointly by the Finance and Resources Committee and the Curriculum, Quality and Standards Committee.</p> <p>The relevant elements of the College action plan were shared. It was noted that one of the strategic aims for the current year was to establish the digital strategy. This would include cyber security, network enhancement and curriculum development.</p> <p>Committee members commented on the approach taken and encouraged thought around the benefit of students and possibly staff bringing and using their own devices.</p> <p>Consideration around the accuracy of the costs and timing would also be required to ensure that IT projects are delivered within timescale and budget.</p> <p><b>Resolved</b> – Committee members received the deep dive presentation.</p>  | <p><b>Action: F&amp;R and CQS TBC</b></p> |
| <p>31</p> <p>32</p> <p>33</p> <p>34</p> <p>35</p> <p>36</p> | <p><b>FRA/21/104 – Financial Statements 2020/21</b></p> <p>Mrs Bowker commented that there was a plan in place for the senior leadership team to review the financial statements and narrative in advance of the presentation of the Financial Statements to be Board. It was noted that section 5 was carried over from the previous year.</p> <p>It was also noted that the operating deficit was much smaller than originally forecast for the reasons presented throughout the year.</p> <p>Mr C Flanagan, Grant Thornton presented the Financial Statements for 2020/21 and the Audit Findings document together with the Management Letter.</p> <p>Mr Flanagan referred to the Audit Finding document. On page 5, there were a few minor issues to be finalised which would be completed in advance of the Board meeting on 16 December. There were a small number of elements of regularity testing to be completed, but all audit fieldwork had been completed.</p> <p>The process had been smooth and there were no specific areas of concern to report on. It was anticipated that the audit opinion would be unmodified.</p> <p>Mr Flanagan referred to the areas deemed to be significant risk areas; it was noted that these were not specific to the College but as defined by Auditing standards.</p> |   |

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| 37 | In relation to revenue recognition, as discussed previously, the External Auditors used to receive confirmation from the ESFA to show what income could be recognised in the accounts. In the absence of this assurance, due to changes in the Post-16 Audit Code of Practice, there had been more detailed testing in relation to the student data. Page 8 provided a summary of what action had been carried out. Mr Flanagan confirmed that all testing had gone smoothly. |  |
| 38 | Mr Flanagan explained that detailed testing had been undertaken on 16-18, adult and apprenticeships funding and there was no misstatement in relation to income identified.   |  |
| 39 | Journal testing had also identified no significant issues. Mr Flanagan explained that software was used to link into the College finance system which allowed a focus on areas of concern. No areas of concern had been identified as part of the review.   |  |
| 40 | In relation to testing carried out, there was a requirement to look forward to 2022/23 and a requirement to continue to assess going concern status until the point of signing.   |  |
| 41 | Committee members asked about the impact of COVID-19. It was noted that this was not deemed to be a material uncertainty to require reporting.  |  |
| 42 | In terms of pensions, in terms of the statement of income, this had changes from a loss of £7m to a gain of £5.7 million in 2020/21. Linked to the actuarial gain, there were a number of assumptions made by the actuaries. Key assumptions made were referred to on page 10. This had caused the actuarial gain which had decreased the pension liability and strengthened the balance sheet.   |  |
| 43 | Committee members asked about the pension increase and the impact of high inflation in recent months. It was noted that the rates were set at 31 July 2021, and fluctuation was likely in 2022.   |  |
| 44 | Mr Flanagan referred to page 11. The Auditor's independent valuations team considers the pension and actuarial report, particularly the assumptions relating to mortality.  |  |
| 45 | No issues had been identified in the course of testing.   |  |
| 46 | No issues had been identified in areas which are not deemed to be significant. A summary of testing undertaken was noted.   |  |
| 47 | Page 13 listed other areas required to communicate. There had been no incidence of fraud identified and Committee   |  |

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|    | members confirmed that there were no areas of concern for the Committee.  |  |
| 48 | In relation to Internal controls, there were no new internal control issues in the current year.  |  |
| 49 | Page 15 listed issues in pervious audits. Actions to address these had all been completed and no new issues had been identified.  |  |
| 50 | There were no areas above any materiality thresholders.   |  |
| 51 | The summary of fees and how the Auditor's remain independent was noted.   |  |
| 52 | Mr Flanagan referred to page 18 and the communication of audit matters to those charged with governance.  |  |
| 53 | Committee members were pleased to see that no internal control issues had been identified and that previous years issues had been remediated. Thanks were expressed to the management team.   |  |
| 54 | Thanks were expressed to Grant Thornton, for their conduct of the process and for their involvement over many years at the College.   |  |
| 55 | Committee members reviewed the Draft Financial Statements for the year-ended 31 July 2021.  |  |
| 56 | In relation to the Report of the Members of the Corporation, it was noted that this was based on the published template document.   |  |
| 57 | <p><b>Resolved</b> – Committee members recommended to the Board for approval</p> <ol style="list-style-type: none"> <li>1. The Financial Statements for the year-ended 31 July 2021</li> <li>2. The Audit Findings for the year-ended 31 July 2021</li> </ol> |  |
| 58 | It was noted that this recommendation was subject to no significant changes occurring and that the drafting issues were resolved.   |  |
| 59 | <i>Questions and responses received in advance;</i>   |  |
| 60 | <i>CR - Financial Statements – Exec Summary Section 3 – FRS102 Impact ... says 'in the future will have to make additional contributions to the fund'. When and to what value? Or when will this be decided if not clear yet?</i>                             |  |

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| 61 | <p><i>Response – The College will be notified by the pension body when any additional contributions are required. It is not possible to determine when or how much as it would need to be calculated by actuaries.</i></p>  |  |
| 62 | <p><i>CR - Financial Statements P48 - The Bank Loan of circa £4m at a rate of 5.5%.<br/>Is that still competitive and should we renegotiate?</i></p>  |  |
| 63 | <p><i>Response - The full breakdown of the current loan with Barclays is £3.2m at a fixed rate of 5.5% (including a bank margin of 1.3%) fixed to Sep 2036 and £922k at a variable rate of 1.38% (margin rate 1.3%).</i></p>  |  |
| 64 | <p><i>If the variable part of the loan was to be repaid the College would need to pay, on top of the outstanding capital amount (£922k), any interest outstanding at the date of the repayment and a fee of 1% of the outstanding capital (currently this would be £9.2k).</i></p>  |  |
| 65 | <p><i>If the fixed rate element of the loan was to be repaid the College would be required to pay a repayment fee of £32k on top of the outstanding capital amount of £3.2m and the relevant early redemption costs in relation to costs incurred by the bank due to breaking any funding arrangements entered into by it in connection with the outstanding fixed rate amount.</i></p> |  |
| 66 | <p><i>Enquiries have been made as to financing from other institutions but there is currently no appetite for lending to the FE sector.</i></p>   |  |
| 67 | <p><i>CR - Financial Statements<br/>Was quite surprised not to see anything in the Financial Statement about environment/carbon management. Where does this get reported for the public?</i></p>  |  |
| 68 | <p><i>Response - The commentary is subject to final SLT review before sign off by Corporation in December. Consideration will be given to how this could be incorporated.</i></p>   |  |
| 69 | <p><i>AF - Financial Statements<br/>Significant Risks – Salary Growth: The inflation is 1.25% above CPI (3.85 to 2.6%). Can we confirm the reasoning for this? (reducing turnover for example?) and what would the impact on plan be of growth at CPI level?</i></p>  |  |
| 70 | <p><i>Response - The salary growth of 3.85% is not based on the Colleges actual own actual finances but on that used by West Yorkshire Pension Fund.</i></p>  |  |

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| 71 | <p>An extract from the AON "Assumptions Advice .....Accounting for pensions under IAS 19 / FRS 102 as at 31 July 2021" states:<br/> <i>'The recommended assumption for general salary increases is derived by adding a margin above the inflation assumption. Unless instructed otherwise by the Employer, we will use an assumption for general salary increases that is consistent with the methodology adopted for the 2019 Valuation. Please be aware that any allowance for promotional increases in the most recent valuation of the Employer's liabilities will be allowed for in addition.'</i></p> <p><b>Audit Code of Practice – the Self-Assessment Regularity Questionnaire 2020/21</b></p> |  |
| 72 | Mrs Bowker presented the Self-Regularity Questionnaire responses. This provides evidence and details around how College supports compliance.  |  |
| 73 | It was noted that the questionnaire was submitted to the ESFA with the Accounts and findings along with Annual Audit report.  |  |
| 74 | Mrs Bowker explained that the main body of the questionnaire had hardly changed, other than just some slight wording changes. There was a new Annex in relation to COVID.   |  |
| 75 | There were some alignment issues in relation to responses and some areas where a fuller response might be required.   |  |
| 76 | Responses would be finalised in relation to Annex B, however no issues were likely.   |  |
| 77 | <b>Resolved</b> – the Audit Code of Practice – Self-Assessment Regularity Questionnaire 2020/21 was approved for recommendation to the Board.   |  |
| 78 | <i>Questions and responses received in advance;</i>   |  |
| 79 | <i>AF - Self- Assessment (p.15)- Minor Q: I note a small Ex gratia has been made during the year. Do we have a clear policy and sign off for any such payments? And typically, under what circumstances would such payments apply?</i>  |  |
| 80 | <i>Response - Yes, any ex-gratia payments require SLT approval.</i>   |  |
|    | <b>FCA/21/105 – Items to be reported to the Board</b>   |  |
| 81 | <p>Items recommended to the Board for approval;</p> <ul style="list-style-type: none"> <li>• The Financial Statements for the year-ended 31 July 2021 subject to final amendment.</li> </ul>  |  |



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|    | <ul style="list-style-type: none"> <li>• The Audit Findings for the year-ended 31 July 2021</li> <li>• Audit Code of Practice Self-Assessment Regularity questionnaire</li> </ul> |  |
| 82 | The meeting had received and noted an IT security deep dive presentation.   |  |
|    | <b>FCA/21/106 – Date of Future Meeting</b>  |  |
| 83 | Joint Finance & Resources and Audit Committee – November 2022 – TBC   |  |
|    | <b>FCA/21/107 - Meeting in absence of Management</b>  |  |
| 84 | Mr Flanagan commented that no issues of note or concern were raised. The management team had been co-operative throughout.  |  |
| 85 | It was noted that there was a strong settled team in place.   |  |

Signed as a true and accurate record

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Chair

Date