**Preston’s College Audit Committee Meeting Minutes – 14th March 2018**

**Present:**

Mr E Bassa

Mr T Readett

**Apologies:**

Mr M Driver

Mr J Wilson

**In attendance:**

Mr S Nixon (Executive Director Resources)

Mr M Harding (RSM)

Mrs J Crowther (Clerk to the Corporation)

**ITEM 1 Welcome and Apologies**

The Chair welcomed members and noted apologies. As the meeting was not quorate it was agreed that the any decisions would be ratified by written resolution. The Chair asked that it be noted that the levels of quoracy were a concern for the Committee. It was noted that recruitment to the Board has been addressed in detail at the Strategic Planning Day, and again at Search and Governance Committee on the 8th February, but Members were in agreement that this should be pursued after the Board meeting on the 22nd March.

**ITEM 2 Declarations of interest**

No additional interests were declared

**ITEM 3 Internal Audit Reports**

Mr Harding from RSM confirmed that the reports for the Committee were in relation to the College’s marketing strategy, and the Quality Frameworks and Compliance. He advised that with regard to the Quality Frameworks and Compliance, from the review of the controls in place, no areas of non-compliance were noted. He advised that the College has a well-designed control framework surrounding academic quality. Therefore, a substantial assurance opinion was issued with no actions. Mr Harding noted the positive actions taken to make improvement. With regard to the Marketing and Recruitment Strategy Mr Harding advised that the framework was well designed. One low priority management action was raised regarding the updating of the College’s Marketing Strategy, but substantial assurance was given.

**Resolved: The Committee received the reports and agreed to endorse the Action Plans through Written Resolution**

**Item 5 Audit Register:**

Mr Nixon presented the Audit Register and advised Members that the superseded items in it were related to the decision not to proceed with the relationship with UCLan, and that good progress has been made in addressing other recommendations. He further advised that internal audit has just completed a follow up review, and whilst the formal report is awaited, verbal feedback confirmed that good progress is being made. Mr Harding agreed with this and confirmed that, whilst there are two remaining actions that require progress, these do not constitute a major risk.

**Resolved: The content was noted for agreement through Written Resolution**

**ITEM 6** **RISK MANAGEMENT REGISTER**

Mr Nixon drew members attention to the 18/19 allocations for 16-18 classroom-based learners which had just been received by the College. The allocation in draft form shows a reduction that is greater than anticipated. Mr Nixon confirmed that the College would be putting forward a business case to have this reviewed as there was a technical problem with the funding body software, and in the opinion of the College, the right methodology had not been applied. Mr Nixon also advised Members that this has been further complicated by an upgrade to the College MIS system, EBS. The upgrade was introduced and had an adverse impact on the hours recorded against each learner. As a consequence, a further funding reduction has been applied. A reduction of £934,000 has been made to programme funding, but if the business case is accepted this should reduce to in the region of £500,000, more in line with expectations, although clearly there is no guarantee that this will be accepted. Members asked about the deadline for business cases. Mr Nixon confirmed that the last date is the 24th April. However, Mr Nixon confirmed that the College would be taking a pro-active approach and speaking to the ESFA prior to that date, as this is believed to be an error. Members noted that the reduction could still be in the region of £500,000 which is substantial. Mr Nixon advised Members that the issue of the reduction would be addressed as part of papers presented to the Board at the next meeting.

Mr Nixon drew members’ attention to 18/19 and the demographic dip, and advised that because of the lagged funding system the difficulties with funding of 16-18 learners are likely to remain for at least two years. To help mitigate this, a substantial amount of marketing and Schools Liaison activity have been focused on recruitment from schools that have not traditionally been major sources of learner numbers. Mr Nixon confirmed that applications for 16-18 programmes had so far been positive. The Chair asked about the level of analysis that has been undertaken with regard to demographics to look at new communities and movement in and out of the area that might present new market opportunities. Mr Harding confirmed that there is a substantial amount of local data available, and the marketing team are using this to target activity.

Mr Nixon confirmed that adult activity (AEB) was still a risk, but it is being managed and is currently expected to recruit to target. He further advised that the target should be met within the existing resource.

Mr Nixon advised members that Apprenticeships was the biggest risk. He asked Members to note that a downward trend in recruitment is a national picture following the changes to apprenticeship funding, and the introduction of the Levy. The College performance with regard to recruitment of Levy learners is ahead of budget, however, the recruitment of non-levy learners remains lower than target, with a net negative impact of approximately £500,000. Mr Nixon confirmed that work was underway to mitigate this, but further risk assessment indicates that this might be a conservative estimate and the figure could rise to £800,000.

Mr Nixon confirmed that the pressure on income meant that the predicted surplus might not be met and there is now a risk that the College may post a deficit. Members asked if a deficit would impact on the bank covenants. Mr Nixon advised this was a risk, but the College would work to ensure that any deficit remains within the threshold to avoid breach of Bank Covenant, which is £185,000.

Mr Nixon confirmed that the FE Commissioner would be in College on the 15th and 16th of March undertaking a diagnostic assessment in line with the expanded role of the FE Commissioner in the context of FE intervention policy. Mr Nixon confirmed that this would be a supportive process to help the College and the Board in taking decisions about the future. He further advised that the outcome should be known by the Board meeting on the 22nd March, and the Principal would report further on the findings.

Members raised concerns that the timescales to rectify the financial situation were narrow. Mr Nixon agreed that this was the case. He advised Members that with regard to apprenticeships, even though recruitment is ongoing, at this stage in the year, income would inevitably be split over 2017/18 and 2018/19.

Mr Nixon confirmed that the College is exploring in year cost savings to offset the reductions in income. Recruiting to vacant posts has been put on hold unless clearly business critical, non-pay budgets have been looked at carefully along with short term investment in estates in an attempt to mitigate the impact.

Members asked about longer-term solutions identified to address the current issues to build in resilience for the future. Mr Nixon advised Members that a paper would be brought to the Board on the 22nd March outlining the long-term plans.

**Resolved: The Risk Management Register was noted for written resolution.**

**ITEM 6 Debt write off**

Mr Nixon reminded members of the arrangements for debt write off and the levels of authority required to write debt off, and asked Members to note the appendix outlining the levels of write off. Members asked about how the debt is pursued. Mr Nixon gave assurance that this is followed up robustly, and on occasion court action has been taken. However, much of the debt written off is where the learners cannot be located and further action ceases to be cost effective.

**Resolved: The debt write off was noted and will be resolved by Written Resolution**

**Date and time of next meeting – Wednesday 13th June 2018 at 5.30pm**