

## **CARDINAL NEWMAN COLLEGE**

### **BOARD OF GOVERNORS – AUDIT COMMITTEE**

A meeting of the above Committee was held at **4.00 p.m.** on **Wednesday 1 March 2017** in the Conference Room at the College.

#### **Members present:**

Peter Halpin (F), Chair  
John Calvert (F)  
Bob Eastwood (F) (remotely participating)  
Peter Towers

#### **Officers in attendance:**

Bob Deed, Clerk  
Katie O'Reilly, Director of Corporate Resources  
Denise Kennedy  
Annette Pettman

#### **Others in attendance:**

Gareth Hitchmough, Mazars

#### **1 Opening prayer**

The meeting commenced with a prayer.

#### **2 Welcome, introductions and apologies**

The Chair welcomed Bob Eastwood dialing into the meeting remotely.

#### **3 Declarations of interest**

There were no declarations of interest.

#### **4 Minutes of the meeting on Wednesday 19 October 2016**

The minutes of the meeting held on Wednesday 19 October 2016 were accepted as a correct record.

#### **5 Matters arising from the minutes**

There were no matters arising not covered on the agenda.

#### **6 Presentation on the College's new approach to value-for-money**

The College's Commercial and Procurement Manager, Annette Pettman, presented on the College's new approach to value-for-money.

The Procurement Manager outlined recent work on training including a session on procurement for 40 staff including key budget-holders. There are five modules within this training programme.

The Procurement Manager noted the introduction of a savings tracker which is updated each month. This is building on the past system for recording savings but intended to more completely capture savings.

The College is using a continuous improvement approach with best practice reviews being rolled-out in the summer. This builds on the three Es of value-for-money: economy, efficiency and effectiveness.

The Procurement Manager outlined savings this year: £86k for the year to February 2017 compared with £60k for the whole of last year. She gave examples of the types of savings made.

The Director of Corporate Resources noted that the non-pay budget for 2017/18 was likely to be reduced by over £400k. She was asked how the savings were to be made. The Director of Corporate Resources explained that some budgets were comprised largely of non-discretionary spend e.g. exams. However, large budgets were required to take reductions with all budget-holders asked to review spend and challenge suppliers.

## **7 Update on risks around property and growth**

The Director of Corporate Resources, Katie O'Reilly, presented on the key risk of the College not being able to accommodate the likely growth in student numbers.

The Director explained that the RCU had been commissioned to review demographic trends including future cohort size. She also outlined the College's own work on curriculum modelling, space usage analysis and extensive site searches.

RCU's baseline showed growth to almost 4000 on the basis of holding market share. Alternative scenarios showed greater growth as well as the possible implications of the Eden Boys' School sixth form.

The Director explained that the College was now working on plans for a new build in the grounds. Such a building with 3,000-3,500m<sup>2</sup> would allow the College to accommodate a further 600 students.

A building would raise complicated planning issues including:

- Trees as there are several tree preservation orders in place.
- Two culverts – a natural watercourse and a drainage watercourse.
- Effect on the neighbours including parking.

The Chair asked about relationships with Preston City Council. The Director of Corporate Resources explained that the College was working closely with the Council who are providing pre-planning support.

The Director explained how Lancashire County Council and Lancashire Enterprise Partnership were to consider a bespoke funding application for funding support. If successful, the project would require a financing cocktail, probably including some cash reserves and/or loan finance via the local authority.

In the event of the College not being able to build, the College would have to consider a cap on numbers or a building on an alternative site.

The Chair thanked the Director of Corporate Resources and asked for the Board to receive a similar report. The Director explained that next week the Finance and Premises Committee would be receiving a presentation next week from Kerrie Norman of Flinders Chase on the project.

## **8 Progress report on audit recommendations**

**Discussion**

The Director of Corporate Resources introduced the progress report. The College had implemented all the remaining audit recommendations apart from one Safeguarding recommendation:

*The annual report to governors on safeguarding, in order for them to have a more complete assurance about how well they are meeting statutory duties, could helpfully include: an update on the completeness of the single register (e.g. how many staff awaiting DBS, any gaps in information, how many volunteers etc.); information on the welfare and progress of vulnerable groups, e.g. children looked after; and information on any persistent absentees.*

The Director confirmed that this was being progressed including use of data held on Cedar.

## **9 Update on the assurance plan**

**Discussion**

The Clerk as outlined the approach being taken to planning the two assurance reviews:

- The governance review would be undertaken in the late spring so it could be reported to the May 2017 Audit Committee meeting.
- The review of the operational aspects and business management of Cedar would be undertaken in the summer so that it could be reported to the autumn Committee meeting. The Clerk was meeting the accountancy firm RSM on 6 March and had contacted the UNIAC internal audit consortium about the work. He suggested that it would be useful if internal auditors had relevant experience such as how universities manage the exploitation of opportunities.

The Chair asked whether the SMT had considered assurance reviews in the light of the strategic objectives adopted in the autumn. The Clerk said that this had been discussed at the SMT awayday and followed-up by email more recently. He said that property was the key issue for the College but an assurance review was unlikely to add value and may distract from the priority work being undertaken. The Committee agreed.

**The Audit Committee agreed that the planned work on the governance and Cedar reviews should be progressed.**

#### **10 External audit tender**

**Decision**

[Considered after item 11 and in the absence of Gareth Hitchmough of Mazars.]

The Clerk outlined the background to Mazars re-appointment in December 2011 when the Crescent Purchasing Consortium (CPC) framework did not prove a useful approach. He suggested that this issue had been addressed by CPC. He also noted there were three firms who had a presence in the north west and experience of auditing sixth form colleges.

The Chair noted that the Mazars partner was professional and made a valuable contribution to Audit Committee meetings. The Committee highlighted the need for quality and independence. It did not identify any issues with these key issues.

**The Audit Committee resolved to review the issue again in autumn 2019.**

#### **11 Risk register – termly update**

**Discussion**

The changes highlighted in the summary report were noted.

The Director of Corporate Resources explained the College's exposure to changes in High Needs Student funding. There is was a risk to both the Element 2 and Element 3 funding streams as a result of changes at both local and national level. In response to a query from the Committee, she confirmed that these were amounts in the region of £0.5million. She noted that Lancashire County Council had a good settlement on High Needs funding which should reduce the risk to 2017/18 funding. She outlined the work being done by the College to monitor and manage this risk.

Members of the Committee asked about the implications for the College's provision of support for High Needs students if funding was restricted. The Director of Corporate Resources said that the College would seek to maintain this support with a degree of cross-subsidisation, if necessary. She noted that the College might have to review its model of provision if the local authority changed or reduced funding.

The Director of Corporate Resources was asked whether the outcome of the network penetration testing would be reported to the Committee. She confirmed that this work would be undertaken this year with the outcome shared with the Committee.

Gareth Hitchmough of Mazars noted that in Manchester there had been changes in the financial arrangements of the Local Government Pension Scheme (LGPS) scheme. The Director of Corporate Resources noted that the LGPS deficit was already on the College's balance sheet. A member of the Committee asked whether the College might have to pay additional cash contributions to the Lancashire LGPS. The Clerk as Director of Corporate Resources noted that issues with LGPS were to some extent localised with the Lancashire scheme appearing to be suffering from less serious issues than some others. He informed the Committee that the recent published results of the March 2016 funding valuation meant that there was limited change in the College's contributions. However, he did note that the LGPS was affected by a range of factors including the proposed college insolvency regime which had led some schemes to reduce the length of deficit recovery periods. The College's recovery period for LGPS was now about 16 years with the College making an annual payment of about £50k on top of the standard pension contributions.

**The Audit Committee asked College management to include a risk relating to the costs of the LGPS scheme on the risk register.**

## **12 Determination of any items to be treated as Confidential**

There were no items to be treated as Confidential.

## **12 Date and time of the next meeting**

The next ordinary meeting of the Committee is scheduled to be held at 4.00 p.m. on Wednesday 24 May 2017.

