

Minutes of the Extraordinary Audit Committee Meeting

Held on Tuesday 25 May 2021 at 5.30pm

via Microsoft Teams

Audit Committee Members: Daniel Maycock (Chair), Ian Brown and Nicki Reid
In Attendance: John Abbott (CEO), Paul Lonsdale (Chief Finance Officer),
David Griffin (Chair of the Board)

Governors in attendance by invitation: Mary Tighe, Barbara Barratt, Jonathan Langdon
In attendance by invitation: Jonathan Godfrey (College Adviser on Academisation)
Tamra Mumby (RHT School Development & Compliance Adviser)

Clerk: Bettina Walker

Items denoted with * had a paper previously circulated

Action

MINUTES

AUD 1. WELCOME AND APOLOGIES FOR ABSENCE

42 The Chair welcomed the Chair and Vice Chair of Academic Planning & Quality Committee and the Chair of Finance & General Purposes Committee to this extraordinary meeting of the Audit Committee, which had been convened to discuss the College's Due Diligence on the Richard Huish Education Trust as part of the academisation process.

Apologies were received from Pat Flaherty and Dave Tomaney

AUD 2. DECLARATIONS OF INTEREST

43 John Abbott and Jonathan Langdon declared their membership of the Richard Huish Trust. David Griffin was an ex-officio Foundation Member of the Richard Huish Trust.

3. ACADEMISATION DUE DILIGENCE – REVIEW OF INFORMATION

AUD 3.1 * Review of "Cons" from December 2020 Strategy Paper

44 The CEO presented an update on the "Cons" to academisation which had originally been discussed by the Corporation in the Autumn Term of 2020. The Committee considered that none of the cons had materially changed to be a barrier to academisation.

Governors asked if there were any changes to the external environment to consider since the original discussions. The CEO reported that the White Paper on FE for Skills had been published since then, outlining Government policy for investment in skills-based learning. As skills-based learning was less than 5% of the College's work, this investment was unlikely to have much impact on any extra income for the College.

The CEO reported that a question being asked was why the College was looking to academise now, rather than a few years ago following the Area Reviews. He reminded Governors that this had been at a time of the Oak House contract, and that breaking the lease at that time would have been prohibitive. Now that a few years had passed, the College had an exit strategy for the Oak House Lease, and it was therefore a good time to consider academisation.

The Committee discussed the loss of international student fee income, due to not being able to offer provision to international students as an Academy. The CFO reported that it was still the case that the exemption on VAT would more or less compensate for the loss of international fee income.

A Governor asked how the College would be affected by the introduction of T-Levels from 2023. The CEO reported that not all BTEC provision would be replaced by T-Levels, and that the change in designation of the College as an Academy would not preclude it from offering T-Levels or other skills-based qualifications in the future..

AUD 3.2 *Richard Huish Trust School Standards

45 It was recognised that the College joining the Richard Huish Trust would bring added benefits to the Multi Academy Trust, benefiting education across Taunton. The maintenance of the College's image, reputation and legacy were important.

The Committee discussed the potential reputational risks for Richard Huish College joining the Trust in terms of its outstanding reputation. The Richard Huish name was already being used for the Trust schools, such as Taunton Academy, but Governors recognised that sponsoring the Multi Academy Trust and becoming an Academy that was part of the Trust were different things and Governors would have to be comfortable about this.

The School Improvement Officer reported on the academic performance for each of the schools currently under the Trust and their capacity to improve, as well as reporting on the state of their premises.

Each Headteacher was accountable for their school's academic performance. There were robust mechanisms in place to mitigate any issues such as school improvement partners who were available to support and supply coaching for Headteachers and their staff. Subject networks across the schools were developing and the sharing of good practice was helpful in raising standards. The School Improvement Officer had seen a steady improvement where needed, and school performance was generally becoming more consistent. Following the lockdowns during the pandemic, the schools had been allocated some catch funding, and this was being put to good use.

The Trust Academic Planning & Quality Committee for Primary Schools monitored the data and performance across the schools, and also provided training and support for Chairs and Vice Chairs so that they could challenge and hold Headteachers to account for performance.

Governors considered that Taunton Academy remained the greatest risk in terms of performance and reputation to the Huish brand. An External Consultant was working with Taunton Academy and the last three reports had shown a steady improvement. Governors asked for these reports to be circulated to them for extra assurance.

CEO

The College's Academisation Adviser reported that, in his view, the quality improvement systems for the schools in the Trust were very robust and evidenced at the RHT Board through the School Improvement Officer's report. These reports also indicated a good capacity to improve in the Schools.

There were clear and established systems to mitigate issues of reputation. One advantage would be that the College would retain its own website and marketing, thereby outwardly looking like an independent organisation.

The CEO reported that the Office of the School Commissioners was undertaking its own review of the Multi Academy Trust and would report to the Head Teachers' Board. Although neither the College or the Trust Board would be able to access those reports, they would be key evidence for the School Commissioners' Headteachers' Board, and if that Board approved the academisation, then some assurance could be based on the work undertaken.

RESOLUTION

The Committee was reassured by the School Improvement Officer's presentation that standards and processes were in place for school performance and that there was capacity to improve. The reputational risk to Richard Huish College due of sub-standard performance in the Trust was therefore mitigated. The Committee noted that another aspect of risk mitigation was that the College would, as far as was visible to the community, remain as an independent organisation.

AUD 46 4. SCOPE FOR FINANCIAL, LIABILITIES AND RISK DUE DILIGENCE

The CFO reported on the financial performance of the schools in the Trust and reported that Taunton Academy's position had improved over the past 3 years with an ESFA loan repaid and a reserve at the end of this financial year. The Primary School finances were generally much smaller and therefore not seen as a risk.

There were challenges when it came to the estates in some of the schools, and capital funding would have to be spent. The Richard Huish Trust, on the college joining, will receive an automatic capital allocation every year based on pupil and student numbers. This allocation was to support capital works, normally of a 'condition' nature, across all Trust schools.

Futures for Somerset were carrying out an independent assessment of the estates and would establish priorities for capital project investment which would be part of a wider Property Strategy for the Trust. Trust Schools were able to bid for further capital funding under the Capital Investment Fund. Although North Town had been successful with their 2020 CIF bid other schools had not. The CFO agreed to prepare a paper for Governors on capital funding for the Trust once the FfS review had been completed.

The Government was making funding available for Expansion Funding for 16-19 provision, and the College would be eligible to apply as it was forecasting an extra 150 students in the next 2-3 years.

The Committee asked what would happen to the Pensions Liability on academisation. The CFO explained that the liability for the college pension deficit would effectively transfer to the Department for Education as the college would cease to exist as an independent entity. The deficit would be reported in the Trust's financial statements as part of the overall Trust pension liability.

Following the last meeting of the Committee the CFO had approached the College and Trust's current External Auditors, Bishop Fleming, to scope the Due Diligence work for Financial, Risk and Liabilities. Bishop Fleming had quoted £12,000 to undertake the work, with a generic scope encompassing management accounts, financial statements, forecasts and property.

Governors considered this quote to be prohibitive and discussed the main areas the Due Diligence needed to be focussed on:

- The risks around Property were the main area where Governors would be seeking assurance
- When it came to Management Accounts and Financial Statements, there was enough accountancy expertise amongst governors to review this themselves to gain assurance.
- Some work around financial forecasts would need to be undertaken independently
- Assurance around risk around contingent liabilities was also needed

RESOLUTION

The Committee agreed that:

- Governors with an accountancy background would undertake the Due Diligence on Accounts and Financial Statements themselves using the End of Year Financial Reports and External Auditor Report.
- It was suggested that Futures for Somerset should be approached to add Due Diligence on school s' estates into the work already commissioned: this would need to take place sooner than the work already planned.

- Some suggestions were made to undertake the work on contingent liabilities, and the CFO would look into that.
- It was suggested that Griffin Accountancy be approached to undertake a review of the Trust's financial forecasts, with a particular emphasis on matters of materiality like pupil number projections, pay inflation assumptions and significant infrastructure costs (premises repairs, IT etc).

The Committee agreed that the aim was for the Due Diligence to take place and the evidence to be presented to the June meeting of the Committee, but realising the short timeframe, considered that some of the work may have to be presented directly to the Corporation meeting on 5 July.

AUD 5. ANY OTHER BUSINESS AND DATS OF FUTURE MEETINGS

47 The CEO reported that the College's academisation bid had been withdrawn from the May meeting of the School Commissioners Headteachers' Board. This was due to a commercial loan that the College had with Lloyds Bank, and the Headteachers' Board would prefer that no debts were brought into the Multi Academy Trust i.e. from a commercial sector into the public sector.

The CFO was investigating the repayment of the loan, so that the academisation bid could be presented to the June meeting of the Headteachers' Board.

The dates of the next meeting was noted as Monday 22 June 2021.

With no further business the meeting concluded at 7.40pm.

The minutes were agreed and signed.

Chair.....Date.....