

# FestivalUK\*2022

## MINUTES

### AUDIT AND RISK ASSURANCE COMMITTEE OF FESTIVAL 2022 LTD

9am-11am, Wednesday 2 December 2020

Held via Microsoft Teams Meeting

#### Members:

Faraz Tasnim (FT) (Chair)	Board Director, Festival 2022 Ltd
Amali de Alwis (AA)	Board Director, Festival 2022 Ltd
Liam Hannaway (LH)	Board Director, Festival 2022 Ltd
Roger Lewis (RL)	Board Director, Festival 2022 Ltd

#### Observer:

Vikki Heywood (VH)	Chair, Festival 2022 Ltd
Daniel Coles (DC)	DCMS
Greg Wilson (GC)	National Audit Office

#### In Attendance:

David Grady (DG)	Group Chief Financial Officer, OC & Festival 2022 Ltd
Caroline McGrory (CMcg)	Company Secretary and Group Chief Legal Officer, OC & Festival 2022 Ltd
John Darnbrook (JD)	Head of Business Integration, Festival 2022 Ltd
Phil Batty (PBa)	Executive Director, Festival 2022 Ltd
Sarb Hair (SH)	Corporate Operations Coordinator, Festival UK* 2022 (Secretariat)
Richard Pomfret (RP)	Senior Finance Manager, Festival UK* 2022
Lucy Bailey (LB)	Senior Legal Counsel, Festival UK* 2022

NO.	ITEM	ACTION OWNER
1	<p><b><u>Welcome and Introductions</u></b></p> <p>FT opened the meeting, confirmed membership, observers and attendees. The meeting was held via Microsoft Teams.</p> <p>FT welcomed RL as a new ARAC member, with no objections noted.</p> <p>FT confirmed the October convening of ARAC members was a planning meeting and following approval by the Board of the ARAC Terms of Reference this would be the inaugural meeting of the Committee.</p> <p><b><u>Review of Planning Meeting Notes &amp; Matters Arising</u></b></p> <p>The Committee agreed the notes of the planning meeting as an accurate record of the discussion held on 30 October 2020. Actions were recorded as complete, scheduled, covered by an agenda item; with the exception of the following as in progress.</p> <p>DG outlined positive progress in respect of the appointment of an Internal Auditor and Financial Advisory Services, in line with procurement processes. This will be concluded in advance of the January ARAC.</p> <p>PBa confirmed a full Procurement Pipeline is in development. A summary of procurements with a contract value exceeding £1m will be distributed to the January ARAC.</p> <p>CMcg confirmed sourcing is in progress to procure additional external legal resource for the Festival via the Crown Commercial Services Framework and access to specialist business consultancy for artistic commissioning. It was confirmed the appointments would take place in January / February 2021 to support the Full Commissioning Process.</p> <p>FT agreed to set up a follow up meeting with GW for a general introduction.</p> <p>RL requested an overview of the funding profile across the nations and funding mechanisms.</p>	<p>DG</p> <p>PB</p> <p>CMcg</p> <p>FT/GW</p> <p>PBa</p>

<p>2.1</p> <p>2.2</p> <p>2.3</p>	<p><b><u>Risk Management Framework</u></b>  PBa provided an overview of the Risk Management Framework, presenting summary slides (distributed in advance of the meeting alongside the framework document)</p> <p>ARAC discussed the importance of Risk Management on a project based on innovation and creativity. The ARAC outlined the focus required on operational and delivery risks to enable an open approach to creative risks. The ARAC agreed the six categories of risk classification.</p> <p>It was proposed that further detail / explanation could be provided under each category.</p> <p><b><i>ARAC endorsed the Risk Management Framework</i></b>, subject to the following:</p> <ul style="list-style-type: none"> <li>• Festival Board to define risk appetite statements and risk classification at March meeting</li> <li>• Escalations on Page 10 of the Risk Framework to be updated.</li> </ul> <p>It was agreed the Risk Universe would be submitted to each ARAC. This will be accompanied by a report on the Change in Risk Profile across the Register, highlighting new risks identified.</p> <p><b><u>Financial Controls</u></b>  RP outlined the Festival’s Financial Controls, and these were discussed by the ARAC.</p> <p>PBa responded to a query relating to the management of interest and potential conflicts, referencing the relevant policy available to the Board on the VBR and noting this as an integral part of the procurement process.</p> <p><b><i>ARAC noted the Financial Controls Paper.</i></b></p> <p><b><u>Non-Financial Controls Framework</u></b>  JD outlined the Festival’s Non-Financial Controls, and these were discussed by the ARAC.</p> <p>It was noted, as a subsidiary of the OC in its set-up phase, that the Festival is operating on the basis of OC Group Policies where bespoke Festival Policies have not yet been formally approved. JD outlined to the ARAC the plan for policy approval across the Festival’s governance structures and noted this was due to conclude by 3 March 2021 Festival Board.</p> <p>The importance of ‘near misses’ and ‘exit interviews’ were discussed. JD agreed to ensure processes were operating in respect of these areas.</p> <p>VH noted that the Board must conduct itself in line with the Staff Code of Conduct Policy and other key workforce policies, currently being reviewed by the Task &amp; Finish Group.</p> <p>PBa confirmed that a Corporate Governance Code and Good Practice Guidance is available to Board Directors on the VBR.</p> <p>RL noted the importance of considering nation-specific legislation in the development of Festival Policies, such as “the wellbeing of future generations act” in Wales, as an example.</p> <p>JD to maintain the Festival Policy Tracker and to update on status at future meetings.</p> <p><b><i>ARAC noted the Non-Financial Controls Paper.</i></b></p>	<p>JD</p> <p>FT/VH JD</p> <p>JD</p> <p>JD</p> <p>JD</p> <p>JD</p> <p>JD</p>
<p>3.1</p>	<p><b><u>Financial Update - Financial Performance Reporting Framework</u></b>  RP outlined the approach to Financial Performance Reporting and provided an update on the current position.</p> <p>ARAC discussed its responsibilities in respect of the £93.1m of funding awarded to the Festival Company.</p> <p>FT updated on correspondence between DCMS and the Festival Company regarding the central managed programme budget. PBa to share relevant extract from this correspondence.</p>	<p>PBa</p> <p>PBa</p>

<p>3.2</p> <p>3.3</p> <p>3.4</p>	<p>A discussion was held regarding the £22.7m of Festival funding awarded directly to the three Devolved Administrations via Barnett consequential block grant. ARAC noted the importance of resolving any issues or delays in releasing this funding to support the delivery of the Festival and requested an update following the Four Nations meeting to be held on 16 December between the relevant Ministers.</p> <p>RP agreed to meeting with counterparts in each of the Festival funded bodies to produce a reconciled financial summary of the total £120m funding profile for the Festival.</p> <p><b>ARAC agreed the Financial Performance Reporting Framework.</b></p> <p><b><u>Review of Lifetime Budget</u></b>  RP &amp; PBa outlined the process by which the Festival’s Lifetime Budget had been developed, in line with the Outline Business Case.</p> <p>RP summarised the breakdown of the £120m including provision for irrecoverable VAT and the ARAC noted the £93.1m of this funding which due to be awarded to the Festival Company.</p> <p>The ARAC discussed the importance of including a high-level overview of the Festival’s funding profile including the devolved nations funding in the relevant scheme of publication. It was noted this is to be done in conjunction with communications colleagues.</p> <p><b>ARAC endorsed the Lifetime Budget for submission to the Board for approval.</b></p> <p><b><u>October Financial Performance Report</u></b>  RP summarised the October Financial Performance Report provided to the ARAC.</p> <p>ARAC discussed the process by which spend is forecasted and the review process. It was noted that there will be extensive financial planning required with the commissioned partners to align expenditure across all ten projects and multiple organisations.</p> <p><b>ARAC noted the October Financial Performance Report.</b></p> <p><b><u>VAT Briefing Paper</u></b>  RP summarised the VAT position of the Festival Company, referencing the background information and advice provided by PwC.</p> <p><b><i>A discussion was held around the VAT position. ARAC agreed that the Festival Company budgets should be prepared on the financial planning assumption that 100% of VAT on expenditure is irrecoverable.</i></b></p> <p>ARAC highlighted the need to explore provisions in the tax legislation relevant to the Festival sectors, such as Theatre Tax Relief. It was agreed further advice would be sought once the commissioned projects are known and that this would be kept under regular review</p>	<p>RP</p> <p>DG / PBa</p> <p>RP</p>
<p>4.1</p> <p>4.2</p>	<p><b><u>ARAC Forward Plan</u></b>  <b><i>The forward plan was agreed by ARAC.</i></b></p> <p><b><u>AOB</u></b>  GW declared a previous relationship with PwC as an employee and partner, an confirmed a review of this interest has been through the relevant independence confirmations and checks internally and is not considered a conflict for any future advice the Festival Company may receive from PwC, noting their role in providing the VAT advice to date.</p>	

<b>Action Tracker</b>		<b>Owner</b>
<b>Matters Arising</b>		
1	Appointment of Internal Auditor	DG
2	Summary of Procurement Pipeline to be provided for sourcing exceeding £1m	PB
3	Finalise provision of external legal counsel and commissioning business consultancy	CMcg
4	GW and FT to meet for Introductory Discussion	FT/GW
5	Overview of Four Nation Funding Profile to be Distributed	PBa
<b>Risk Management Framework</b>		
5	Risk Management Framework to be updated with ARAC comments and a report provided at future ARAC meetings.	JD
6	Board to agree risk appetite statements by March 2021, following Strategy Day input	FT/VH
<b>Non-Financial Controls</b>		
7	Festival Policy Tracker to be maintained and updates provided to ARAC and Festival Board, including submission of new Policies to Festival governance for approval.	JD
8	A review of 'exit interview' and 'near misses' procedures to be undertaken.	JD
<b>Financial Controls &amp; Finance Update</b>		
9	Extract of correspondence on DCMS central programme costs to be shared with ARAC	PBa
10	ARAC to be updated on progress to release Festival funding to Devolved Administrations	PBa
11	RP to meet with counterparts in the Devolved Administrations / Strategic Delivery Bodies to provide an assurance update on cross-programme financial monitoring.	RP
12	High-level overview of Festival Funding Profile to be included in the scheme of publication, following coordinated communications planning.	DG / PBa
13	Tax position to remain under regular review, with a specific action to seek advice relating to Theatre Tax Relief once the final commissions are known.	RP