

Minutes of a meeting of the Corporation held on 7<sup>th</sup> December 2023 at 5.30pm by Microsoft Teams.

Present: Michael Priestley (Chair); Elaine Clinton; Claire Dunn; Peter Ellwood; Alison Hampson; Nigel Holliday; Phil Jardine; Emily-Rose Lane; Robert Milburn; Chris Nattress; Val Pallister; Denise Rollo; Professor Jill Stewart;

Apologies: Lee Todd; Kirsten Williamson; Sophie Kelly

Leave of absence: Paul Hardon

Also present: Karen Wilson (Deputy Principal); Iain Glendinning (Vice Principal); Jane Murray (Clerk); Karen Rae (External Auditor, Min No 91-93/23)

### **91/23 Minutes**

**Resolved** – that the minutes of the meeting held in open session on 23 November 2023 be approved and signed as a correct record.

### **92/23 Declarations of Interest**

None received.

### **93/23 Audit Committee Annual; External Audit; Financial Statements**

As demonstrated by the minutes of the Audit Committee held on 27<sup>th</sup> November 2023, the Chair of Audit noted that there had been weighty discussion in respect of the Financial Statements. The major item had been the late movement of financial monitoring information leading to a significantly worse deficit than had been forecast. The Committee had considered the financial recovery plan and had been content to recommend going concern on the basis of capital reserve resource of £886,000 and £306,000 in holiday pay accrual (owing to a difference in year and start of leave year. – this was not paid out as holidays were taken in August). The External Auditor had requested time to review with a colleague the position of going concern, and had subsequently confirmed that External Auditors were also content with ‘going concern’ status.

He noted the Internal Auditor’s Annual report had shown a comparatively strong performance from which actions are/would be monitored. He presented the Audit Committee’s annual report for the Board’s approval, which was agreed. The Chair of Audit thanked the audit committee for their work in 2022-23.

It was asked what the External Auditor’s concern had been, which required the second opinion. The External auditor explained that there could not be a deficit of a similar size in the coming year and that she had wanted to reflect on the assurances from the financial recovery plan and that cash flow would not be an issue. On the basis of some of the income figures coming through in addition to recovery actions,

her colleague had also agreed 'going concern', noting that this should be from the 12 months from the date of signature. She had had those conversations within a couple of hours of the meeting and was happy with the clean Going Concern status. She noted, however, that the Board would need to keep a close eye on the recovery plan and the impact it was making.

The Deputy Principal noted that, according to the latest figures on the data returns, that there was likely to be an additional £179,000 in income from October.

The External Auditor was asked about the asset ceiling being used on the pension. It was explained that according to the FRS102 rules, it was due to the economic benefit from the surplus position. There had been no change in contribution rates and therefore the gain had been capped (noting in the same context that there was differing practice in the sector and no guidance from the ESFA).

It was asked about key financial controls and, noting the internal audit annual report, the Chair of Audit thought that broadly they were there, but on reflection there had been perhaps some warning signs (medium recommendations), with tighter controls picked up in the recovery plan.

Returning to holiday accrual, it was asked whether there had been consideration of aligning the year end with the leave year. It was confirmed that consideration had taken place and that the general consensus of the sector was that it was not worth the upheaval bearing in mind it was an accounting entry.

Turning to her management report, the External Auditor noted the areas of audit scrutiny, which included assurance that returns to the ESFA are accurate (no significant issues arising); that various grants and revenue grants have been reported correctly (few small differences but nothing significant); management override of controls (no issues); one reclassification (no causes for concern).

While there were recommendations made, the External Auditor was happy to give a clean audit and a clean regularity audit.

It was asked about the fixed asset and the finance ledger and felt that it was an issue to do with reconciliation between the two systems. It was questioned about Activzone and LCEL reconciliations, as these had the potential for fraud. With respect to Activzone, it was felt this was a training issue. With respect to Lakes College enterprises, it was felt to be an issue of cash v card reconciliation (it was requested that a follow up discussion be had at the Lakes College Enterprises Board).

It was asked about comments in the External Auditor's report about Artificial Intelligence and it was felt that this was an item they were bringing to clients' attention. The Deputy Principal noted that sector interest was growing and that they were expecting webinars and communiques from the ESFA and the DfE. It was recognised that this would be a risk register item, bearing in mind the risks involved with plagiarism, data protection and the sharing of information.

The external auditor drew attention to the letters of representation which were agreed and was thanked for her input and guidance.

The Board agreed going concern on the basis of financial recovery plan and current forecasts of cash flow.

*Karen Rae left the meeting*

Moving on to the value for money report, which had been reviewed by the Audit Committee. The report identified many of the same issues as had been discussed around staff costs to income ratio, with the FE Commissioner team insisting on 65% ratio figure. The Deputy Principal also noted that there was an ever smaller pool of small colleges which highlighted the challenges of operating at this scale. It was asked whether market supplements at the NCfN had an impact on the ratio, but felt that surprisingly not, and more with craft and construction.

The student governor questioned whether the additional numbers recruited this year on 16-18 would help with staff costs per student and this was felt to be a very good point and that this kind of impact would be seen in future updates.

In consideration of the items in this agenda item, it was

**Resolved –**

- 1) To receive and note the draft minutes of the Audit Committee of 271123;
- 2) To note the Internal Auditor's annual report;
- 3) Approve the Audit Committee's Annual report for submission to the ESFA;
- 4) To receive and note the management letter from the External Auditor;
- 5) To note that there were no incidences of fraud in 2022-23;
- 6) To approve for signature the letters of representation;
- 7) Approves the financial statements for signature, together with the status of 'going concern', with robust monitoring of the financial recovery plan and quarterly soft close of the accounts required;
- 8) The value for money report was received and noted.

**94/23 English and Maths Action Plan**

The Principal noted that deep dives were taking place every four weeks. There continued to be attendance issues in English and maths and a letter was going out from the Principal underlining the risk to the study programme if there was not the required attendance. Asked about the underlying reasons for non-attendance and it was felt that there was not much more to be done on timetabling issues, but a question of motivation.

It was also noted that more learners were being routed to functional skills and non-GCSE quals (although there was a risk that these exams were pass or fail).

Some business leaders were going to come in to talk to students about the importance of English and maths, which it was hoped would resonate with some young people.

It was noted that progress measures were to be reviewed.

It was queried and confirmed that the 96% quoted in the plan referred to attendance at exams.

It was asked about the qualifications for teachers (currently red) and it was accepted that this needed to be better explained; there was a new training package and it was thought that this referenced completion of the training package (for those teachers who could convert to teaching maths as it was felt that you did not always need a maths graduate to teach to GCSE maths level).

It was asked whether the rewards for good attendance could be upgraded to give more incentive as it was felt that the current reward was lacking in appeal.

It was also questioned whether the action re behaviours could be reworded to give more specifics about the issue and how it is being addressed, together with impact.

It was noted by the Board that there were good things in the action plan, with evidence of energy and enthusiasm.

### **95/23 Governance – Annual Summaries**

The Board received and noted an overview of activity in 2022-23 in respect of application of the Seal; for Freedom of Information and Data Protection.

### **96/23 Confidential Session**

**Resolved –**

- 1) To move into confidential Session
- 2) That the minutes of the meeting held on 23 November 2023 be approved and signed as a correct record.

### **97/23 Management Accounts – confidential**

The Deputy Principal updated the Board in respect of the management accounts.

### **98/23 Financial Recovery Plan – confidential**

The Deputy Principal briefed the Board on financial recovery

It was noted that the next meeting of the Board was 14<sup>th</sup> December 2023 at 1500h.

**The meeting closed at 1930h**