



Northern College

THE BOARD OF GOVERNORS

Minutes of the meeting of the Board of Governors held on **26 July 2021**.

Present: Clive Macdonald (Chair), Ken Richardson, Yultan Mellor (Principal), Mike Bramhall, Neil James, Seb Schmoller, Angus Morrison, Liz Stanley, Ann Corrigan, Frank Lord, Colin Forrest.

In attendance: The Assistant Principal – Finance and Business Services (Sue Saunders), the Assistant Principal – Curriculum, Quality and Market Development (Emma Beal), the Financial Statements Auditor – Grant Thornton (Mike Redfern) and the Clerk to the Governors (Sarah Johnson).

Apologies: Bob Harrison and John Edwards.

DECLARATIONS OF INTEREST

B21/93 Each governor present declared any potential interests/conflicts of loyalty related to items to be considered at the meeting. With respect to his role with NOCN Seb Schmoller declared a potential conflict of loyalty in items relating to the College's curriculum. It was agreed that no decisions to be taken at the meeting would be affected and it was not considered necessary for the member to withdraw.

MEMBERSHIP MATTERS

B21/94 **Resolved:** i That Henry Otulakowski be appointed as a governor in the category of 'interest and experience' for a term of office from 1 September 2021 to 31 August 2025.

ANNUAL AUDIT COMMITTEE REPORT TO THE BOARD 2019/20 AND ADDENDUM (Document 1iv)

B21/95 The Board considered the Annual Audit Committee Report to the Board 2019/20 and the Addendum which covered the period from 18 December 2020 to 26 July 2021.

B21/96 It was noted that:

- together the reports provided assurance for the whole period up to the signing of the 2019/20 financial statements on 26 July 2021;
- based on the work undertaken by the committee during 2019/20, and in the period from November 2020 to July 2021, it was the Audit Committee's opinion that the Board of Governors could be satisfied with the adequacy and effectiveness of the College Corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets, and that there had been no significant issues or matters of internal control raised during the period;
- the Audit Committee remained of the opinion that the ESFA funding audit had not arisen as a result of governance or control issues at the College, but rather was a

consequence of a change in approach by the funders and their desire to 'end a position where there are discreet arrangements with particular providers outside the funding rules' and apply alternative rules retrospectively.

B21/97 The Board considered the **Regularity Self-Assessment for 2019/20**, no issues were identified.

Resolved: i **That the Annual Audit Committee Report to the Board be received and noted.**

ii **That the Regularity Self-Assessment be approved for signing.**

FINANCIAL STATEMENTS 2019/20 (Document 1iv)

B21/98 The Board considered the **Audit Findings Report** and noted that:

- the audit was now substantially complete and there were no matters of which the auditors were aware that would require modification of their audit opinion or regularity report conclusion;
- with regards to regularity the auditors confirmed that 'we have not identified any findings from the work conducted in this area, and as a result we will be issuing an unqualified regularity opinion within the financial statements';
- whilst going concern remained a significant audit risk for the College the assessment work undertaken by the auditors had enabled them to concur with management that application of the going concern assumption was appropriate.
- the FSAs assessment to support this view had included consideration of:
 - the ESFA funding audit and the potential clawback of £2.4m;
 - the impact of the repayment of the full amount on the College's cash flow forecast for the period to 31 July 2022.
 - the risk of a clawback as a result of under recruitment and the impact of this on the forecast.
 - pensions liabilities;
 - the College's financial performance;
 - the wider economic environment;
 - the assessment provided by management including the cash flow forecast;
 - the key assumptions included within the forecast including the sensitivities applied;
- the anticipated audit report opinion would be unmodified;
- the audit findings report had been considered by the Audit Committee at its meeting on 26 July 2021 which had concluded that from their point of view there were no issues that should prevent the Board of Governors from approving signing of the financial statements for 2019/20.

B21/99 The Board considered and approved for signing the **financial statements for 2019/20**, noting that two updates had been included relating to a successful counter claim and the release of clawback not required for the adult loans bursary.

B21/100 The Board considered and approved the contingent liability statement included in the financial statements at note 24, noting that the financial statement auditors had agreed that it was accurate, appropriate and descriptive, and the wording had been reviewed by Stone King LLP.

B21/101 The Board considered and approved the **letter of representation** for signing.

- Resolved: i That the financial statements for 2019/20 be approved for signing and layed before the Company.**
- ii That the letter of representation be approved for signing.**

STRUCTURE AND PROSPECTS APPRAISAL RECOMMENDATIONS

- B21/102 The Board considered and accepted the recommendations arising from the FEC Structure and Prospects Appraisal process which had concluded on 21 July 2021.
- B21/103 The recommendations were noted, central to which was the agreement that the Northern College standalone option was the clear and unanimous preference of the FEC, ESFA and MCAs and this was therefore the preferred way forward and would be recommended to the Minister.
- B21/104 Additional recommendations were noted as:
- further work with the MCAs and local stakeholders to develop and firm-up the collaborative model outlined in the standalone proposal;
 - further dialogue with ESFA and Northern College to finalise the outcome of the audit and confirm an agreed timeline/plan for recoveries in respect of the audit and underperformance in 2020/21;
 - that the FEC and ESFA jointly with the MCAs monitor periodically during 2021/22 the College's achievement of its delivery plan and any mitigating actions it may need to take in the event of a material shortfall against recruitment targets.
- B21/105 The Board:
- welcomed the result and congratulated the College on its significant work to achieve this preferred outcome;
 - agreed that throughout the forthcoming monitoring process the College needed to ensure that what was unique about the College's provision remained uppermost;
 - suggested that the College should proactively propose what on-going FEC monitoring would be helpful;
 - noted that the outcome was confidential until it had been agreed by the Minister;
 - recognised that the College's three-year plan was ambitious and its delivery would need to be carefully monitored throughout the forthcoming period;
 - supported the need for continued dialogue with the ESFA regarding finalising a mutually agreeable appropriate and affordable value of clawback and payment terms.

- Resolved: i That the recommendations from the FEC SPA process be accepted.**

DATES OF THE NEXT MEETINGS

- B21/106 Thursday 30 September 2021 - 11.00am
 Thursday 16 December 2021 - 11.00am
 Thursday 10 March 2022 - 11.00am
 Thursday 14 July 2022 - 11.00am