

THE FURTHER EDUCATION CORPORATION OF MIDDLESBROUGH COLLEGE
CONFIRMED MINUTES OF 13.12.2024 MEETING OF AUDIT AND RISK COMMITTEE

PRESENT: I Wright (Chair and CG), D Budd (CO), A Coleman Cooke (CO), M McClintock (CG), I Wallace (CG).
Z Lewis (CEO/Principal) for Items 3 and 7

For Item 3 only: J Castor (CG), R Davies (CG/Chair), M Lamb (CG), D Lusardi (CG). A Pajura-Jaszczak (Staff Governor), L Woods (CG).

AUDITORS: R Barnett (RSM), D Hoose (Forvis Mazars) both via Teams

OFFICERS: Z Foster (Clerk), S Langstaff (VP – Finance and Registry), S Marshall (VP – Digital and Campus Services), O Rodley (VP – Quality and Performance).

Key CG - College Governor CO – Co-opted Governor
VP - Vice Principal

1. Apologies for Absence and Welcome

R Anderson (CG), M Gibson (RSM),

2. Declarations of Interest – M McClintock declared his local councillor role/ associated links with Middlesbrough Council.

3. Financial Statements 2023-2024

Seven members of the wider Governing Body were present to hear and respond to the audit findings from Mazars and the financial statements overview by S Langstaff.

3.1 Audit Findings Management Letter (within the draft audit completion report) - D Hoose gave a summary of the External Auditors work for the 2023-24 accounts, outlining significant progress with the audit since the draft report had been issued, thereby giving confidence that the final management letter would be ready for signature near to the end of next week. He detailed the areas of the audit to be finalised, highlighting that there were no specific concerns within that. He also outlined a handful of new disclosures/requirements which the College were technically compliant with.

It was confirmed that the Chair of Audit and Risk would be informed in advance if any concerns arose whilst the audit was being finalised, and that a version of the management letter would be brought to the Governing Body meeting on 16 December 2024 (with D Hoose being in attendance for that item).

The Chair of the Committee thanked D Hoose and the wider team for providing the audit and findings outcomes, which gave a strong indicator that appropriate internal controls were in place to allow for appropriate assurances by the Committee.

The Committee discussed in some detail the Finance Team resourcing currently and reasons for some of the difficulties over the audit period and future capacity with an action for the Committee to consider this over the coming 3-6 months.

The Committee **approved** the recommendation to the Governing Body of the draft Audit Completion report, an update of which would be provided for the 16 December 2024 meeting.

3.2 Financial Statements Overview – S Langstaff detailed the group structure for governors present which were largely in line with the July management accounts with a small deficit position. She confirmed that there were some ongoing adjustments being made.

Discussion included: exam and registration costs and reasons for the disparity in forecasting with confirmation that a range of actions had been taken to mitigate against this going forward; reasons for tuition fee income drop; clarification on teaching staff numbers query; confidence with the bad debt process; EBITDA level and wider ESFA benchmarks particularly cash days (and new KPIs to track this) and the challenge of the lagged funding model for the College; the potential rationalization of the subsidiary groups; collaborative work with Finance and Data teams and how this might be further developed for swifter live information for management staff (to be returned to the Committee as a future agenda item);

Action - A few areas of clarification (in respect of teaching staff figures and 'other operating expenses') would be given post meeting by S Langstaff.

Ahead of approval, J Castor (Chair of Corporate Services Committee) confirmed that the statements had been fully considered at their meeting on 9 December 2024 where there had been a full discussion. After appropriate assurances, the CSC Committee had been happy to recommend the Financial Statements to the Governing Body at its 16 December 2024 meeting.

The Audit and Risk Committee then recommended for **approval** by the Governing Body the five sets of financial statements as detailed below:

- 3.2.1 Middlesbrough College
- 3.2.2 Northern Skills Group Business Services Ltd
- 3.2.3 Northern Apprenticeship Company Limited
- 3.2.4 TTE Technical (UK) Ltd
- 3.2.5 TTE International Ltd

It was also **agreed** that this recommendation be subject to the Vice Principal of Finance and Registry providing any update on any changes that have been made to the financial statements since these drafts were approved and if any changes are considered material the Vice Principal to consult with the Audit Committee Chair, and if it is deemed necessary, provide an update to the Audit Committee members prior to presentation to the Governing Body.

The College Governors invited for the item then left the meeting.

4. Private Discussion with Mazars and Audit and Risk Committee

Members of staff left for this item while a private discussion took place.

5. Unconfirmed Minutes of 27.09.2024 – were approved as a correct record.

6. Matters Arising not on the Agenda – all matters had either been concluded or were in progress, noting that an update in relation to the position on TVCA would be provided within the risk management item.

7. Risk Management Update (including risk registers)

Z Lewis gave an overview which focussed on the increase to the finance risk and reasons why including: the major issues of lagged funding and actions (which was a direct result of enrolment beyond that expected) and adult funding uncertainties and changes; accommodation for the increased number of students; possible opportunities for capital funding; and potential effect on staff recruitment and retention. More positively from the Budget, there would be annual capital grants, albeit the detail of this was not yet known.

O Rodley gave a verbal update to changes in the risk registers where there had been four movements (two up and two down) and reasons for these.

Discussion included: increase in NI and related expectation that this will be DfE funded in some capacity; risk of industrial action/staff resignation in current climate and in light of delay to pay award decision; the effect of ongoing lagged funding; the effect of rise of NEETs and youth unemployment on the local area and College and related demographic increases (until 2029-30); the effect of student numbers and growth (to be considered further at the May Strategy Day); local decision makers and influence; early thoughts on the impact of the qualifications reform announcements; reasons for increase in student behaviour risk and mitigations being actioned including use of the many data dashboards to inform decision making particularly in relation to attendance which was 1% lower than the previous year (alongside a lower drop out rate) despite higher numbers of learners; and potential impact of wider social unrest on learner behaviour.

The reduction in the failure to ensure compliance with legal/regulatory/statutory and governance requirements risk was discussed in detail including: the range of areas this now covered; the unknown risks; ways of monitoring the various strands including clear identification of each of those; the role of SLT in overseeing the relevant compliance requirements under their responsibilities; and mechanisms to avoid overreliance on key individuals; the positive and transparent culture of the College/SLT where issues have been detected; and overall confirmation that the risk measure is currently accurate.

Action by O Rodley to consider the oversight role of managing this risk (potentially detailing the various strands within) and report back to the Committee.

Risk Management Annual Report 2023-2024

Z Foster gave a brief overview of the annual report.

The **Committee agreed** (to recommend to the Governing Body **approval** of the report as part of the Annual Audit and Risk Report 2023-2024.

8. Annual Report of the Audit and Risk Committee

Z Foster and I Wright outlined the detail of the annual report and overall purpose.

The Committee shared their positive thoughts and support for the Chair's statement.

Subject to one minor amendment, the full report and appendices as outlined below were **recommended for approval** at the meeting of the Governing Body on 16 December 2024.

The 2023-2024 Annual Report of the Audit and Risk Committee which includes:

- the 2024-25 Internal Annual Audit Plan
- Committee terms of reference
- the 2023-2024 Internal Audit Annual Report
- the 2023-2024 Audit Findings Management Letter (Item 3.1)
- the 2023-2024 Risk Management Annual Report (Item 7.3)

9. Exception Report

O Rodley detailed good progress against the small number of outstanding actions.

He also reminded the Committee that no further audits had been finalised since the last meeting although the Student Support audit would soon be completed with the report following for the March meeting.

Governors noted the small number of management issues resulting from the audits which was reassuring.

10. Internal Audit– presented by R Barnett from RSM

- 10.1 **Progress report** – R Barnett spoke to the issued progress report which was relatively limited due to the fact that only one audit had taken place during the Autumn term, the report of which was currently being finalised.

He also detailed a rescheduling change being brought for Committee approval, which required some clarification on wording (which was inaccurate) ahead of the Committee **approving** the change.

The Committee discussed the general mechanism agreed for in-year exceptions to the approved audit programme and **confirmed** that any change (be this at the instigation of Internal Audit or Management) should, after discussion between Internal Audit and Management, firstly be shared with the Chair of the Committee for approval, and if significant, to the Committee itself. Any changes would then be reported as part of the meeting cycle as appropriate and detailed in future progress reports from RSM.

R Barnett then spoke to the Internal Audit Code of Practice, confirming that RSM conformed to all aspects. He also confirmed that the Committee's terms of reference were appropriate.

11. Committee Review of the Top Risks

After review, the Committee **agreed** that the risks identified were correct with scoring appropriate.

The Committee **agreed** to have a focus on the Finance Team over the year in order to best support the complexities of the financial situation now and going forward.

The Committee and auditors discussed the similarity of themes across the sector in relation to risk.

A query in relation to market share and the impact of this both for the College and other providers was discussed leading to a wider discussion on growth, mergers and acquisitions in the current climate, the potential impact for non-profitable courses locally, physical space for growth including the need to renew the Estates Strategy, the priorities and response to which were dependent upon outcomes for capital bids and exception circumstances bids.

Action post meeting for A Waller-Amos/Marketing – to share the most up to date market share figures with the Committee.

12. Any other Business

- a) Relevant topics for February Training Session – changes in the HE sector and potential impact on college HE courses was raised by the External Auditor. It was confirmed that there would be a session on HE courses at the training session in February.

Additionally, and as discussed within the meeting, for a future strategy session (possibly May), the areas of student growth and related strands was cited as an essential area of focus.

13. Dates of Meetings 2024-2025

- Friday 7 March 2025 at 1pm
- Friday 20 June 2025 at 1pm

14 Report Reflections

No additional comments noted.

I Wright thanked everyone for their contributions and wished them a merry Christmas.

15 Members Discussion - members of staff left for this item.

The meeting closed at 3.50pm