

THE FURTHER EDUCATION CORPORATION OF MIDDLESBROUGH COLLEGE
CONFIRMED MINUTES OF 07.03.2025 MEETING OF AUDIT AND RISK COMMITTEE

PRESENT: R Anderson (Chair for the meeting, CG), D Budd (CO), A Coleman Cooke (CO), I Wallace (CG), M Wells (CG)

Z Lewis (CEO/Principal) for Items 3 and 7

AUDITORS: A Mullens (RSM) via Teams

OFFICERS: Z Foster (Head of Governance), 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

D Hoose (Forvis Mazars), M McClintock (CG) and I Wright (Chair and CG).

Welcome and introductions were given to new Committee member M Wells (College Governor) and A Mullens (RSM) who would be replacing M Gibson (RSM). The Committee wished M Gibson well.

2. Declarations of Interest – R Anderson declared any relevant interest in respect of LSIP and the Stamp Exchange in Newcastle (as the NECC are NSG's landlord).

3. Private Discussion with RSM and Audit and Risk Committee

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

4. Unconfirmed Minutes of 13.12.2024 – were approved as a correct record.

5. Matters Arising not on the Agenda –

- O Rodley sought clarification on the compliance risk matters arising item from December 2025. After discussion, it was **agreed** that the SLT risk management group would give this some further consideration to enable best assurance to Governors, which may include future presentation to the Committee of the various areas by the relevant SLT lead.
- Market Share in relation to the two declining departments within a complex enrolment was discussed further with some indication that the picture was improving for the upcoming year.

6. Risk Management Update (including risk registers)

Z Lewis detailed the 5 red risks and possible future downward movement of 2 of those (health and safety and post 16 quals reform). She highlighted the new red risk of worldwide events with the mix of international and austerity issues playing into that. She outlined the inextricable link of staff recruitment/retention and the central finance risk.

Greater detail was given to explain the financial risk and the cocktail of challenges this included on the back of the move into the public sector (all of which had been shared on the training day) and to which the College was now working through. In addition, this week, the DfE announced it cannot fully fund 'unprecedented' requests for in year growth and likely could only fund two thirds of what College expected. Furthermore, colleges have been told to not assume the rules will apply to in-year growth for 2025-2026 and the 10% T Level funding uplift may also be removed for 2025-2026.

More positively, a 3.78% finding rate for 16-19 year olds had been agreed, and an annual capital grant would be given to colleges for the first time. Z Lewis detailed some cash buffers which were being worked through for the Corporate Services meeting within the current £13 million of uncertainty. Overall, she confirmed that the financial risk was main focus and priority for the College.

Z Lewis informed the Committee of her recent correspondence to the Secretary of State detailing the disproportionate effect for the North-East due to a number of factors including: lower GCSE scores, greater proportion of NEETs,

greater proportion of T Levels and higher loss of funding, which had widened further since Covid. The Committee discussed this in terms of sharing further through local MPs / joint college submissions etc.

Discussion included: the general mood music amongst employers and the knock on effect to colleges; opportunities (e.g. defence) for such things as bootcamps to support employers with their skills; clarification on the Adult Education Budget historically, the current delivery contract and whether the 3% cut on Adult Education would affect that, resulting in a very prudent approach by the College; the need to retain teaching staff for demographic increase and resulting actions to save elsewhere; cash days planning now back in the public sector; detail of the capital grant (and any restrictions on use) and Salix bid and how they would assist; possible need for a defined strategy on student number growth (including class sizes); and how the financial risk detail could be effectively shared with all governors with confirmation that the full suite of reports for the March meeting should provide this.

The Committee also discussed a number of other key risks: Post 16 qualification reform risk and whether this should reduce in the future at all (despite the two year reprieve) particularly in light of a full review due out in the Autumn; accommodation issues and how these might be mitigated successfully; whether the compliance risk should be reduced as full mitigations were in place and the complexities around doing so (e.g. AI) and impact always being '5'; Business Continuity increase and reasons why (life cycle, subcontractor increase costs); and cyber in light of international rhetoric/movement with assurances given from the Digital Transformation group in respect of independence of Microsoft but agreement this was volatile nonetheless.

Resulting actions from the discussion included:

- Production of a table outlining the various streams of funding/income (attached to the £13 m areas of uncertainty) which could then be tracked by the Committee
- Further assurance in relation to mitigations to support the IT system in light of the current uncertainties.

Z Lewis left the meeting at 2pm.

7. Exception Report

O Rodley reported on progress which showed three recommendations had been completed since the last meeting and as a result of the most recent audit (Student Support) there had been one low action. He confirmed that there was an additional audit reaching its end, the report and actions to which would follow for the next meeting.

8. Internal Audit– presented by A Mullen from RSM

8.1 Progress report – which summarised activity since the last meeting where one audit had been finalised and another draft report (Mental Health and Wellbeing) was currently going through the QA process. A Mullen confirmed the remainder of the audits were scheduled in with management and the scopes determined/in the diary which should allow for the conclusion of all audits before the June meeting.

She also referenced the added value items in respect of the two additional briefings, confirming that RSM fully conformed to the Global Internal Audit Standards (08.1.1).

The Committee discussed the KPIs which had stipulated an element of each audit being on site with A Mullen confirming that this would be the case (where possible) going forward.

Action by A Mullen to send out Board Assurance Framework (detailed on p8 of the progress report)

8.2 FE Benchmarking Report 2023-2024 – A Mullen confirmed a positive outcome in relation to benchmarking for the College indicating a robust framework.

The Committee discussed whether 100% was too good with agreement to consider this in some detail if it were a year on year outcome over a longer term period. However, the Committee was reassured that currently there was appropriate and regular consideration of the internal audit topics, and positive relationships with the auditors and management team, which gave assurances that the audits were risk led and appropriate.

8.3 Student Support – next steps Audit Report – the outcome of the audit was '**substantial**' with one low action.

Action by O Rodley – clarification would be sought from A Adamson on the recommendation re reminding staff and how this was being monitored (though it was noted that this was outlined within the exception report).

9. Committee Review of the Top Risks

Discussion focused on: the levels of high uncertainty; some assurance in relation to having the detail and Committee tracking of the £13M via the table requested under Item 6; the need to consider both short and long term impact (including potential positives) and strategy and the difficulty of this currently; potential risk of industrial action (pay

award/quality/workload); capital grant usage; accommodation for increased student numbers both now and in respect of future growth and related issue of class sizes; and mental health and anxiety with learners generally and in relation to world events.

Agreed

- That Quals Reform risk should remain as is in terms of scoring
- The Committee would keep an eye on decision making re demographic growth of the College generally and related to staff retention/recruitment/quality both short and longer term and future report to the Governing Body on this (through Recommendations sheet)
- The Committee would appreciate an update in relation to any spikes with student health and anxiety and any correlations with attendance/behaviour

10. Any other Business

None taken

11. Date of Next Meeting

- Friday 20 June 2025 at 1pm

A Mullen left the meeting at 2.30pm

12. External Auditors' Performance Indicators 2024-2025

S Langstaff detailed the process to arrive at the proposed performance indicators for the External Auditors. She drew particular attention to the requirement that at least 25% of the audit should be undertaken on site.

The Committee discussed: the percentage of time on site and impact should this be increased/whether it was required to be more; clarification that this was a new contract and wider detail of the market; and attendance at Audit and Risk meetings by the Auditors which the Committee which, after discussion, confirmed they were happy with.

The Committee **agreed** to recommend the approval of the KPIs for the External Auditor to the Governing Body at its March meeting.

13. Internal Auditor Contract Update

S Langstaff gave the background to the current contract with RSM, which had a year's extension added to it, which was due to end on 31 July 2025. She detailed the options available (as per the report) and recommended that a tender be instigated. She gave detail of the CPC framework which would be used for the process and also associated timelines for appointment from 1 August 2025.

The Committee discussed various aspects of the report and potential tender.

It was then **agreed** to go to tender for the Internal Auditor Contract.

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

The meeting closed at 2.50pm