Stanmore College

AUDIT AND ASSURANCE COMMITTEE of the Governing Body

Minutes of the Committee held on Tuesday 20th May 2025, 4.00pm
at Stanmore College and on MS Teams

Present:
Mr Julian Davies (JD) – Chair of Committee & Governor (Teams)
Ms Ying Kay – Vice Chair of Committee & Governor (YK) (Teams)
Mr Sundeep Bhandari (SB) – Governor
Mr Mike Bluestone (MB) – Governor

In Attendance:
Ms Anjana Jonathan (AJ) – Director of Finance
Ms Justine Gooch (JG) – Director of MIS, IT, Admissions
Mr Stephane Borak (SB) – Head of IT Services – for items 2-6 and 9.2.3 only
Mr Mike Cheetham (MC) – RSM, Internal Auditor (Teams) – for items 2-6 and 9.2.3 only
Ms Anna Tissink (AT) – RSM, Internal Auditor (Teams)
Ms Kayee Chan (KC) – Director of Governance

Apologies:
Mr Mark Eagle (ME) – MHA, External Auditor

RESOLUTION

To confirm:

- Part 1 Minutes of the Meeting of 27th February 2025
- Part 2 Confidential Minutes of 27 February 2025

RECOMMENDATION TO THE GOVERNING BODY

None

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1. Private meeting with the Auditors

1.1 The Chair of the Committee (Chair) had a private pre-meet with internal auditors MC and AT of RSM.

2. Chair's Opening Remarks and report of any Chairs Action taken since the last meeting

2.1 The Chair welcomed everyone present to the meeting.

2.2 There were no Chairs Action taken since the last meeting.

3. Apologies for absence

3.1 Apologies were noted from Mr Mark Eagle, External Auditor MHA.

3.2 The Director of Governance reported that all members were present and the meeting was quorate.

3.3 It was clarified that the Principal would be invited to the Committee meeting by the Chair in advance if required to address specific queries but would not be in automatic attendance.

4. Declarations of Interest

4.1 There were no declarations of interest made by governors.

5. Minutes

5.1 Part 1 Minutes of the Meeting of 27th February 2025

The Committee agreed to confirm the approved draft minutes of its meeting on 27th February 2025.

5.2 Action Points review

There were no action points to review.

6. Matters arising not on the agenda

6.1 There were no matters arising.

7. DfE Guidance Update

7.1 Internal auditors RSM confirmed that there were no updates to report on progress, primarily due to the delay in the release of the College Financial Handbook, which was expected in June. With the transition of responsibilities from the ESFA to the DfE (as of March 31), RSM was awaiting further updates, particularly around a webinar for clients on forthcoming changes.

8. Performance Monitoring

8.1 Report from the Director of Finance

8.1.1 The Director of Finance gave a comprehensive one year update, reflecting on both internal reporting and recent insights gained from attending the AoC Finance Conference. Whilst the College remained in an "outstanding" financial position according to the DfE's latest assessment, national trends show a decline in the number of colleges achieving this. Forecasts suggest further decline due to decreasing income, which is exacerbated by anticipated funding cuts (likely 1% reduction from 2026 to 2028). This underscored the importance of maintaining strong learner recruitment to mitigate future income risks.

8.1.2 Two major upcoming changes for 2026 were noted regarding the new financial handbook: 1) stricter guidance on income recognition, especially prohibiting the early recognition of income before it is realised, which would impact colleges reliant on contracts outside core government funding; and 2) lease accounting changes, where all leases must now be reported on balance sheets, eliminating operational leases. The latter was more forward looking and may affect future planning around the new building project.

8.1.3 The Director of Finance outlined key internal strengths (a strong balance sheet and high cash days) and risks, particularly around dependency on 16-19 income and rising staffing costs due to inflation and recruitment challenges. Despite higher staff costs, some of this is attributed to over enrolment, particularly in Health and Social Care, which required opening additional teaching groups. While this organic growth was a positive development, class sizes and satellite centre reliance needed careful monitoring, as this entailed additional staffing costs to support delivery.

8.1.4 A zero based budgeting process was implemented last year, and this year departments were tasked with building their own non-pay budgets and capital requests. The Executive team was now more actively engaged in budgeting, creating better ownership and accountability. Recruitment remained a major operational hurdle, with the College struggling to attract suitable finance staff due to a competitive market and higher private sector remuneration expectations. Technology improvements were underway, including new payroll and HR systems (targeted for July 2025) and future upgrades to the finance system.

8.1.5 Overall, the year was described as challenging but rewarding, with a clear direction toward improving financial resilience and strategic alignment with regional needs.

Governor comments and questions:

8.1.6 The Chair emphasised the need to track class sizes and staffing cost ratios more closely to identify whether over recruitment or small group sizes were driving high staffing percentages. It was requested to produce a deeper analysis of staffing cost drivers for the next meeting to provide better context on budget pressures.

8.1.7 Governors asked the how opportunities were translated into business – this was by aligning curriculum with labour market intelligence (LMI), particularly in Health & Social Care, Creative Industries, Construction, and Logistics. However, employer engagement was still to be progressed further, and steps were being taken to appoint a Business Development Manager to lead this area.

8.1.8 Governors raised concerns around the issues with attracting and retaining suitable staff and that this needed to be addressed so that it did not impact on the quality of College operations, such as in finance and accounts. The need to monitor recruitment challenges was emphasised and suggestions were made to consider offering development opportunities to less experienced candidates with high potential and could be trained.

8.2 Management Accounts up to April 2025

8.2.1 Management Accounts for 9 months to 30th April reported the summary income and expenditure for 2024/25 with a very nominal surplus of £7k for the YTD, against a target of £110K surplus. The Forecast Year Surplus was £155k to 31 July 2025. For 2024/25, the College was still recruiting for 19+ learner and level 3 loan learners. It was highlighted that figures were understated due to delays in income from local authorities for EHCP learners (currently 94 students). Income would be recognised once fully confirmed. Non-pay costs were higher than budgeted, mainly due to partner costs (e.g. Rail Futures and Knights) and ongoing energy bills, though utility costs had eased slightly. Pay costs also increased due to a 2.5% pay award, backdated to August 2024, affecting the pay-to-income ratio, which was forecasted to settle around 68%.

8.2.2 Pension costs remained a concern, with no reduction despite a government guarantee for LGPS. Employer contributions have dropped slightly to 17.2%, but clarity was still needed from pension providers, particularly in light of the upcoming triennial valuation. If valuations negatively impact the balance sheet, this could affect the College's financial health rating.

Governor comments and questions:

8.2.3 Governors queried updates on litigation cases – The Director of Finance explained that of the three litigation cases, two had now been resolved (one via court, one through settlement), and only one remain outstanding with no recent activity from the claimant. As such, auditors were expected to require a reduction in the associated provision this year.

8.3 Draft curricula and budgets 25/26

8.3.1 An initial draft budget for 2025-26 had been prepared but was still under internal review. Staffing costs were high, projected at nearly 70% of income, prompting a review of potential savings. Capital items included £400k contingency for the new build and funds from a specialist equipment grant to be spent by December

8.3.2 On debt, a legacy £1m bank loan was partially repaid. The College opted to retain £500k to maintain financial flexibility, given new restrictions on borrowing post-reclassification. The interest rate was favourable compared to other deposit options. A required £600,000 contribution to the DfE for capital costs remained unbilled. This would therefore be earmarked in the balance sheet pending invoice receipt.

Governors comments and questions:

8.3.3 In response to a query around why the £1m bank loaned was partially repaid - the Director of Finance explained that the College retained £500,000 given the College's reclassification and associated borrowing restrictions, the decision preserved financial flexibility. The current interest rate was favourable compared to Treasury deposit alternatives.

8.4 Risk Register

8.4.1 Most items in the Risk Register were amber with some red-rated risks. No immediate concerns were raised, though the Governance review was not yet reflected with some outstanding actions to be addressed, due to awaiting a new Director of Governance.

8.5 KPIs April 2025

8.5.1 The KPI report reflected data from the April ILR return. Achievement rates were beginning to improve, especially from short modular adult courses and recent exam completions. Retention rates were in line with the same period last year, and while recruitment for adult learners were ongoing, comparisons to benchmarks were premature. The primary concern highlighted was attendance, which continued to be a challenge. The College was actively recruiting, and whilst applications for 16–18 learners were currently below the target of 2,600 (with 800 applications to date), they were ahead of the same point last year.

8.5.2 The Committee also noted that the College had achieved an impressive ranking, 4th among London FE colleges for 16–18 achievement rates, which included

English and Maths. This was considered a strong performance given the College's relatively small size compared to others in the sector. Despite this success, attendance and punctuality remain pressing issues. These challenges, which were also common at a national level, were being addressed through strategic planning for the 2025/26 academic year.

Governor comments and questions:

8.5.3 The Chair was concerned about the significant red RAG ratings and how progress was being tracked effectively. It was agreed that future KPI reporting should include phased targets and comparisons to the previous year to give a more realistic view of progress.

8.5.4 It was recognised that many students were carers and faced barriers to full attendance. These factors were captured at enrolment and updated as needed through Student Services. Engagement data was maintained, tracking remote participation and assignment completion, which supported a broader understanding of learner involvement beyond physical attendance.

8.5.5 Governors asked if colleges, as well as sharing the same concerns around attendance, shared good practice as a connected approach. Various staff have connected across their networks, and one example was the Assistant Principal of 16-18 visiting other colleges to observe good practice.

9 Internal Audit Review

9.1. Progress Report Update

9.1.1 Auditors RSM presented the Progress Report on internal audits. In summary "reasonable assurance" were achieved in IT Security Controls, Procurement and Payments, Quality Assurance and FE Funding Rule Compliance. The Follow Up Audit Report indicated "poor progress" due to some delays in progress of actions, explained in 9.2.4. The Capital Project audit was still in progress, and as such, final conclusions had not been drawn.

Governor comment and questions:

9.1.2 Governors raised concerns over RSM's statement about outstanding evidence for the Capital Project build impact assessment for the staff and students. The Executive were asked to confirm evidence of the impact assessment as soon as possible for governor assurance.

9.2 Audit Reports

9.2.1 Learner Numbers Funding Compliance

The Funding Rules audit identified only minor issues, providing further confidence in the accuracy of income forecasts. These were minor administrative issues noted (e.g., off-site learner paperwork delays), but no funding implications.

9.2.2 Quality Report

The Quality Assurance Process audit returned a “reasonable assurance” rating, indicating a solid foundation for quality assurance. In general, quality assurance systems in place were effective. Minor administrative and compliance updates were required, and management were already addressing these. The auditors expressed reasonable assurance but did not offer full assurance at this stage due to these minor pending actions.

9.2.3 Cyber Security Report

9.2.3.1 The IT Cybersecurity Audit achieved a “reasonable assurance” rating. This was a positive outcome, especially in comparison to similar reports across the sector.

Questions/Comments from Governors:

9.2.3.2 Contingency Plans – it was raised that whilst recognising that policies and procedures were in place, the College currently lacked a concise, practical incident response playbook. This was raised as a concern, particularly in light of recent high-profile failures in other organisations, where delayed communication during cyber incidents led to regulatory criticism. It was suggested that a short, actionable playbook, especially focused on communications, be developed for use during live incidents.

9.2.3.3 Staff training on cyber security was identified as an area for improvement, with only 52% of staff having completed the training at the time of the audit. This was noted and the Head of IT Services confirmed that completion rates wer being actively tracked working with HR to ensure compliance.

9.2.3.4 Broader institutional risks were also raised, such as power outages, and the need for preparedness beyond cyber threats. As well as having a playbook in place, the College was encouraged to include such scenarios in its planning and to consider collaborating with other FE institutions to share strategies and best practices, particularly around improving cybersecurity.

9.2.4 Draft Follow Up Report

9.2.4.1 The Follow Up Audit Report indicated poor progress, largely due to delays in implementing governance related actions. This was expected to improve once a new governance professional was in post. To note the Director of Governance had just joined the College and therefore would start to address the governance related actions.

9.2.5 Draft Annual Plan 2025/26

9.2.5.1 The proposed internal Annual Audit Plan for the upcoming year was reviewed and approved in principle. The plan included standard audits such as Key Financial Controls (KFC), Funding Assurance, Data Quality, and a Follow-up Audit. In response to current risks and strategic needs, a new audit was introduced covering HR recruitment processes, which required engagement of specialist auditors.

9.2.5.2 This addition, along with inflationary pressures, increased the projected internal audit cost to £31,000 (excluding VAT). This was approximately 5% higher than the previous year (£29,500), primarily due to increased staff costs and the complexity of specialist work. It was confirmed that the overall audit spend remained within the total budget envelope when combined with external audit provisions, but a formal review of allocations would be conducted.

Governor comments and questions:

9.2.5.3 A concern was raised regarding the approach to presenting audit findings. It was stressed that preliminary findings or assumptions should not be reported to the Committee as formal issues unless they were significant and validated. The internal auditors acknowledged this feedback and agreed to ensure that only finalised and evidenced findings were brought forward in future updates.

9.2.5.4 The Chair expressed appreciation for the comprehensive reports and acknowledged the significant effort required to prepare them. The Committee noted the institution's strong financial management position, especially in comparison to sector benchmarks.

10. Date of Next Meeting – 2025-2026 Dates TBC

Anjana Jonathan (AJ) – Director of Finance, Justine Gooch (JG) – Director of MIS, IT, Admissions, Anna Tissink (AT) – RSM, Internal Auditor (Teams) left the meeting.

11. Part 2 Confidential Minutes of 27 February 2025

11.1 The Chair agreed to confirm the approved draft confidential minutes of its meeting on 27th February 2025.

The meeting ended at 5.30pm
Kayee Chan, Director of Governance

Schedule of Actions:

	Action	Responsible	By When	Progress
27th February 2025				
3.	PD to contact Ying Kay regarding attendance	Interim DoG/ PD	March 2025	Complete
7i	MB to inform PD of changes to is Register of Interest	Governor MB	March 2025	Complete
8i a)	The possibility of a serious delay for the new build to be recorded on the Audit risk register.	Director of Finance/ AJ	March 2025	Complete
20th May 2025				
8.1.6	To produce a deeper analysis report of staffing cost drivers for the next meeting to provide better context on budget pressures.	Director of Finance/ AJ	Autumn 2025	
8.1.8	To monitor and address recruitment challenges, considering different strategies to recruit suitable staff.	Director of Finance/ AJ	July 2025	
8.5.3	Future KPI reporting to include phased targets and comparisons to the previous year to give a more realistic view of progress.	Director of MIS, IT, Adm/ JG	Autumn 2025	
9.1.2	To confirm evidence of the Capital Build impact assessment for staff and students for assurance and to address internal audit.	Director of Finance/ AJ & Director of MIS, IT, Adm/ JG	June 2025	
9.2.3.2 &9.2.3.4	To develop an actionable playbook for cyber security, especially focused on communications, be developed for use during live incidents and to collaborate with other FE institutions for best practice.	Head of IT Services/ SB	Autumn 2025	
9.2.4.1	To address governance related actions from the Follow-up Audit Report.	Director of Gov/ KC	June 2025	In progress