

**Tuesday 19<sup>th</sup> November 2019 in Conference Room (Staff Room)  
5pm**

**DRAFT MINUTES**

**PRESENT:**

Mr N Sheta, Foundation Governor, Chair of Committee  
Mr R Vianello, Foundation Governor, Vice Chair of Committee  
Mr S Ebele via tele-conferencing (audio), Foundation Governor

**IN ATTENDANCE:**

Mrs S Flannery, Principal (at request of committee)  
Mrs S Plumb, Senior Business Manager (at request of committee)  
Mrs M Searle, Head of Finance (at request of committee)  
Ms L Raynes, Audit Manager, RSM Risk Assurance LLP (Internal Audit Service)  
Mr D Wallis, Audit Manager, Buzzacott LLP for item 16 (Financial statements and Regularity Auditors)  
Mrs E Lewis, Clerk to the Governors  
Mr G Thompson, Associate Principal - observer

**The meeting was opened by Mr Sheta at 4.56pm and was quorate throughout.**

1. **Opening Prayer:** offered by Mrs Flannery
2. **Apologies:** Received from Mrs B Meier were accepted.
3. **Introductions:** All were introduced and welcomed
4. **Declarations of Interest:** there were none
5. **Committee time with Auditors if required:** This was waived by the committee.
6. **Minutes of meetings held on 7<sup>th</sup> May 2019:** Previously circulated on 25<sup>th</sup> June 2019, reported to the full Governing Body, 3<sup>rd</sup> July 2019, and included in the papers for the meeting were agreed to be a true and accurate and duly signed by Mr Sheta.
7. **Action Points from previous meeting:** there were none
8. **Matters Arising, not covered by agenda items:** there were none
9. **Regularity Audit Self-Assessment 2018 - 19:** The final, signed version as submitted to auditors had been approved following consultation with Audit committee members by email 29<sup>th</sup> August - 6<sup>th</sup> September 2019 and were formally received at the meeting.
10. **Internal Audit Service (IAS):** Ms L Raynes, Audit Manager, RSM:
  - 10.1. **2018 – 19:** Ms Raynes introduced the “Final Report: Staff Handbook Review 2019, 12 November 2019” which had been included in the papers for the meeting. She explained that the assignment had been advisory and concluded the 2018 – 19 audit plan. She confirmed that no critical weaknesses had been identified and no recommendations had been made. The report noted some examples of good practice and good compliance and included three areas for consideration which had been

agreed and three for further review which management which it had been agreed would not be pursued. **The report was accepted.**

10.2. **2019 – 20:** The Internal Audit Strategy / Plan for 2019 – 20 approved by the full Governing Body on 3<sup>rd</sup> July 2019 had been included in the papers for the meeting and its scope was described by Ms Raynes – the audit visit of 3½ days would take place in January 2020. It was confirmed that the remaining one day contingency in the plan would be allocated if needed or carried forward.

10.3. **Annual Summary of Assignments Completed:** The report summarising agreed upon procedures assignments for 2018 – 19 had been included in the papers for the meeting. Ms Raynes introduced the report which outlined the work undertaken and confirmed there had been no actions arising from the review of key financial controls. **Summary accepted.**

11. **Internal Audit: College Action Report:** Mrs Searle presented the college action tracking report which recorded progress against the three areas for consideration from the Staff Handbook work. It was noted that the third (ref 5 reference to the Equality Act 2010) had been implemented already. **Report accepted.**

## 12. Risk Management:

12.1. The updated risk register and policy, Autumn 2019, had been included in the papers for the meeting. The top two closely linked risks had swapped ranking so that Student Recruitment was now number one and funding was now number two. The register had been updated throughout to reflect changes in staff and responsibility.

12.2. Mrs Flannery gave a verbal report against the register of the key active risks:

12.2.1. **STUDENT RECRUITMENT:** Mrs Flannery reported that student recruitment had moved to number one as a consequence of the under enrolment of 71 students for 2019 – 20 (1140 against target of 1211). She said this was a disappointing outcome of the extreme hard work that had gone into the recruitment campaign but advised that the gap was closing. The postponement of the main Open Day event in November 2018 had been a setback but applications had caught up by the end of the year and 23% of applications and acceptances were in August / September (+6%). Mr Vianello asked whether this was typical across the sector and Mrs Flannery confirmed it was a typical shift in inner city colleges. She reviewed the refreshed strategies used in the recruitment campaign. Mr Sheta asked how the impact of the two campaigns was being quantified. Mrs Flannery explained how the impact was being measured by the external company and confirmed that analysis of the Open Day on 16<sup>th</sup> November 2019 was underway. She reported the event had been attracted more visitors and an increase in applications for 2020 entry.

Mrs Flannery said predictions show a rise in demographics by 2022 although another dip was expected to follow a few years later. She advised that the downward adjustment of lagged funding would erode the increase in the funding rate.

**COMPETITION:** Mrs Flannery said the biggest competition was from successful school sixth forms – there were some strong ones in Wandsworth eg Graveney. The opening of a couple of new schools would not impact on the college for several years.

12.2.2. **FUNDING:** Mrs Flannery described the consequence of under recruitment on lagged grant income. The promised increase in the per capita base rate and other

new additional funding would more or less negate the cut in funding. The cost-saving reduction in staff would continue with a cut of 4 – 6 FTE. Two A Level courses (computing and theatre studies) had closed.

- 12.2.3. **QUALITY:** Mrs Flannery re-capped the Ofsted 2018 overall judgement of grade 2 with grade 3 sitting on outcomes. She reported a pleasing incremental improvement in all areas for Value-Added and raw results and positive progress in GCSEs.

She and Mr Thompson reported the significant benefits from the SCIF bid project which had finished at the end of October.

The Chancellors “little extras” had been used to fund the iPad project – the college would be starting to provision those to 8 courses (150 students). A bank of iPads was being built up for students out on work placements.

Mrs Flannery reported that the SFCA<sup>1</sup> had invited SFX to be an improvement partner college which, she said, was an endorsement based on outcomes this year.

- 12.2.4. **HR STAFF RECRUITMENT AND RETENTION; EMPLOYER RELATIONS:** Mrs Flannery noted there were still some Agency Staff and explained where recruitment had been essential. She referred to three days of industrial action this term, explained the extent of support in the college and confirmed that the action had been targeted against the government not the employer. Striking staff would be paid by the Union.

The risk register would be updated in its next edition to reflect the announcement earlier in the day of the Principal’s retirement at the end of the current academic year.

- 12.2.5. **REPUTATION:** Mrs Flannery confirmed a positive start to the year. She confirmed that Safeguarding remained high including ongoing random use of the metal detector. Police liaison were interested in showcasing the college to other schools.

- 12.2.6. **CATHOLIC ETHOS:** Preparation for the new denominational inspections was an emerging priority for which the college would need to be ready within the coming 18 months. Mrs Flannery was sitting on the panel discussing completion of the new framework.

- 12.2.7. **NON-CORE ACTIVITY:** Currently focused on lettings and the nursery. The financial risk from Community Education had been mitigated by closure of the programme as a college-administered venture.

- 12.2.8. **HEALTH AND SAFETY:** Mrs Plumb reported a recent, comprehensive audit of health and safety recently undertaken by the insurers, Hettle & Andrews. The full report was awaited and would be presented to the next meeting of the F&R committee. She also advised that a Conditions Survey been undertaken on the estate this Autumn and would provide a clear breakdown of where to focus attention. Some work would be incorporated in the next CIF bid.

- 12.2.9. **MIS / IT:** A compliance policy was being drawn up around the student’s portable hardware. It was noted that a benefit of the *Apple* scheme was that if a device is stolen it is disabled from the college network and becomes worthless.

- 12.2.10. **ESTATES AND PLANT:** A bid had been submitted to the GLA “Small Projects Fund” to support construction of a modular teaching building (formerly

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<sup>1</sup> Sixth Form Colleges Association

intended as an art block) as a digital and work simulation block. The bid was for £590k to which the college would contribute £295k. Planning permission was already in place.

13. **Board Assurance Framework:** It was agreed that the framework reviewed and approved in Summer 2019, provides assurance, in conjunction with the IAS assignments, to the Governing Body receiving the end of year financial statements 2018 – 19 that adequate controls are in place.
14. **Audit Committee Annual Report to Governors for 2018 – 19:** Members of the committee had reviewed a draft report in advance of the meeting and agreed that it reflected all the activities that the committee had carried out in the year including the audit plans and levels of assurance in place. There is no annual opinion from IAS. Following presentation to the Principal and Governing Body on 5<sup>th</sup> December 2019, the report would be signed by Mr Sheta and filed with the ESFA. The report also provided a review of effectiveness of the committee.
15. **Any other business:** There was none.

**The meeting was adjourned at 5.35pm**

**Members<sup>2</sup> of the Finance & Resources Committee (F&RC) joined the reconvened meeting at 6.05pm along with Mr David Wallis, Audit Manager, Buzzacott LLP (Financial Statements Auditors).**

Mr Thompson continued in attendance as an observer

[Mr Ebele resumed the teleconference audio connection at 6.10pm]

**Mr Sheta remained in the chair.**

#### 16. End of Year Financial Reports:

- 16.1. **FMCE<sup>3</sup>:** Mrs Plumb introduced the completed non-mandatory self-evaluation for 2018 – 19 which had been included in the papers for the meeting. She advised the judgements that had been drawn from completion of the questionnaire and outlined the areas for improvement. The overall grading was “good”. Mr Vianello confirmed that the grading was the same as the previous year in each area reviewed. Mrs Lewis advised the date of the most recently reviewed terms of reference of the Audit Committee was July 2018 due for review in July 2020 and F&R was July 2019.

A significant factor in the financial management of the college was acknowledged to be the under-recruitment of learners for three years – a key assumption in the financial plan which had, as a consequence, been re-written. Mrs Plumb announced a discussion was taking place with ESFA, provisionally arranged for 5<sup>th</sup> December 2019.

- 16.2. **Financial Statements (& Regularity) for year ended 31<sup>st</sup> July 2019:** Mr David Wallis, external Audit Manager, Buzzacott LLP introduced the three outputs from the audits which had been included in the papers for the meeting to both committees.
  - 16.2.1. **Report & Financial Statements (Consolidated Accounts) for year ended 31<sup>st</sup> July 2019 (draft):** Mr Wallis introduced the draft confirming its compliance with the accounts direction and stating that they had carried out a full disclosure

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<sup>2</sup> Mr M Belfourd, Mr C Garvey, Mrs K Taylor (6.10pm) Mr J Opara, Mrs S Flannery (Mr C Graham, observing)

<sup>3</sup> Financial Management Control Evaluation

review. He highlighted the financial results from page 6 which recorded that the college achieved an operating surplus (prior to actuarial loss) of £30k. After adjustments the operational surplus was £739k which included the donation from the Diocese received in the year of £776k. Mr Wallis explained that if the effect of that amount was removed the result would be a small deficit of -£37k. An overall surplus of £44,515 generated by the trading subsidiary, SFX Corporate Services Ltd, had been gift aided under deed of covenant to the college.

Mrs Searle clarified that the post grant £739k surplus is used to calculate the financial health grading.

Mr Belfourd introduced himself to Mr Wallis and referred to questions he had raised with the auditors via emails with Mrs Searle to which Mr Wallis had responded. He discussed the treatment of and reference to the “right to light” one off donation in the accounts pointing out that the Archdiocese of Southwark was listed as a Stakeholder. It was agreed that whilst the Archdiocese was a connected entity it did not fall under the definition of a related party.

**ACTION: Mr Wallis would add a sentence to the financial results section on page 6 to note that the one off donation had been received from the Archdiocese of Southwark**

**ACTION: Mr Wallis would add a line to note 6 to say that the one off donation had been received from the Archdiocese.**

Mr Belfourd advocated that grants in advance should be treated separately as deferred income relating to government grants in note 13.

**ACTION AGREED: Mr Wallis would revise and present the deferred amounts within a new line in note 13 “Deferred income – government revenue grants”.**

Mr Belfourd had requested removal of the redundant line in note 13 “Bank loans (note 13b)”.

**ACTION AGREED:** that line would be removed.

Mr Belfourd observed different wording between the “Financial Statements Opinion – College” paragraph and the “Financial Statements Opinion – Subsidiary” paragraph on page 4 of the draft post-audit report. Mr Wallis’ explanation that the difference was correct was accepted.

There were no further questions on the Governing Body report. Mr Wallis noted that the Statement of Corporate Governance was largely unchanged from the previous year. The declaration by the governing body that the college was a going concern for the foreseeable future on page 23 would be confirmed by signature of the Chair and Accounting Officer at the meeting of the governing body on 5<sup>th</sup> December 2019.

Mr Wallis reviewed the statements of regularity, propriety and compliance and responsibilities of the Governing Body to be signed from Page 24 onwards confirming no irregularity or improper use of funding.

Mr Wallis highlighted The Independent Auditor’s report which recorded two audit opinions that the financial statements were true and fair and had been properly prepared. He referred to the Reporting Accountant’s Assurance on Regularity providing a limited assurance to the Governing Body and the Secretary of State for Education that monies were being spent in the correct way.

Mr Wallis drew attention to key movements in the accounts which included a

decrease in funding body grants (due to the drop in student numbers) which had been offset by the donation from the Diocese. He noted £182k funds movement on the balance sheet and said the balance sheet movements were as expected. He commented that the college was £2.9m cash healthy. He explained the increase of £600k due to actuarial liability was attributable to a different discount rate being used by the Actuary.

Mr Wallis referred to the bottom of page 44 where an analysis of higher paid staff was set out in the revised bandings. He outlined the requirement on colleges to justify the pay of the Principal and the expectation for formal documented annual reviews. The new disclosure around the principal's pay and total remuneration on page 45 as multiple of the median of all staff (4.05 pay; 4.52 total remuneration) was considered to be in line

**“Report and Financial Statements for the year ended 31<sup>st</sup> July 2019” (SFX annual report and accounts) was accepted unanimously and would be proposed, with the agreed changes, for approval and signing on 5<sup>th</sup> December 2019 and subsequent submission to the ESFA to meet the deadline of 31<sup>st</sup> December 2019.**

**16.2.2. St Francis Xavier 6<sup>th</sup> Form College (and SFX Corporate Services Limited) Post - Audit management report year ended 31<sup>st</sup> July 2019 (draft):**

Mr Wallis confirmed the same opinion for SFX and the trading subsidiary and that in addition to the audit the work had included the issue of a regularity assurance conclusion.

Introducing the executive summary, he thanked Mrs Searle and her team, confirming that the audit had run smoothly in accordance with the agreed timeline and all deadlines had been met.

He advised the committees that, as confirmed on page 4 of the report, the opinions were clean and unqualified. He drew attention to page 5 which confirmed that the audit work was complete apart from receipt of the letter of representation and assurance by the governing body that by the time of signing the financial statements no significant events had taken place that would impact on them.

Mr Wallis reviewed the report page by page responding to queries to the satisfaction of members. He agreed that in respect of the paying across of profit from the trading subsidiary to college the deed of covenant now in place created an obligation to do that. The statutory audit of the trading subsidiary had been clean.

He noted that there was nothing in the report which identified deficiency of internal controls.

Key Audit Risks and Outcomes on Page 12 were discussed. The risk to going concern status arising from student recruitment underlined the importance of careful budgeting and forecasting had been recorded here.

Mr Wallis confirmed the statement of integrity, objectivity and independence of the auditors on Page 16. One further piece of work was noted to have been completed - the Teachers' Pension end of Year Certificate (EOYC) assurance report was issued to Teachers' Pensions in advance of the 30 September deadline along with the final End of Year Certificate 2019. No significant concerns had been raised which needed to be drawn to attention of the governing body. .

The committees reflected on the three appendices to the report: 1. Audit adjustments; 2 Comparison of financial ratios with explanatory notes and 3. Sector benchmarks.

The impact of EBIDTA on the college financial health rating which was outstanding for this year (due to the operational surplus of £739k) but would dip to Requires Improvement in 2019 – 20 was explained. The set of ratios for 2018 – 19 were noted to be healthy.

Mr Sheta asked about the £400m increase in funding announced by the Chancellor which includes the one year increase in base rate. All accepted that this was anticipated but not guaranteed..

Mr Belfour referred to guidance on the new financial return arrangements. Mrs Searle had attended a presentation and said they were not quite ready for circulation. She outlined the essential changes and increase in information to be submitted. She confirmed that the return would require sign off by the governing body with a deadline for submission of 30<sup>th</sup> January, although it was anticipated that a plea for an extension might be granted for 2020.

**The post-audit management report was accepted.**

16.2.3. **Letter of Representation:** A standard, template letter was reviewed and noted to have changed only in one place (point 12) and would be printed on college headed paper to be signed alongside the report and accounts on 5<sup>th</sup> December 2019 and sent to the auditors.

**ACTION: Mrs Lewis.**

This part of the joint meeting closed at 6.50pm with thanks to Mr Wallis for his presentation, and the meeting of the Audit Committee was declared to have ended.

**Distribution:**

Mr N Sheta	Mr R Vianello	Mr S Ebele
Ms L Raynes RSM	Mrs B Meier	Mrs C Biscoe Buzzacott
Mrs M Searle	Mrs S Flannery Clerk	Mrs S Plumb