

Tuesday 22nd November 2016
5pm

MINUTES

PRESENT:

Mr N Sheta, Foundation Governor
Mr R Cuthbertson, Staff Governor
Mrs S Spazzini, Foundation Governor

IN ATTENDANCE:

Mrs S Flannery, Principal (at request of committee)
Mr A Taylor, Strategic Director Financial & Physical Resources (at request of committee)
Mrs M Searle, Head of Finance (at request of committee)
Mr M Cheetham, Head of IAS for SFX, RSM Risk Assurance LLP
Mr G Sturge, Audit Manager, Buzzacott LLP for item 17
Mrs E Lewis, Clerk to the Governors

The meeting was opened by Mr Sheta as Acting Chair. It was quorate throughout. Changes to the order of the items on the agenda were agreed by all present.

1. **Opening Prayer** :offered by Mrs Flannery
2. **Apologies:** Mr R Vianello. Mrs Spazzini for expected late arrival.
3. **Introductions:** were made.
4. **Declarations of Interest:** There were none
5. **Committee time with Auditors if required:** The committee agreed this was not required.
6. **Minutes of meetings held on 10th May 2016:** Included in the papers and previously circulated on 18th May 2016 **were agreed to be a true and accurate record and were duly signed by Mr Sheta.** The business of the meeting had been reported at the full Governing Body meeting on 11th July 2016
7. **Action Points from previous meeting:** The self-assessment process for governance had been completed for 2015 – 16.
8. **Matters Arising, not covered by agenda items:**
 - 8.1. **Regularity Audit Self-Assessment:** The Committee noted that the final version as submitted to auditors had been duly reviewed and signed during a Chairs' ABR¹ committee meeting on 8th November 2016. This version had been approved following

¹ Area Based Review



consultation with Audit committee members by email completed on 23rd September 2016.

9. **Internal Audit: College Action Report:** Mrs Searle confirmed that no report had been prepared as all management points had been cleared. This was accepted.

10. **Risk Management:**

10.1. The current, updated risk register and policy (Autumn Term 2016) had been included in the papers for the meeting. It was noted that the register had been reviewed by the management team with a number of updates to the controls and emerging risks. The priority ranking of the impact of the risks remained in the same order as in the summer 2016 version. The policy had not been changed.

10.2. Mrs Flannery introduced a verbal report on the controls in place to mitigate the key active top ten risks and emerging risks. She emphasised that Funding and Quality remain in equal first position:

10.2.1. **FUNDING:** The ongoing drop in core funding was explained by Mrs Flannery and Mr Taylor. The key strategies for mitigating the attendant risks arising from £112k reduction in core grant allocation for 2016 – 17 were explained.

10.2.2. **QUALITY:** The second visit, in October, from HMI for support and challenge was reviewed. Progress against the improvement plans monitored by the CSQ² Committee was reported at high level.

10.2.3. **STUDENT RECRUITMENT / COMPETITION:** Target recruitment had been achieved (1416 learners against target of 1415). Students are drawn from 175 schools an increasing pool year on year. Conversion from application to registration is 28% highlighting the effort invested in recruiting students. The balance of academic and vocational courses is being monitored. Noted the impact of large numbers of students retaking English and Maths GCSEs as condition of funding.

10.2.4. **HR: STAFF RECRUITMENT & RETENTION, EMPLOYER RELATIONS:** It was noted there would be a 1% increase for teaching staff to take effect in January 2017. The emerging impact of pensions liability was discussed. The position of HR in the risk ranking recognises the ongoing programme of downsizing of non-teaching staff numbers.

10.2.5. **REPUTATION:** The college mission aligns with British Values. Strategies are in place to supervise the behaviour of students in the local vicinity following some recent disruption. A security review is underway to report on the management of student flows. Occasional weapon screening supervised by Police has the support of students.

10.2.6. **CATHOLIC ETHOS:** A new Chaplain is encouraging student involvement in outreach and citizen / charity programmes. Ethical leadership is being promoted. Mrs Flannery expressed ongoing concern about the future of the delivery of General RE - endorsement of the General RE programme continues through subscription to *nocn*. Information about how “section 48³” inspection will be

² Curriculum, Standards and Quality

³ Of the Education Act 2005



adapted for Catholic SFCs and how this will impact on the college is awaited. Work is underway with the Catholic Education Service (CES).

- 10.2.7. **HEALTH AND SAFETY:** The project to introduce internal and external security gates to control access had been completed. Estates and Health and Safety are included in the internal audit strategy for 2016 – 17.
- 10.2.8. **NON-CORE ACTIVITY:** Mr Taylor discussed the risks associated with non-EFA income streams which cannot be guaranteed. The committee will consider whether an external review / audit of the apprenticeships scheme would be advisable. Closely monitored by the F&R Committee, non-core income is part of the financial forecast on which budgets are based.
- 10.2.9. **MIS / IT:** Transition to new management has been successful. IT infrastructure requires ongoing investment to retain stability and effectiveness.
- 10.2.10. **ESTATES AND PLANT:** Ongoing investment has to be shrewd. A bid is being considered to a new round of CIF to repair some roofing and improve toilet accommodation. Funding opportunities for refurbishment of income generation and student facilities are being explored. Mr Cheetham would forward some information about corporate funding opportunities which may be relevant

Mrs Spazzini requested an update on the dementia home development. Mr Taylor confirmed this was still on indefinite hold. The Brexit referendum outcome had apparently caused a freeze by investors. The “right to light” compensation claim would be for the Diocese to resolve if the project recommences. The impact of the building of the home remains a significant risk to college teaching accommodation.

- 10.3. A publication by RSM “Further Education Risk Management – Ensuring risks are managed effectively, efficiently and proportionally – a commentary for governors” had been provided in the papers and was noted for information.
11. **Board Assurance Framework:** The framework approved in Spring 2016, by the Governing Body, was reviewed and confirmed to provide assurance in conjunction with the IAS assignments to inform consideration of the end of year financial statements 2015 – 16.
12. **Internal Audit Service: Mr M Cheetham:** The schedule for the assignment visit in Spring term 2017 as agreed in the Internal Audit Strategy / Plan for 2016 – 17 approved by the full Governing Body on 11th July 2016 was noted. The site visit will be in week commencing 23rd January 2017.
- The plan included two days contingency. Having reviewed the risk register and action plan and with reference to the overview of risks in the sector (outlined in the RSM publication item 10.3 in the papers), the committee reflected on the scale of the current sub-contracted apprenticeship scheme. It was agreed that this is carrying some risk which may benefit from an external objective review potentially in May / June 2017.
- Other risks in the sector including issues emerging from the outcome of Area Reviews and the legal and pension complexities of conversion to Academy were discussed.
- It was agreed that a decision on assignment of the two days contingency would be reviewed again by the committee at the next meeting on 28th February 2017.**
13. **Election of Chair of Audit Committee:** Mr Nader Sheta was duly elected unanimously to serve a two year term as Chair of the Audit Committee.



14. **Election of Vice Chair of Audit Committee:** Mr Vianello was duly re-elected unanimously to serve a two year term as Vice Chair of the Audit Committee.
15. **Audit Committee Annual Report to Governors for 2015 – 16:** The committee reviewed the draft report which had been included in the papers for the meeting and agreed that it reflected the activities of the committee during the year including the audit plans and levels of assurance in place in the absence of an annual opinion from the Internal Audit Service (IAS). This report will be filed with the EFA. **The report was approved for signing by the Chair of the Committee and presentation to the full Governing Body on 8th December 2016.** The report was taken as a satisfactory review of effectiveness of the committee.
16. **Any other business.** There was none.

This part of the meeting concluded at 6.04pm

Members of the Finance & Resources Committee (F&RC) joined the meeting at 6.15pm along with Mr Gavin Sturge, Audit Manager, Buzzacott LLP (Financial Statements Auditors).

Mr Sheta remained in the Chair.

17. **End of Year Financial Reports:** Introductions were made including Mr Sturge and Mr Cheetham.
- 17.1. **FMCE⁴:** The completed self-evaluation for 2015 – 16 had been included in the papers and was introduced by Mr Taylor. He confirmed that completion was no longer mandatory but annual completion of it as part of the assurance framework had been supported by governors. The overall grading had been judged to be “outstanding”. Mr Taylor explained why one sub area (Section 1.2 “Accountability Arrangements – Operational Oversight”) had been graded “good” and outlined the supporting action plan recorded in the questionnaire. Mr Opara confirmed that there would be milestones to mark progress against completion dates in the action plan. This will be monitored by the F&R Committee and for the third by Ofsted at the next inspection. Quality is monitored through the CSQ Committee and full Governing Body. **FMCE 2015 - 16 accepted.**
- 17.2. **Financial Statements for year ended 31st July 2016:** Presented by Mr G Sturge, Audit Manager, Buzzacott LLP, Financial Statements Auditors. He introduced the Post-Audit Management Report first:
- 17.2.1. Post - Audit management report for Year ended 31st July 2016 including SFX Corporate Services Ltd:** The draft report had been included in the papers for the meeting. Mr Sturge explained the key points in the report and confirmed it to be an unqualified audit report on the audits of the financial statements, regularity, teachers pension scheme and the college’s trading subsidiary - with no causes for concern to bring to the attention of governors. Thanks were extended to Mrs Searle and her team for the smooth running of the audit. Appendices to the report including key financial ratio analysis with an estimated financial health score of good and the summary of recent FE Sector developments were noted. Mr Sturge reminded governors of their obligation to bring to the attention of the auditors anything that arises between the audit work and the signing of the

⁴ Financial Management and Control Evaluation



report which would have an impact on the opinion given. He also highlighted the obligation of governors set out on page 6 which explained that in signing the financial statements the Members of the Governing Body are confirming that they believe SFX to be a going concern.

Mr Sturge agreed to send Mr Taylor a spreadsheet to show the extent to which changes in the methodology of ratio analysis would affect comparison.

17.2.2. Report & Financial Statements (Consolidated Accounts) for year ended 31st

July 2016: Draft 3 had been provided in the papers for the meeting. Mr Sturge took the committees through the report and audited accounts. The financial out-turn for the year generated a statutory deficit of £217k (£135k in 2015). Mr Taylor explained that the prior to the application of statutory pensions adjustments this represented a better than predicted operating surplus of £37k.

Mrs Searle, Mr Belfour, Mr Taylor and Mr Sturge commented on aspects of changes in accounting policy and pensions adjustments which had impacted on the results and were outside the financial management of the college budgets.

Mr Belfour and Mrs Searle confirmed that the end of year accounts reconciled with the monthly accounts for July 2016. Mrs Searle would review lease obligations at note 17.

Corrections highlighted by Mr Belfour, which did not affect the results, had been accepted and changed for the final version.

It was noted that the Trading Subsidiary SFX Corporate Services Ltd accounts had been received and signed by the Board of Directors on 10th November 2016.

It was unanimously agreed that the Report & Financial Statements (Consolidated Accounts) for year ended 31st July 2016 should be recommended to the Governing Body for approval and signing on 8th December and, following subsequent counter-signing by the auditors, submitted to the EFA to meet the deadline of 31st December 2016.

17.2.3. Letter of Representation: Mr Belfour explained this to be a standard letter and recommended that it be approved for transcribing onto SFX Headed notepaper for signing at the same time as the report and accounts on 8th December 2016. **Agreed: Clerk to prepare.**

The joint meeting closed at 6.43pm. The Audit Committee and Auditors left the meeting.

SIGNED: _____

DATE: _____

