

GOVERNORS FINANCE & RESOURCES COMMITTEE

Tuesday 24th September 2019 at 5.30pm

MINUTES

PRESENT:

Mr Michael Belfour, Chair, Foundation Governor
Mr C Garvey, Foundation Governor (Chair of Governors)
Mrs K Taylor, Foundation Governor
Mrs S Flannery, Principal

IN ATTENDANCE:

Mrs Margaret Searle, Head of Finance
Mrs Sally Plumb, Senior Business Manager
Mr Ciaran Graham, Associate Principal (observing)
Mrs Eleanor Lewis, Clerk to the Governors

The meeting was opened at 5.31pm by Mr Belfour. It was quorate throughout.

1. **Opening Prayer:** Offered by Mrs Flannery
2. **Apologies:** None were made to the meeting but were received retrospectively from Mr Opara.
3. **Declaration of interests:** there were none
4. **Minutes of F&RC meeting held on 25th June 2019:** included in the papers and previously circulated on 27th June 2019 were agreed to be a true and accurate and duly signed by Mr Belfour.
5. **Matters Arising:** other than agenda items:
 - 5.1. The term of office of the Vice-Chair of the committee (item 5 in the minutes of the previous meeting) was confirmed to be 2 years from 25th June 2019.
 - 5.2. The committee acknowledged that the Travel and Subsistence Policy had been rolled over without change from the previous year and consequently approved by the full governing body on 3rd July 2019 (item 13.4.1 in the minutes of the previous meeting).
 - 5.3. The need for an additional meeting of the full Governing Body to approve financial planning documents in January 2020 continues to be subject to guidance which is pending (item 14 in the minutes). Detail is expected in October. Mrs Searle advised that it was known that the return would be required by 31st January 2020 but the process of approval and signing was still to be clarified. Arrangements and requirements would be kept under review and the extra meeting of this committee scheduled for 22nd January 2020 would remain in place.
6. **Review of progress against action points**
 - 6.1. Codes of Governance: Mrs Lewis advised that the Charity Governance Code was emerging as an appropriate code for sixth form college governing bodies to adopt and acknowledge in the annual report as it sets out aspirational principles and recommended practice for good governance and continuous improvement. To be kept under review as Mrs Lewis attended information sessions.
7. **Accommodation & Premises, project reports & plans:** Mr Belfour welcomed Mrs Plumb. She introduced the report "Capital Projects, Accommodation and premises – Update for 'F&R Committee' (24th September 2019)" which had been included in the papers and reviewed the colour coded and costed progress report against the agreed annual programme of works for 2019 / 20. She explained that the outstanding CCTV storage work was planned for the October half term holiday and advised that the Conditions of Estate appraisal survey was scheduled to be undertaken the day after this meeting (25th September).

Mrs Plumb reviewed the strategic accommodation issues noting that whilst the CIF Toilet

Infrastructure bid made in December 2018 had not been successful, key toilet upgrades had been completed within the 19/20 Annual Programme of Works. Remaining works to the toilet infrastructure and installation of new turnstiles would be worked into a new CIF bid to be made in December 2019.

The Care Home Development / Art relocation: As the committee was aware, the project to relocate the art departments into a new modular bid, for which planning permission had been granted, was on hold, due to higher than expected tenders and pending analysis of recruitment numbers for September 2019. Mrs Plumb confirmed there was no restriction on how the college could use the "Right to Light" donation which had been received. She reported that the LED lighting improvement programme in the existing art department had been implemented successfully.

Mrs Plumb announced the launch of the Mayor's Small Projects and Equipment Fund (SPEF) which offered matched funding between £25k to £300k for capital projects. The college would be preparing a bid which could, potentially, support the Art block relocation project. The deadline for submission was 16th November 2019 and the outcome would be announced in January 2020.

The Condition of Estate Survey 18 / 19 would be used in several ways - to underpin future CIF bids; to inform the Annual Plan of Works and the wider Curriculum Accommodation Strategic Review covering the next 3 – 5 years. Mr Belfourd agreed the outcome of the survey would help prioritise future bids. **ACTION: Report on the survey to be made to the next meeting.**

8. Financial update:

8.1. **Preliminary end of year position (2018 – 19) from Monthly Commentary and Accounts, July 2019:** Monthly management accounts with commentary and cashflow reports had been distributed to all governors for July 2019 and included in the papers for this meeting. They showed a statutory deficit position for the year of -£182,757 including FRS 102 adjustments of £695,000 (actuarial loss of £212,000). The operating out-turn was a surplus of £738,426 against a forecast of £630, 909. These outcomes were pre-audit.

Mr Belfourd commented that the key factor for the financial plan, as reflected in the commentary, was how many students would be on roll at the "census" core funding count date on October 17th 2019. He noted there had been quite a big FRS102 adjustment for 2018 – 19 and discussed this with Mrs Searle acknowledging how the adjustment swings from year to year. Mrs Searle reminded the committee that the FRS102 adjustment would be taken out of the operational end of year outcome but has to be included for the statutory surplus/deficit result.

Mrs Searle advised Mr Belfourd that she had confirmation from the auditors that the pensions valuation report was compliant with the McCloud judgement. It was not yet known what the impact of that judgement would be or how it would be applied.

Mrs Searle reviewed significant variances in the accounts and confirmed these to be as expected. She explained how the "little extras" funding of £103k from the government had been used towards costs of the capital infrastructure (including firewall, WiFi upgrade, staff iPads) of the *Apple* project. The project would be introduced for students on seven courses after the half term holiday.

Mrs Searle explained accounting and reconciliation of the SCIF £135k funding and other funding streams. She noted a positive variance on the bursary fund..

The accounts included a rolling cashflow which was noted to be maintained at the same level as in previous accounts. The current ratio was noted to be 8:1 and pay expenditure at 67%.

Mrs Searle announced that the external auditors, Buzzacott, would be on site the following week to undertake the financial statements audit.

8.2. **Funding - Financial update report.** Mrs Searle introduced the report *Funding / Financial Projections (for Finance & Resources Committee 24/09/19)* which had been included in the papers for the meeting and showed updates to the figures given to the previous meeting on

25th June 2019.

Mrs Searle summarised that the two year financial plan would have to be reworked once the student enrolment was finalised by the census count on the 42nd day (18th October 2019). Mr Belfour asked how restructuring costs for 2018 – 19 compared with the previous year. Mrs Searle replied that the costs were close to budget. It was accepted that forecast cuts in staffing costs in the plan would need to be increased. Mrs Flannery quantified the level of cuts. She described how they had been achieved in the previous year and how natural wastage and non-replacement of leavers had eased the level of severance payments. A detailed review of the financial plan / forecast would be undertaken for the next meeting.

Mr Garvey commented on the Secretary of State's announcement of an increase in the national funding rate for Sixth Form Colleges for the next academic year. Mrs Flannery agreed this had been welcome news which was expected to uplift the per capita grant funding by £188 (£130 for over 18s).

Bank mandate: Mrs Searle introduced the bank mandate necessary to update signatories on the college account with the Allied Irish bank. The mandate had been included in the papers for the meeting along with a Data Protection notice. She explained that the change would remove Mr Andrew Taylor and add Mr Graham Thompson and Mrs Sally Plumb. Under the updated mandate the signatories would become: Mrs Flannery, Mrs Searle, Mrs Houston, Mr Thompson and Mrs Plumb. Two signatures are required for transactions and Mr Belfour confirmed that this was followed through on electronic transactions. Under Chair's action, to avoid delay which would be prejudicial to the operation of the college, the three resolutions set out in the mandate were passed unanimously and the document duly signed by Mr Garvey and Mrs Lewis. **ACTION: Report of Chair's Action to be made to the full Governing Body**

Student Enrolment: A snapshot report of provisional enrolment data as at 16th September 2019 had been included in the papers comparing statistics over three years. Mrs Flannery reported that enrolment was still ongoing and currently stood at 44 below the target of 1211 equating to a loss of lagged funding of around £200k (roughly equivalent to the gain in core grant income from the per capita funding rate). She advised that the final figure was more likely to go down than up. Mrs Flannery said that the number of applications had remained strong as they had been and that the last few months of the campaign had brought in more applications than in the last five years – indicating a shift in the pattern of recruitment. She concluded that the market was over-supplied and confirmed that that investment in the marketing team and the digital and social media campaigns had been successful. Marketing and recruitment would continue to be relentless and Mrs Flannery commented that the situation of under-enrolment was the same in all but one London Sixth Form College Mrs Taylor discussed with Mrs Flannery and Mr Graham where the main competition lay and how the Diocese viewed the situation of expanding school sixth forms and low numbers in Sixth Form Colleges.

Mrs Flannery said that the college could expect to go into expansion when the current bulge in year 8 and year 9 progressed through in a couple of years.

Mr Garvey reflected on the briefing Mrs Flannery had given to staff on the first day of term at which she had emphasised the importance of rigorous checks to ensure compliance with funding requirements during enrolment.

It was confirmed that the financial plan would be re-forecasted in the light of the level of student recruitment and re-presented to governors.

9. **Treasury Management:**

9.1. **Policy:** Mrs Searle presented the Treasury Management Policy which had been updated at 7.2 reporting arrangements following a routine annual review and included in the papers for the meeting. **The change was noted and accepted and the revised policy would be recommended to the full Governing Body for approval at its meeting on 5th December 2019.**

9.2. **Monitoring report.** Mrs Searle introduced the report which had been included in the papers for the meeting. The total amount invested was corrected from £1,761,741 to read £1,761,245.

The three investments deposited with the Allied Irish Bank (AIB) approaching maturity were reviewed taking into account the possibility of match funding being required for a successful bid to the Mayors fund. Mrs Searle provided interest rates offered by the banks and it was agreed to:

- Transfer £400,000 out of the first AIB account (with a current deposit of £513,000) into the second account (with a current deposit of £300,000) to increase that second one to £700, 000.
- Place £700,000 on fixed term deposit with the AIB for 12 months to 30th September 2020.
- Place £113,000 remaining in the first AIB on deposit until 15th October 2019
- Combine the second account (£113,000) with the third account (£276,000) maturing on 15th October 2019 and reinvest that combined total of £389,000 with AIB for three months to 15th January 2020.

Mrs Taylor asked about current credit ratings and Mrs Searle explained that these had been historically used as a periodic check as required by the treasury management policy. Mr Belfourd said that credit ratings were getting better. It was noted that the Scottish Widows interest rate was low but agreed that the investment with instant access should remain. Mrs Searle commented that the benchmarking information was quite dated but she did keep an eye on the rates although not many colleges were investing currently.

Investments would be reviewed again in January 2020.

10. **Staff cost of living rises update:** Mrs Flannery reported that negotiations were in train under collective bargaining.
- 10.1. Teaching staff: Had put in a bid for 5% but it would be months before a settlement would be announced. Increases would be backdated to September 2019. Mrs Flannery announced that three strike days coming up called by the National Education Union (NEU) in protest against government underfunding of the sector and insecurity for staff in SFC. The NEU would be picking up the bankroll for those strikes. It was expected that about 20 teaching staff would support the strike and would not be paid by the college.
- 10.2. Support staff: Mrs Flannery explained that the support staff would watch what settlement emerged from the teachers' negotiations and then make their claim. She explained the recent staged settlement designed to eradicate the lower points on the salary spine which awarded an average increase of 1.6%.
11. **SFX Corporate Services Ltd:** It was noted that the Board of the trading subsidiary had not met since the previous meeting of this committee and that the next scheduled meeting would be held on 7th November 2019. Mrs Plumb reported a profit of £44, 514 and Mrs Searle confirmed this would be gift aided back to the college. Mrs Searle advised that Directors of the TS would be required to confirm at their meeting that the subsidiary can afford to pay the money across to the college. It was noted that Mr Taylor would be stepping down as a Director and that change would be registered with Companies House. The subsidiary accounts would be audited at the same time as the college accounts and signed off by the Directors of the company before the college accounts were signed. Mrs Searle commented that Corporate activity was currently purely "lettings".
12. **Risk Management:** The committee considered whether it had identified any new risks or wished to recommend modifications to the existing risks on the register. It was acknowledged that the next meeting would decide the need to alert the ESFA to the change in that key assumption in the financial plan.
13. **Any other business:** There was none
14. **Date of next meeting:** confirmed to be Tuesday 19th November 2019 commencing at 6pm in joint session with the Audit Committee to receive the Annual Report and Accounts and Financial Statements and Regularity Audits reports from the external auditors in the presence of the internal auditor. Mrs Searle advised there would be some changes to the reporting and in particular around the disclosure of senior post holders which would be highlighted in the report.

15. **Review of effectiveness of meeting:** Mr Belfourd invited comment on the meeting and it was agreed that the business had been discussed in sufficient detail. He said that the July 2019 letter to chairs from Eileen Milner, Chief Executive and Accounting Officer of the ESFA, which had been circulated to all governors and which contained a link to the report on Bourneville College, was worth reading. There followed a discussion on fraud and recent cases which had been in the press.

The meeting closed at 6.27pm

SIGNED: _____

DATE: _____