

**Tuesday 17<sup>th</sup> November 2020**  
**5pm**  
**Held remotely on the ZOOM video platform**

## **MINUTES**

### **PRESENT:**

Mr N Sheta, Foundation Governor  
Mrs B Meier, Foundation Governor  
Mr R Vianello, Foundation Governor  
Mr S Ebele, Foundation Governor

### **IN ATTENDANCE:**

Mr G Thompson, 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  
Mr D Wallis, Manager, Buzzacott LLP for item 20  
Mrs E Lewis, Clerk to the Governors

**The meeting was opened by Mr Sheta at 5.05pm and was quorate throughout. All participants could see and hear one another and were able to speak.**

1. **Opening Prayer:** offered by Mr Thompson
2. **Apologies:** There were none, all were present.
3. **Introductions:** were duly made
4. **Election of Chair and Vice Chair of committee:** Mr Sheta announced that he would not be standing for re-election as chair of the committee as it was his intention to stand for election as Chair of Governors on 3<sup>rd</sup> December 2020.  
Nominated by Mr Sheta and seconded by Mr Ebele, Mr Vianello was duly elected as Chair of the Audit Committee for a two year term of office to take effect following this meeting.  
Nominated by Mr Sheta and seconded by Mrs Meier, Mr Ebele was duly elected as Vice-chair of the committee for a two year term of office to commence at this meeting.
5. **Declarations of Interest:** There were none.
6. **Committee time with Auditors if required** (Financial Statements Auditors will attend from item 20): it was unanimously decided that time was not required. Ms Raynes confirmed that she did not require time with the committee.
7. **Minutes of meetings held on 5<sup>th</sup> May 2020:** Previously circulated on 19<sup>th</sup> May 2020, reported to full Board on 1<sup>st</sup> July 2020 and included in the papers for the meeting were agreed to be a true and accurate record to be signed in due course by Mr Sheta.
8. **Action Points from previous meeting:**

- 8.1. **Regularity Self-Assessment Questionnaire (RSAQ):** It was confirmed that the completed RSAQ had been circulated by email to the Audit Committee for review on 1<sup>st</sup> October 2020 and was subsequently signed by Mr Garvey and Mr Thompson
- 8.2. **RSM Letter of Engagement:** It was confirmed that the letter had been duly signed by Mrs Lewis on behalf of the committee and returned to RSM on 7<sup>th</sup> May 2020.
- 8.3. **Review of Effectiveness:** It was confirmed that the summary, included in the papers for this meeting, had been circulated on 19<sup>th</sup> May 2020. Feedback had agreed or strongly agreed that the committee was functioning and fulfilling its duties effectively. A suggestion was noted that an annual review of changes in legislation and recap on the government funding system would be useful training / development topics for the committee.
9. **Matters Arising, not covered by agenda items:** There were none.
10. **Regularity Audit Self-Assessment 2019 - 2020:** The committee received formally the final version, included in the papers for the meeting, of the completed questionnaire as submitted to the auditors to inform the Regularity Audit remote fieldwork. As noted in 8.1 the final version was approved following consultation with Audit committee members by email, 1<sup>st</sup> October 2020, and subsequently signed.
11. **To note updated guidance:** Mrs Lewis introduced the two items of updated guidance which had been included in the papers for the meeting. She outlined the changes / updates to each.
- 11.1. **Post -16 Audit Code of Practice, July 2020**
- 11.2. **College oversight: Support & Intervention update, October 2020**
12. **Internal Audit Service:**
- 12.1. Ms Raynes confirmed that the assignment scope and field work would be as set out in the Internal Audit Strategy / Plan for 2020 – 2021, included in the papers for the meeting, which had been agreed with the Audit Committee in May 2020 and subsequently approved by the full Governing Body on 1<sup>st</sup> July 2020. She advised that the assignment was provisionally scheduled for late January / Early February 2021. Currently audit work was taking place remotely, held under review. Mrs Lewis asked how the sampling of governors for the Safeguarding assignment would be organised. Ms Raynes explained that it would examine training records / logs - follow up conversations with governors may be necessary to confirm that training had taken place. Mrs Lewis consulted Ms Raynes and she confirmed that the application of electronic signatures to formal documents was acceptable.
- 12.2. Annual Summary of Assignments for 2019 – 2020: Ms Raynes introduced the report which RSM compiled to summarise the work completed during the year. She explained that in the absence of an annual audit opinion, this drew all the findings into one reference document. **Summary report accepted.**
13. **Internal Audit: College Action Report:** Mrs Searle advised that the report included in the papers for the meeting recorded that all actions had been implemented. **Report accepted.**
14. **ESFA Funding Assurance review of 2019 – 2020 funding:** Mr Thompson advised that the college had been selected by the ESFA for a funding assurance review of the year 2019 - 2020. Details of the audit were set out in a notification letter which had been included in the papers for the meeting. Mr Thompson outlined the purpose, process and potential outcomes of the audit and said that KPMG had been commissioned by the ESFA to undertake it remotely - scheduled for the following week. He confirmed that no governor

involvement was required and that the main interaction would be with the MIS team. The cost of the audit would be borne by the ESFA.

## 15. Risk Management:

15.1. The committee received the risk register and policy updated for the autumn term 2020 which had been included in the papers for the meeting – revisions had been marked or highlighted. There had been no change in the ranking order or to the risk management policy since the previous summer term 2020 version.

15.2. Mr Thompson presented a verbal report against the top ten risks on the register:

15.2.1. **Student Recruitment and Competition:** Mr Thompson advised that the recruitment of students remained the top risk even though numbers enrolled had exceed target by 90 for the current year 2020 – 2021. He emphasised that the recruitment drive would need to continue so that the growth could be sustained and flagged the opening of a large new sixth form centre in Clapham in September 2021. The traditional college November open day would be replaced by a virtual event for the first time and the impact on applications was difficult to predict, although other institutions were in the same position. All the recruitment / application resources would remain on the college website beyond the event on Thursday 19<sup>th</sup> November.

Mr Sheta asked whether the predicted recovery from a demographic dip which had been limiting student recruitment had been a factor. Mr Thompson said that many other colleges in London had also seen an increase in recruitment which would indicate that the climb-out had materialised. He expressed his hope that the ESFA might respond to his request for an in-year uplift in funding to help cover the cost of educating 90 additional students. He confirmed that the numbers on roll, 1250, would be the census figure for lagged funding in 2021 – 2022.

Mr Vianello asked whether covid was causing students to drop out. Mr Thompson said the reverse was true and commented that attendance had also improved. Mr Vianello suggested that restrictions on the retail trade might mean that students had forsaken their part time jobs. Another factor was the attraction of an enhanced, broader curriculum. Mr Thompson expected that the introduction of T-levels in the pilot phase three in 2022 would have a positive impact on future enrolments. He said councillors and MPs were being lobbied about the removal of free travel by TfL, currently deferred to March 2021 - SFX students took significant advantage of that benefit to travel to college.

15.2.2. **Funding:** The inextricable link between funding and student recruitment was well noted. Mr Thompson explained that lockdown and the impact of covid had meant that the staff restructuring had not been completed as planned. A consequence of this was that financial health would remain “Requires improvement”. A high staff cost at 80% of income would be redressed with additional grant funding and resumption of the planned programme of staffing cuts. He explained how non-ESFA income had also suffered a significant reduction.

15.2.3. **Covid-19 Pandemic:**

Mr Vianello asked whether the college had received additional external funding to cover the extra expenditure on counter-covid measures. Mr Thompson said that costs were being met from the release of £100k from college reserves authorised by the Governing Body in March 2020.

Mr Thompson advised that the college had benefitted from being quite well set up for remote learning as a result of the implementation of the iPad / digital

learning strategy. He outlined the measures in place and the impact they were having in managing teaching, learning, the student experience and welfare. End of term assessments the following week would test the impact on student progress. Mr Vianello commented on the potential effect on Value Added outcomes. Mrs Meier asked why the staff restructuring had been not been completed and concurred with Mr Thompson's explanation that the programme had been paused when covid-19 hit in March because it was not considered appropriate to continue in uncertain circumstances. He said he hoped that some of the planned reductions could be achieved through natural wastage. Mr Thompson noted receipt of £127k "catch up" funding – being used to fund the appointment of staff to support students without a pass grade (4) in English or Maths – to remedy some of the missed learning.

- 15.2.4. **Safeguarding:** Mr Thompson reviewed activity and how the safeguarding and welfare team were working to support students and maintain safeguarding procedures remotely and in college.
- 15.2.5. **Quality:** Mr Thompson said that the RI (requires Improvement) judgement for outcomes would remain until Ofsted returned to re-inspect. Year on year improvements were an indication that the grade for outcomes should be improved at inspection. He advised that in the absence of performance tables for 2020, judgements would be made on the last set of validated outcomes (2019). Typical inspections were on hold until January 2021, although Ofsted were currently visiting colleges to see how the impact of covid was being managed, without making judgements. Mr Thompson explained the impact of changes to Applied General courses following the RQF specifications and the risk associated with the introduction of external examinations. He confirmed the appointment of the new post of Director of Learning and Teaching and explained how the role would support the quality of teaching and learning. He outlined the challenges of preparing for new T levels and finding 90 appropriate extended work placements to satisfy the funding requirements.
- 15.2.6. **HR: Staff Recruitment & Retention, Employer Relations:** Mr Thompson reported that new staff appointments were made successfully, remotely, during the lockdown. He advised that regular fortnightly meetings were being held with the staff associations as an opportunity for concerns to be raised and discussed.
- 15.2.7. **Reputation:** Noted to be largely unchanged.
- 15.2.8. **Catholic Ethos:** Mr Thompson described the delivery of RE and chaplaincy activities which had been adapted due to the changes in timetable and shorter college day and how Catholic ethos was being maintained. He advised that Diocesan Denomination inspections were on hold until March 2021.
- 15.2.9. **Non-core Activity:** The impact of covid restrictions on income generation from the nursery and lettings had been noted. A re-imagined marketing strategy for the nursery was in progress.
- 15.2.10. **Health & Safety:** Mr Thompson noted the risk assessments were being reviewed regularly in response to the pandemic and changing requirements. He reported a-review of college covid arrangements had been undertaken by the insurers and a audit of health and safety procedures was due.

Mr Thompson noted that Fraud had been included without a ranking and proposed that consideration be given to where it should rank on the register and how the development of a counter-fraud culture would mitigate the risks.

**ACTION: Mrs Plumb, Mrs Lewis for review in the spring term update.**

The report against the top ten risks was accepted.

16. **Board Assurance Framework:** The committee confirmed that the framework reviewed in Summer 2020, approved by the Governing Body and included in the papers for the meeting, provided assurance in conjunction along with the IAS assignments in the context of the end of year financial statements, 2019 – 2020.
17. **Audit Committee Annual Report to Governors for 2019 – 2020:** The draft annual report included in the papers for the meeting was discussed and agreed. It would be signed by Mr Sheta and presented to the full governing body on 3<sup>rd</sup> December 2020 and subsequently filed with the ESFA with the end of year report and account.
18. **Refreshed Letter of Engagement with Buzzacott:** The committee agreed that the letter, included in the papers for the meeting, should be signed by Mr Sheta and returned to Buzzacott.
19. **Any other business:** There was none. The date of the next meeting was noted to be Tuesday 2<sup>nd</sup> March 2021

**This part of the meeting concluded at 6.06pm**

**Members of the Finance & Resources Committee<sup>1</sup> (F&RC) joined the meeting along with Mr David Wallis, Audit Manager, Buzzacott LLP (Financial Statements Auditors). It resumed at 6.10pm**

**Mr Sheta remained in the chair.**

## 20. End of Year Financial Reports:

- 20.1. **FMCE<sup>2</sup>:** Mrs Searle introduced the self-evaluation for 2019 – 2020 which had been included in the papers for the meeting. It was acknowledged that continued completion of the questionnaire was a useful discipline annually reviewing the effectiveness of financial management and governance. Mrs Searle advised that there had been no significant changes since the previous year; the judgements remained the same and the overall concluding judgement was “good”. She highlighted the two areas to be addressed in the improvement plan which identified maintenance of the learner recruitment strategies and the embedding of a counter-fraud culture in every day working practices and staff awareness. Mr Belfour endorsed the document as a very good voluntary aide-memoire with judgements backed up by evidence which, he said, provided a useful update and an informative reference for new people.

**FMCE with improvement plan was accepted.**

- 20.2. **Financial Statements for year ended 31<sup>st</sup> July 2020:** Mr David Wallis, Audit manager, Buzzacott LLP, introduced the three outputs from the audits which had been included in the papers for the meeting to both committees.

- 20.2.1. **Report & Financial Statements (Consolidated Accounts) for year ended 31<sup>st</sup> July 2020 (draft):** Mr Wallis presented the draft, page by page, confirming its compliance with the ESFA accounts direction and SORP. He advised that the ESFA

<sup>1</sup> Mr Belfour, Mr Opara, Mrs Taylor, Mr Garvey, Ms Clark and Mr Graham, Associate Principal, observing

<sup>2</sup> Financial Management Control Evaluation

had extended the submission deadline from 31<sup>st</sup> December 2020 to 31<sup>st</sup> January 2021. Mr Wallis noted that the format of the report was similar to previous years with the addition of a response to the covid-19 pandemic on page 5.

As set out on page 6, Mr Wallis reviewed the financial performance narrative and confirmed the operating deficit of £802,00 for the year ending 31<sup>st</sup> July 2020. The outturn for the prior year (ending 31<sup>st</sup> July 2019) had been a surplus of £30,000. The operational deficit for the year was £90,000 compared with a positive outturn for the prior year of £739,000, due to the one off donation from the Diocese that year.

Mr Wallis noted from the report the College's significant reliance on the ESFA as its primary funding source (92%) which had increased over the prior year due to the drop in ancillary income caused by the covid-19 pandemic impact on revenue generated by corporate and nursery activities, although this had been offset to some extent by a reduction in fees paid for agency teaching staff and grant income from the 16 – 19 tuition fund. An overall surplus of £51,124 (prior year £44,515) generated by the trading subsidiary, SFX Corporate Services Ltd, had been transferred to the College under deed of covenant to the college.

Mr Wallis highlighted the declaration to be made by the governing body that the College would be a Going Concern on page 23 and explained the obligation on governors to consider this for the twelve month period from the date of approval and signing (3<sup>rd</sup> December 2020).

Mr Wallis referred to the Statement of Regularity, Propriety and Compliance on page 24 which would be signed to confirm that no irregularity or improper expenditure had been discovered.

Mr Wallis outlined the audit opinions set out in The Independent Auditor's report from Page 27 which recorded that the financial statements were true and fair and had been properly prepared; and the Reporting Accountant's Assurance Report on Regularity which provided 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 reviewed the financial statements on pages 33 to 54 including the consolidated accounts and cashflow and the notes to the financial statements. He explained the impact of the substantial increased actuarial loss in respect of the pensions scheme. He noted the notes on staff costs on page 44 including approved severance payments and details of higher paid staff in banded ranges. The required disclosure of the relationship of the Principal / Chief Executive's basic salary and total remuneration expressed as a multiple of the media of all staff was noted to be in line with the sector..

Mr Wallis advised the meeting that governing body approval and signing of the financial statements should be subject to the outcome of the funding assurance audit which KPMG would undertake, prior to the meeting of the Governing Body, in week commencing 23<sup>rd</sup> November 2020 on behalf of the ESFA. The findings would be available within 4 to 6 weeks of the audit but could give rise to a material change to the outcomes reported in the annual accounts. He further advised that Buzzacott LLP would not sign off the accounts until the funding audit outcome was reported. Mr Belfourd confirmed this to be standard practice. It was acknowledged that whilst the intention was to file the signed end of year

audited accounts to meet the original 31<sup>st</sup> December 2020 deadline, it may become necessary to defer to the extension date of 31<sup>st</sup> January 2021. Any impact or changes to the end of year, 31<sup>st</sup> July 2020, arising from the funding assurance audit, would be put to the Governing Body at an additional meeting scheduled for 26<sup>th</sup> January 2021.

Mr Wallis confirmed that the use of electronic signatures would be acceptable. The reports would be filed by uploading to a portal.

**ACTION: The draft “Report and Financial Statements for the year ended 31<sup>st</sup> July 2020” (SFX annual report and accounts) was accepted unanimously and would be taken out of draft and proposed for approval and signing, subject to the outcome of the funding assurance review, on 3<sup>rd</sup> December 2020 and subsequent submission to the ESFA by 31<sup>st</sup> December 2020 or to meet the extended deadline of 31<sup>st</sup> January 2021 when the financial record would be filed.**

20.2.2. **Post - Audit management report for 2019 – 2020:** Mr Wallis introduced the draft report, which included Regularity and SFX Corporate Services Ltd, for the year ended 31<sup>st</sup> July 2020, which had been included in the papers for the meeting. He reviewed the report page by page and noted the expected clean opinions on the financial statements (college and subsidiary) and regularity assurance conclusion. He noted the key audit risks and outcomes summarised in the report and drew attention to the comparison of financial ratios for benchmarking at Appendix 1 which showed the negative EBITDA<sup>3</sup> – a key component in the auto-calculation of a “requires improvement” financial health grade. Sector developments had been included at Appendix 2.

Mr Belfour confirmed his acceptance of the clear report which he regarded as being comparable with year ending 31<sup>st</sup> July 2019 without the donation from the Diocese. He commented that the actuarial loss reflected the way the discounting works and explained the factors influencing the EBITDA calculation.

Mrs Meier noted the pre-paid professional fees held on the balance sheet in relation to a possible Art Block construction. Mr Thompson confirmed that, whilst this was paused, it remained a live project although the purpose of the building might change to align with the T-levels pilot launch. He explained that the intention was to seek some grants to support that project. It was agreed that the conclusion drawn that treatment of the professional fees continues to be appropriate was correct and the money spent was not wasted.

**The draft Post-Audit Management report was accepted.**

20.2.3. **Letter of Representation:** Mr Wallis advised that the letter of representation included in the papers for the meeting was a standard set of confirmations to be printed on headed paper and signed at the time of approval and signing of the financial statements. He highlighted an expansion to point 2 to include confirmation that the impact of the pandemic had been taken into account in declaring that the college was a going concern. Attention was also drawn to point 13 which stated that, in relation to the pre-paid professional fees on the balance sheet governors gave representation that construction of a building, for which the fees had been paid, was highly likely go ahead.

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<sup>3</sup> Earnings Before Interest, Taxes, Depreciation, and Amortisation – an accounting metric

**ACTION:** Mrs Lewis would reproduce the letter of representation on college headed paper and present it for (electronic) signing at the meeting of the full governing body on 3<sup>rd</sup> December 2020 alongside the financial statements for year ending 31<sup>st</sup> July 2020.

This part of the joint meeting ended at 6.44pm with thanks to Mr Wallis for his presentation. The Audit Committee meeting was declared to have ended.

**SIGNED:** \_\_\_\_\_

**DATE:** \_\_\_\_\_