

Thursday 19th November 2019, 6pm

MINUTES

PRESENT:

Mr M Belfour, Chair of Committee, Vice-chair of Governors
Mrs S Flannery, Principal
Mr C Garvey, Foundation Governor (Chair of Governors)
Mr J Opara, Foundation Governor, Vice Chair of Committee
Mrs K Taylor, Foundation Governor

IN ATTENDANCE:

Mrs M Searle, Head of Finance
Mrs S Plumb, Senior Business Manager
Mr D Wallis, Audit Manager, Buzzacott LLP for item 1
Ms L Raynes, Client Manager, RSM Risk Assurance LLP for item 1
Mr C Graham, Associate Principal – observing
Mrs E Lewis, Clerk to the Governors

1. This item was taken in joint session with the Audit Committee, with Mr Sheta in the chair:

End of Year Financial Reports:

- 1.1. **FMCE¹:** 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 5th December 2019.

- 1.2. **Financial Statements (& Regularity) for year ended 31st 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.

- 1.2.1. **Report & Financial Statements (Consolidated Accounts) for year ended 31st 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 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

¹ Financial Management Control Evaluation

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 5th 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 31st July 2019” (SFX annual report and accounts) was accepted unanimously and would be proposed, with the agreed changes, for approval and signing on 5th December 2019 and subsequent submission to the ESFA to meet the deadline of 31st December 2019.

1.2.2. St Francis Xavier 6th Form College (and SFX Corporate Services Limited) Post - Audit management report year ended 31st 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 Belfourd 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 30th January, although it was anticipated that a plea for an extension might be granted for 2020.

The post-audit management report was accepted.

- 1.2.3. **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 5th 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.

Members of the Audit Committee and Auditors left the meeting.

Mr Belfourd opened the F&R Committee meeting at 6.52pm. It was quorate throughout.

2. **Opening Prayer:** offered by Mrs Flannery
3. **Apologies:** there were none
4. **Declarations of Interest:** there were none
5. **Minutes: Meeting held on 24th September 2019:** Included in the papers for the meeting and previously circulated on 1st November 2019 were agreed as a true and accurate record and were duly signed by Mr Belfourd.
6. **Action Points from previous meeting:** there were none that would not be covered by the agenda
7. **Matters Arising: other than agenda items:** Mr Garvey reflected on recent cases of misuse of funding in colleges and commended the Audit and F&R committees for their diligence monitoring the finances. Mr Belfourd said that the requirement to have an independent audit committee which oversaw the periodic controls and recommending a risk based audit plan to the full governing body for approval was key.
8. **Accommodation, Premises and Resources:**
 - 8.1. Mrs Plumb introduced the report “Capital Projects, Accommodation and Premises – Update for F&R Committee, 19th November 2019” which had been included in the papers for the meeting. She noted completion of all items in the agreed annual plan of works for 2019 – 20 with the exception of the CCTV storage upgrade work for which costings were awaited. The committee noted the colour coded, costed plan which had been appended to the report.

Mrs Plumb described a match-funded bid which had been made to the GLA Small Projects Fund for £295k funding towards a £590k project to build a new flexible modular digital learning technologies block making use of the plans and permission already in place for an arts block. The outcome of the bid would be known in March 2020.

ACTION: Mrs Plumb to provide specification of the digital technologies block as submitted for the committee, via the Clerk.

8.1.1. Condition of Estate Survey: Mrs Plumb reported that the survey had been completed in October 2019 by Drake & Kannemeyer LLP and the estate categorised to be “structurally sound and operationally safe”. Some upgrading had been identified as necessary for compliance with updated legislation which Mrs Plumb had outlined in her written report along with a costed risk report. She announced a bid to the CIF² for £115k “keeping buildings safe, legal and open” that was being drafted as described in her report in response to the high rated actions to remedy fire and safety works identified in the survey. Mr Belfour noted changes to the conditions of the CIF to include consideration of financial viability and the earning of the highest paid staff in the institution. Bidding to the fund was understood to be competitive. Mrs Taylor confirmed that the necessary work would be undertaken if the bid was not successful. Mr Belfour referred to the devolved formula capital grant which previously had been utilised against maintenance work – Mrs Searle advised that £35k had been received this year.

ACTION: Mrs Plumb to provide the full Conditions of Survey report to the committee via the Clerk.

8.1.2. Health & Safety Audit by insurers: Mrs Plumb reported a full day visit by the college insurers, Hettle and Andrews. She advised that this was an ongoing piece of work and the final findings were due to be reported in two weeks time following the college response to a number of questions.

8.2. Annual Review of Health & Safety Policy: The updated policy with a digest of changes had been included in the papers for the meeting. Mrs Plumb presented the policy for approval and said that a section on mental health and wellbeing would be added along with the critical incident policy once that had been clarified.

The committee noted the changes to the policy and agreed it should be **proposed for approval and signing by the full governing body on 5th December 2019** subject to the sections mentioned being added once agreed by the senior college team.

9. Financial update: Mrs Searle.

9.1. Monthly Commentary; Accounts and Cashflow: September 2019 accounts had been circulated on 24th October 2019. The October 2019 accounts, commentary (with ratios) and cashflow had been distributed to all governors earlier in the day (19th November 2019). Mr Belfour acknowledged receipt and commented there was nothing raised from them but they were relevant to the re-forecasting.

Mrs Searle explained the focus on cashflow and referred to a query raised by the ESFA on their cashflow template, which had been satisfactorily resolved by adding in fixed term deposits.

Mr Belfour acknowledged that the monthly accounts were always produced and distributed promptly.

9.2. Treasury: Mrs Searle introduced the treasury monitoring report which had been included in the papers for the meeting. It showed that movements agreed at the previous meeting had been actioned. The committee discussed the £389k fixed term

² Condition Improvement Fund

deposit maturing on 15th January 2020. Mrs Searle explained that the deposit could roll for 7 days accruing interest and it was agreed that she should provide rates for the next meeting provisionally scheduled for 22nd January (or by email resolution if that meeting did not go ahead).

Mrs Searle informed the committee that arrangements for the revised submission of financial planning documents (Integrated Financial Model) were not quite finally agreed and it was anticipated that the ESFA may extend the end of January 2020 deadline for the first year. She highlighted the challenges of meeting the deadline and the extent of the reports and plans that would be required.

9.3. Student Council (“Students’ Union”) Financial Report– presentation of accounts for 2018 – 19: The committee reviewed the account which had been included in the papers for the meeting. The committee requested that the financial report remain in the schedule of business as it provided an interesting reflection on the activities of the students’ union.

9.4. ESFA confirmation of Financial Plan 2019 to 2021 & Financial Dashboard: The committee noted the correspondence from Adrian Brook³ dated 23rd Oct 2019 which had been included in the papers for the meeting. The committee further noted the issue with the cashflow template mentioned in the letter had been cleared up as reported in item 9.1. Mr Belfourd emphasised that governors should be aware of and familiar with the finance dashboard which Mr Brook had included with his letter.

ACTION: ESFA Finance Dashboard October 2019 to be included in the papers for the full Governing Body meeting. (Mrs Lewis)

10. Student Roll and Recruitment: Mrs Flannery introduced the annual enrolment statistics comparison report which had been included in the papers for the meeting. She confirmed that analysis of the data, graphs and statistics in a second report would be covered in her December Principal’s Report to Governors.

From the comparison report, Mrs Flannery analysed and explained the patterns of enrolment over the three year (2017, 2018, 2019) comparison and commented that enrolment consisted not only of new learners but also returners so there was a two year pattern to it. She noted that for 2019 the number of returners was down on the previous year.

Mrs Flannery highlighted that partner school conversion was up and more reliable at 27% than from non-partner schools (32 – 33%). She described how recruitment was unpredictable as it was shifting later in the year. Reporting a successful open day with a promising increase in visitors on Saturday 16th November, Mrs Flannery said that 300 applications were in place which would indicate a stronger position if that pace could be retained. She outlined the extended use of social media platforms. Mrs Taylor enquired whether there was a direct link between recruitment and the marketing strategy. Mrs Flannery explained why marketing was being concentrated on schools in South West in response to a shift in Lambeth and Southwark. Mrs Taylor said she had been impressed by Mrs Flannery’s presentation at Open Day and Mr Garvey agreed that the event had been exciting. Mrs Flannery described improvements in participatory events, an increase in interaction between students and parents and this had resulted in positive feedback about the confidence of the students about their subjects. She confirmed that some analytics were available from the registration software. Mrs Flannery confirmed to Mr Belfourd that there would be other mini after school (4pm to 6pm) recruitment events to capture those still looking

Governors noted the comparison report and Mrs Flannery would provide further narrative on open day in her December report to governors.

³ Deputy Director, Assurance Provider Market Oversight

11. **Funding - Financial Projections: review and update of financial plan:** Mrs Plumb introduced the detailed written “Update to the Commentary on the Financial Forecast 2019 – 2021 (Nov 19)” which had been included in the papers for the meeting along with the ESFA SFX Financial Plan 2019 version 3 12.11.19. She explained that the plan, initially written and approved in July 2019, had been re-evaluated and updated in response to the under-recruitment of students in September 2019 by 71 (1140 against 1211 target).

Referring the committee to sections 6 & 7 (page 5) of the commentary “2019/20 – Financial Plan update” and “2020 – 21 – Financial Plan Update” Mrs Plumb highlighted the key measures and assumptions of the plan which was now covering the years ending 31st July 2019 to 31st July 2021. She confirmed that the college was on track to achieve the budgeted outcome for 19/20 currently estimating an operational deficit for the year of - £224k ((£43k better than budgeted).

The financial plan update for 2020-21 would still return the college to “good” financial health from 2021 onwards and maintain a strong and sustainable financial position based on the assumptions and sensitivities in the plan and explained in the commentary.

The commentary emphasised that delivery of the financial plan in the short term would depend on two critical factors being achieved:

1. Managing the implications of a further reduced recruitment of 1140 learners in September 2019
2. Achieving further planned savings on the staffing budget during 2019 – 20 (in addition to natural wastage, a planned reduction of 4 – 6 FTE would be required, equating to a £374k saving on staffing costs).

Two pathways were set out for longer term planning including academisation which Catholic Sixth Form Colleges were not yet able to do and consideration of a soft or hard federation with other Catholic sixth form colleges.

The committee was advised that this commentary and the financial plan would be discussed at a proposed visit from ESFA staff on 5th December 2019. The financial planning checklist had been completed to confirm that the supporting commentary had been completed with due regard to the checklist.

Mrs Flannery confirmed to Mrs Taylor that as the college was incorporated it takes its own decisions with the Diocese keeping an eye that matters were conducted with prudence. Finding solutions and managing of finances was up to the college within its mission. **Plan and supporting commentary were accepted and would be presented to the full Governing Body for agreement.**

12. SFX Corporate Services Ltd:

- 12.1. **Report / Business Plans update:** The report *V19 - SFX Corporate Services Limited (Trading Subsidiary – Business Plan Summary Oct 19 – Includes year-end position for 18/19 & Initial Review 19/2)* had been included in the papers for the meeting. Mr Belford concluded from it that activity of the trading subsidiary was currently limited to lettings. The Board of Directors had met on 7th November 2019. Mr Andy Taylor’s resignation as a Director had been filed at Companies House and Mrs Plumb had been appointed a Director in his place. She reported the MUGA pitch as the big new initiative and effort was concentrating on maximising Saturday usage. Mr Belford noted long term maintenance costs for the pitch and asked if there was a sinking fund to cover those in the longer term. Mrs Searle confirmed that a maintenance contract would be put in place which would incur a cost once the defect period is over.

- 12.2. The committee noted that the audited end of year (to 31st July 2019) report and accounts had been signed at a meeting of the Board of Directors on 7th November 2019 and that a Gift Aid Deed of Covenant was now in place having been duly signed.
13. **Staff Cost of Living Rises:** Mrs Flannery said there were no updates or agreements to report. She said the third date of strikes against the government would take place the next day. 20 – 24 staff had taken part. The union was paying striking members.
14. **Professor Keohane Memorial Fund / Prize awards:**
- 14.1. The award was confirmed to be £300 and Mrs Searle advised there were funds to cover it.
- 14.2. The Science department nomination of Victoria Taiwo was strongly supported by Mrs Flannery. Victoria was now studying medicine at King’s College, London. Mrs Flannery confirmed that she would feature on the alumni. **The recommendation was agreed and would be proposed to the full governing body for approval on 5th December 2019.**
15. **Risk Management:** The committee had noted and endorsed that Student Recruitment had moved up one place to first place on the register. Funding had moved down to second place although both were closely linked and remained related as the top risk. Governors.
16. **Any other business.** There was none.
17. **Review of Effectiveness of meeting:** It was agreed that the business of the agenda had been satisfactorily addressed.
18. **Date of next meeting:** Wednesday 22nd January 2020 and Tuesday 25th February 2020

The meeting closed at 7.50pm.

SIGNED: _____

DATE: _____

Distribution:

Mr M Belfourd

Clerk

Mr J Opara

Mrs M Searle

Mrs S Flannery

Mrs S Plumb

Mr C Garvey

Mrs K Taylor