

## GOVERNORS FINANCE & RESOURCES COMMITTEE

Tuesday 19<sup>th</sup> September 2017 at 6pm

### MINUTES

#### PRESENT:

Mr M Belfour, CHAIR, Foundation Governor  
Mrs S Flannery, Principal

#### IN ATTENDANCE:

Mrs M Searle, Head of Finance  
Mr A Taylor, Strategic Director of Financial and Physical Resources  
Mrs E Lewis, Clerk to the Governors

**The meeting was opened by Mr Belfour at 6pm as a forum for discussion of the papers that had been prepared and submitted and review of the issues arising. It was not quorate for decision making.**

1. **Opening Prayer:** offered by Mrs Flannery
2. **Apologies:** had been received from Mr J Opara and Ms P Cummings.
3. **Declaration of interests:** there were none
4. **Minutes of F&RC meetings held on 22<sup>nd</sup> June 2017 and 7<sup>th</sup> March 2017:** Both sets of minutes had been previously circulated on 27<sup>th</sup> March and 7<sup>th</sup> July 2017 respectively and both sets were deferred for agreement and signing to the next meeting.
5. **Membership & election of Vice Chair of Committee:** Deferred to next quorate meeting.
6. **Matters Arising:** other than agenda items: [BAF 10, Estates; 12 Governance]
  - 6.1. Terms of Reference – agreed at the previous meeting had not been presented to the full Board on 11<sup>th</sup> July 2017 for approval. They would be reviewed at the next quorate meeting for referral and approval by the full Governing Body in due course.
  - 6.2. Update on insurance quotes (item 11) Information had been exchanged with the insurers to inform the preparation of a quote for Cyber insurance. The re-tendering process for renewal of the insurance contract for 1<sup>st</sup> August 2018 onwards had been outlined at the previous meeting. It was suggested that extending insurance cover to include cyber attack and terrorism would be a matter for that re-tendering process.
  - 6.3. Rateable value (item 7): Mrs Searle advised she was awaiting a response from the advisor engaged to contest the revised rateable value of the college and nursery.
7. **Review of progress against action points:** covered by matters arising
8. **Accommodation & Premises, project reports & plans [BAF 10 Estates & Plant]:** Mr Taylor reviewed his written report included in the papers for the meeting. He described the work that had been completed over the summer, 2017. He noted that refurbishment of the staff toilets was partially complete pending attention to the ventilation system which would be included in the next annual programme. All IT works had been completed apart from a remaining upgrade to the telephone system. Expenditure was noted to be within the agreed APW budget as shown on the colour coded, costed chart in the report. Mr Taylor confirmed that devolved capital grant allocations for 2016 – 17 and 2017 – 18 would be applied to the costs.

Mr Taylor explained why the essential, planned condition appraisal survey of the college had been paused due to re-commencement of the dementia care home development project on the site adjacent to the college. He reported a meeting between the college and Diocesan representatives earlier in the day which had revived the complex right to light compensation debate. It would require legal counsel. Mr Taylor advised that, meanwhile, a proposal was being submitted to the



Diocesan finance committee for funding to commission a space utilisation review of the college. Mr Belfourd was advised of the sums involved and that loss of light caused by the development would have a college-wide impact beyond the art rooms.

Mr Taylor confirmed that the condition appraisal survey of the estate survey would go ahead alongside the proposed space utilisation report.

It was noted that as a result of the uncertainty arising from the dementia home development the potential MUGA sports pitch project was also on hold.

The accommodation strategy for the next two to three years would include plans and works required in response to the dementia home development. The PMG (Project Management Group) would be reinstated once planning options picked up pace.

9. **Monthly Commentary and Accounts [BAF 1 Funding; 13 Financial Issues & Controls]:** Management Commentary and Accounts for July 2017 had been circulated to all governors in advance of this meeting. These stood as the preliminary end of year results. Mr Belfourd reviewed the accounts in discussion with Mrs Searle. He commented on the amount of actuarial gain, noting that the statutory surplus amounted to £617,818 (including an actuarial gain of £1,189,000). The operating surplus had turned £161,395 compared to a budgeted operating surplus of £203,496. Mrs Searle reconciled the variation between actual and budgeted for both operational and statutory outcomes. Pay expenditure represented 77% of income; current ratio was 8:1. Mr Belfourd remarked that legal fees were high and Mrs Searle explained that the figure included agency staff fees. Mr Belfourd agreed with Mrs Searle that future monthly accounts would distinguish between agency fees and legal fees.

10. **Financial update [BAF 1, Funding, 3 Student Recruitment]:**

10.1. Mr Taylor introduced the "Funding/Financial Projections (for Finance & Resources Committee 19/09/17)" illustrative paper which had been included in the papers for the meeting. It had been prepared without commentary as an overview of the year-end position against the predicted turn out given to the June meeting. The November update would include a commentary.

Mr Belfourd discussed the drop of £1.1m expenditure between actual (end July 2017) and the budget for the year and agreed with Mrs Searle that another explanatory note would be helpful.

Mrs Searle and Mr Taylor highlighted where savings had been made in expenditure including controlled departmental spending. £22k had been received in respect of an income settlement for the former doctors surgery.

Mr Belfourd noted that the expenditure on staffing was higher than budgeted and benchmark and was assured that this would be pulled back in line in the current year.

The differential between the operating position according to the ESFA Financial Forecast and the published "statutory" figures was discussed in the context of the new accounting methodology.

Mr Taylor emphasised that the forecast figures for 2017 – 18 and 2018 – 19 would be revised due to the lower student recruitment and a responsive plan drawn up. He evaluated the financial impact of the drop at £491k on current figures. He explained that funding is lagged with 1% tolerance but warned that there could potentially be a 5 – 6% clawback in year applied to the grant payment due in the spring. Whether this reconciliation was applied in-year or not by the ESFA, the grant funding would certainly be reduced in 2018 – 19 based on student numbers confirmed on 13<sup>th</sup> October 2017 in the funding return.

It was agreed that a plan for addressing the lag in funding would need to be prioritised. The financial statements audit would review the college as a going concern. The report by governors in the financial statements places an onus on governors to flag up any concerns about financial viability.



10.2. Funding (including enrolment data for 2017): Mrs Flannery commented on the student enrolment statistics (recruitment data) that had been included in the papers for the meeting reflecting on the indicators toward managing a downsizing of the college. The data recorded a comparison across three years as a snapshot in the third week of enrolment and showed a drop in total numbers on roll of 140 against the previous year. New starters were 96 less. Students on roll from partner schools had decreased by 55. Mrs Flannery described the confluence of factors that had contributed to the drop in numbers including increased competition especially from schools holding on to or calling back students; STEM colleges becoming established and students with spikey GCSE outcomes who did not qualify for level three courses and had gone to Further Education colleges instead. The Ofsted judgement had also had an impact and it was acknowledged that recovery from that was imperative. Analysis of the balance between General Applied and A Level recruitment showed healthier recruitment to vocational programmes. Enrolment remained open and would continue.

Mr Taylor underlined the impact of missing the recruitment target on grant funding income for future years and warned that the financial situation would be even more grave if there was an in-year reconciliation.

It was agreed that a clear strategy had to be formulated to rework the financial plan in response to the significant risk to financial viability from a reduction in grant funding.

**ACTION: Mr Taylor would draft a paper to inform discussion with governors – potentially an initial review by Mr Belfour and Mr Garvey, Chair of Governors, in advance of the next meeting of the F&R Committee.**

10.3. Financial summary: The Key Financial Performance Indicators for the college from the ESFA (funding agency) dashboard provided to Mr Belfour on publication, and included in the papers for the meeting, were discussed. The health score for 2016 – 17 would be “good”. The score for 2017 – 18 based on the existing financial forecast was good. Mr Belfour clarified that the ESFA would require a new financial forecast and this would be triggered by the funding return. Mr Taylor advised that a clear plan would need to be in place at that point.

11. **Treasury Management: Monitoring report [BAF 13 Financial Issues & Controls].** Mr Belfour received the treasury report noting the current position with investments and that £300k on deposit with the Allied Irish Bank would mature on 28<sup>th</sup> November and would, therefore, be reviewed at the next meeting of the F&R committee. Mrs Searle would obtain rate information for that meeting.
12. **Staff cost of living rises update [BAF 1 Funding, 4 HR]:** Mrs Flannery advised that 1% had been proposed but not yet agreed for teaching and support staff cost of living increases.
13. **SFX Corporate Services Ltd: verbal update [BAF 1 Funding, 7 Non-core Activity].** Mr Taylor reviewed the end of year position which would turn a profit of £31,562. He explained this result was as expected when a decline in income had been signalled during the year. Losses in Community Education and the Nursery and the lagging income received for the apprenticeship scheme were discussed. The unusual deficit result from the Nursery was attributed to the profile of places and agency costs for long term sickness / maternity cover. Minimum numbers for viable enrolment on Community Education courses would be strictly controlled.  
Mr Taylor said that the performance of non-core activity would be picked up in the review for the November meeting following the next meeting of the Corporate Board of Directors. He assured Mr Belfour that the profitability of all non-core activity would be scrutinised.
14. **Risk Management:** Funding was ranked as joint top risk and student recruitment was next. Emerging levels of risk had been identified during discussion of the financial forecast and plan for the college.
15. **Any other business:** Mr Belfour confirmed that the college would meet the requirement for the college website to include a link to the national DfE performance tables by the end of the autumn term.



Mrs Flannery commented on the raw examination results noting that the value-added scores had not yet been computed. The support and challenge HMI may visit again before he triggers the re-inspection which would have to take place by March 2018 at the latest.

16. **Date of next meeting:** Tuesday 21<sup>st</sup> November 2017 – jointly with Audit Committee to receive the Financial Statements and Regularity Audits reports. Start time scheduled for 6pm – subject to finish time of the Audit Committee meeting immediately before.
17. **Review of effectiveness of meeting [BAF 12, Governance]:** Membership of the committee would be reviewed with the full Governing Body.

**The meeting closed at 7.05pm**

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

**DATED:** \_\_\_\_\_