

Thursday 22nd November 2018 at 6.15pm

MINUTES

PRESENT:

Mr M Belford, foundation governor, Chair (Vice Chair of Governors)
Mrs J Town, staff governor, Vice Chair
Mr C Garvey, foundation governor, (Chair of Governors)
Mr J Opara, foundation governor

IN ATTENDANCE:

Mrs M Searle, Head of Finance
Mr A Taylor, Strategic Director of Financial and Physical Resources
Mr D Wallis, Client Audit Manager, Buzzacott LLP for item 1
Mr T Lo, Client Manager, RSM Risk Assurance LLP for item 1
Mrs E Lewis, Clerk to the Governors

1. THIS ITEM WAS TAKEN IN JOINT SESSION WITH THE AUDIT COMMITTEE¹: End of year Financial Reports

- 1.1. **FMCE²**: The completed (non-mandatory) self-evaluation for 2017 – 18 had been included in the papers and was introduced by Mr Taylor. He explained that completion of the questionnaire provided a useful checklist audit process for management. It had been compiled by himself, Mrs Searle and Mrs Lewis. He referred the committees to two key pages and explained the summary of grades in the areas of control noting the assessment to be good in all areas and outstanding for the internal control system. The overall self-assessed grade for the college's financial management and control arrangements was found to be "good". Mr Taylor outlined the improvement plan which contained three key areas for improvement including attendance of governors at Governors meetings and sub-committees; the expensive apprenticeship programme and the under-recruitment of learners.
The FMCE for 2017 – 18 "good" overall assessment and action plan for improvement were accepted.

1.2. Financial Statements for year ended 31st July 2018 presented by Mr David Wallis, Audit Manager, Buzzacott, Financial Statements Auditors:

- 1.2.1. Report & Financial Statements (Consolidated Accounts) for year ended 31st July 2018:** The draft report and statements had been included in the papers for the meeting. Mr Wallis introduced a high level review confirming that the accounts had been prepared in accordance with the 2018 Accounts Direction Handbook,

Mr Wallis reported the financial results:

The college had incurred an operating deficit in the year ended 31st July 2018 of £407k (£520k in 2016 – 17).

The report noted on page 5 that prior to the application of FRS 102 pension

¹ Mr N Sheta (Chair of Audit Committee; Mr R Vianello (Vice Chair of Audit Committee)

² Financial Management Control Evaluation

adjustment the result was a surplus of £388K. Prior to the meeting, Mr Belford (Chair of F&RC, Vice Chair of Governors) had recommended that the wording be changed and a comparative amount added from the previous year to read “The operational surplus for 2017/18 was £388,000 (2016/17 - £171,000) after adjustments for FRS102 pension movements, depreciation and deferred capital grants”. In discussion Mrs Searle and Mr Wallis agreed and this change was approved by the meeting. Mrs Searle confirmed that figures would be consistent with the post audit management report. **ACTION: Mr Wallis to update the wording in final version as provided to Mrs Searle in an email from Mr Belford.**

In the Report of the Board of Governors, Mr Wallis noted a new requirement relating to Trade union facility time which had been included on page 11 in accordance with regulations which came into force in 2017.

From the Statement of Corporate Governance and Internal Control, Mr Wallis highlighted the declaration of internal control at the top of page 20 and drew attention to the statement of Regularity, Propriety and Compliance which he said was unchanged from the previous year.

The Going Concern statement was noted as a positive affirmation on page 21 which confirmed that the governing body continued to adopt the going concern basis in preparing the financial statements. The note recorded the intention to undertake a further staff restructuring process in response to lower than expected student recruitment in September 2018.

Mr Wallis referred to the Independent Auditor’s Report to the Board of Governors (p24) which confirmed a clean opinion. The Reporting Accountant’s Assurance Report (p27) on Regularity made to the Board of Governors and the DfE concluded that there was nothing irregular or improper to bring to attention.

Mr Wallis reviewed the Consolidated and College Statements of Comprehensive income and Expenditure which showed the headline figure of £405k deficit compared with £520k deficit the previous year. A positive actuarial gain in respect of pensions schemes was shown. From the Consolidated and College Balance Sheets as at 31 July 2018 Mr Wallis confirmed a good cash balance.

Mr Wallis introduced the Notes to the Financial Statements.

Mrs Searle confirmed to Mr Belford that the Auditors Remuneration in Note 7 on page 42 (Other operating expenses) had been corrected to so that internal audit would read £7k. She further confirmed that an additional line had been added for other services relating to the trading subsidiary..

Mr Belford referred to note 6 on page 40 and proposed a change in terminology which would amend “Restructuring costs” to “Severance payments” in line with the Accounts Direction. This was accepted by Mr Wallis who also agreed Mr Belford’s recommendation that a sentence was required be added to disclose that costs had been approved by the governing body.

ACTION: Mr Wallis to apply the agreed changes to the final version of the Report and Financial Statements for the Year Ended 31 July 2018.

- 1.2.2. **Post - audit Management Report for Year ended 31 July 2018:** The report which incorporated the regularity audit had been included in the papers for the

meeting and was introduced by Mr Wallis as the letter describing the work undertaken and findings.

The executive summary was noted to indicate a clean opinion on the financial statements audit of the college and its trading subsidiary and a clean regularity assurance conclusion.

Governors noted that signed letters of representation for the college and its subsidiary were required to complete the audit along with confirmation immediately prior to the financial statements being signed that no significant events had taken place since the audit that would impact on the balance sheet.

Mr Wallis explained the analysis of audited results on page 4 which confirmed the operational surplus for the year was £388k compared with £171 the previous year. Mrs Searle confirmed that this figure is consistent with the results reported to the ESFA used for the grading of financial health.

Mr Wallis took the committees through the report page by page. He highlighted the Key audit risks and outcomes section which included the area "Going concern and student recruitment" describing the issue highlighted during planning and response. Mr Belfourd commented that being recognised as a going concern was a positive status. He cited a written record from the ESFA in October 2018 stating that the college had been rated "good" financial health.

It was noted from Appendix 2: Comparison of financial ratios that based on the ESFA financial health model, the statutory financial statements indicate that the College would be graded as "outstanding". The College had moderated this grading down to "good" which was agreed to be a more prudent reflection of the position. Mr Taylor added that this was also precautionary in the event that the right to light money is received as expected.

Mr Wallis confirmed that the Teachers' Pension Audit had been completed with the issue of an assurance report and end of year certificate.

Mr Wallis explained the appendices. He discussed the comparison of financial ratios set out in Appendix 2 highlighting that the current ratio is very healthy compared with the sixth form college sector benchmarks. Mr Belfourd commented that payroll costs continued to be higher than benchmark because there was no outsourcing but there was in other colleges included in the benchmark figures. **ACTION: Mr Wallis would check whether or not benchmarks include sixth form colleges that had academised in response to a query from Mrs Flannery.**

Sector developments set out in appendix 3 were noted and particularly the anticipated significant increase in the employers contribution to teachers' pensions schemes . The increase was expected to be 26.3%.

The post-audit management report was accepted.

It was unanimously agreed that, with the agreed amendments, the Report & Financial Statements (Consolidated Accounts) for year ended 31st July 2018 should be recommended to the Governing Body for approval and signing on 6th December 2018 and, following subsequent counter-signing by the auditors, submitted to the ESFA to meet the deadline of 31st December 2018.

1.2.3. Letter of Representation: Mr Wallis introduced the letter of representation template to be transcribed onto college headed paper for approval and signing at the Governing Body meeting at which the financial statements would be signed on 6th December 2018. Mr Wallis confirmed the letter to be standard apart from point 11 referring to “Right to light” income. Mr Belfour highlighted that the letter stated that it is the belief of the Governing Body that the financial statements should be prepared on a going concern basis - as in previous years.

1.2.4. Letter of Engagement: Two copies of an updated letter of engagement with Buzzacott were duly signed by Mr Sheta and one handed to Mr Wallis.

Members of the Audit Committee and Auditors left the meeting.

Mrs Town, Vice Chair took the Chair to open the meeting at 6.40pm. It was quorate throughout.

2. **Opening Prayer:** offered by Mrs Flannery
3. **Election of Chair of Committee:** Mr Belfour was nominated by Mr Garvey, seconded by Mr Opara and duly re-elected unanimously to a further 2 year term as Chair of the Finance & Resources Committee.
Mr Belfour took the chair.
4. **Apologies:** n/a
5. **Declarations of Interest:** there were none
6. **Minutes: Meeting held on 25th September 2018:** included in the papers for the meeting and previously circulated on 2nd October 2018 were agreed to be a true and accurate record and duly signed by Mr Belfour.
7. **Action Points from previous meeting:** there were none
8. **Matters Arising: other than agenda items:**
 - 8.1. Rateable value review: Mrs Searle reported that discussion was underway nationally. It was acknowledged that this was a slow process and would be followed up regularly.
9. **Accommodation, Premises and Resources: Mr Taylor**
 - 9.1. **Update report:** Mr Taylor introduced the report which had been included in the papers for the meeting. Progress (colour –coded) against the agreed annual programme of works for 2018 – 19 was reviewed and costs matched against budgets.

Mr Taylor reported against Strategic Issues:

Roof works (CIF 18 /19): The project has closed and had been signed off by the ESFA for final payment in December, Mr Taylor confirmed any snagging issues were guaranteed by contract.

CIF bid 19 / 20: Mr Taylor described a bid being prepared for full funding to upgrade toilet facilities across the college and the associated ventilation, drainage and pipework. Mr Taylor advised that whilst the chance of an award was not especially strong, the work was necessary and submitting an application would put down a marker.

Care Home Development / Art Relocation project: Mr Taylor reported that the anticipated compensation payment of £800k had not yet been received but was expected in the coming two to three weeks. He advised that expenditure on the art

relocation project had begun and a formal planning application was underway with a decision due by January 2019. He explained it would be a 4 to 5-month project on a tight schedule. Architects had been consulted in case a contingency plan was required.

MUGA Sports Pitch Development: Mr Taylor reported good progress hopeful of completion on 6th December – on schedule and to budget. The pitch would be floodlit and the intention was to start utilising it from January 2019. Mr Taylor commended the contractors, Slatter.

Multi Purpose Hall (MPH): Mr Taylor explained why outline plans in the programme of works had been put on hold for the time being.

Condition of Estate Survey: Mr Taylor confirmed this was still scheduled to be undertaken during the current academic year but would be considered alongside a wider curriculum accommodation strategic review.

The accommodation report was accepted.

- 9.2. **Annual Review of Health & Safety Policy:** The updated policy had been included in the papers. Mr Belford referred to the headline summary of changes which were explained by Mr Taylor. The overarching statement by the Governing Body supported the detail of the policy, fire procedures and a range of associated policies.

The policy was accepted and would be recommended to the full Governing Body for signing at the meeting on 6th December 2018.

- 9.3. **Insurance:** Mrs Searle advised the committee that there had been a variation to the insurance premium in order to restore a help-line / advice service for staff. The additional amount paid was £821. The expenditure was agreed.

10. Financial update: Mrs Searle

- 10.1. **Monthly Commentary; Accounts and Cashflow:** September 2018 and October 2018 had been circulated to all governors since the previous meeting.

Mrs Searle requested agreement to a variance of £46k in budgeted expenditure in relation to the successful SCIF³ bid. Mr Taylor explained that the college had been awarded £135k and outlined the rules which required the college to provide 25% (£46k) contribution to the project. He assured governors that he would look into opportunities to take from existing budgets where possible. Mr Taylor described the project and confirmed that 25% of the overall project budget had to be spent on the development partner, St Dominic's Sixth Form College in Harrow. Mr Garvey recorded thanks to Mr Graham Thompson, Associate Principal for putting the successful bid together. Mrs Searle explained that the conditions of the bid were very prescriptive about match-funding. There would be two monitoring returns in the period from October 2018 to October 2019. The committee approved the budget variance. Mrs Town enquired whether the college could apply for more funding. Mr Taylor replied that this was not possible.

- 10.2. **Treasury:** The Treasury management report had been included in the papers for the meeting and was duly noted. Fixed term investments were confirmed to be on deposit until 28th September 2019 as previously agreed. In relation to banking, Mrs Searle drew attention to the Friends of Xavier account and advised the committee that the waiving of fees had ended. She had appealed against this decision but sought permission to close the account if that request

³ SCIF: Strategic College Improvement Fund

was not granted. £1,000 had been invested in the account from the college account as agreed,

It was agreed that Mrs Searle could close the discrete account if the decision to apply charges was not reversed. The fund would be incorporated into the college account designated for use for student prizes.

- 10.3. **LPFA Pensions:** Mrs Searle referred to the expected significant rise in employer contributions from April 2019 which had been flagged in the Buzzacott sector developments appendix to the post-audit management report reviewed earlier in the meeting. She said the contribution was anticipated to go up from 16.4% to 26.3%. Mr Taylor commented that the benefit of any future uplift in the student national funding rate could potentially be cancelled out by the increased pension payments.
- 10.4. **Student Council (“Student’s Union”) Financial Report– presentation of accounts for 2017 – 18:** The account had been included in the papers for the meeting and were noted to show little activity. More transactions were expected this year.
- 10.5. **ESFA confirmation of Financial Plan 2018 to 2020** The committee noted a letter from Adrian Brook, Deputy Director – Assurance, ESFA dated 18th October 2018 which confirmed the college financial health as “Good” for 2017/18 and “Good” for 2018/19 based on the college’s financial plan 2017 / 18 to 2019 / 20. Also received from the same ESFA source and included in the papers was the College Finance Dashboard Oct 2018 – a high level overview of the college’s financial performance. This showed the automated financial health grade to be Good 2017 / 18; Outstanding 2018 / 19 and Good 2019/20. The moderated health grade was recorded as Good for 2018/19. It was agreed that financial health and well managed finances were a strength.
11. **Student Roll and Recruitment:** Enrolment data as at 18th October 2018 compared with 2017 and 2016 had been included in the papers for the meeting. Mr Taylor reported that the “42 day” census count confirmed the student enrolment figure as 1211. The comparative data showed the downward pattern and continued fall in recruitment from partner schools. There had not been any significant change in the number of students on each level of study or in the percentage of catholic students on roll. Course breakdown was reviewed and the number of students on GCSE English and Maths was highlighted. Mrs Flannery noted the fall in A Level numbers particularly in creative subjects. She said that class sizes in some subjects were not affordable and some may need to be cut. She explained that already some courses had been nesting – students in different years had been taught together for some of the week. Protecting the breadth of subjects offered would remain a key consideration in curriculum financial planning. Mr Taylor outlined the financial implications of under-recruitment of students and said that the ESFA financial template would look more closely at course costings. The cost of GCSE re-takes in November had been £33k
12. **Funding - Financial Projections: review and update:** Mr Taylor introduced the written report “Financial Position Paper – 31/10/18 which had been included in the papers for the meeting. The committee also received a copy of “Financial Health Presentation (November 2018) updated since Mr Taylor had used it as the basis of a briefing for governors in December 2017. Mr Taylor offered it as a potential presentation prior to the full Board meeting on 6th December. Mr Belfourd added that the Finance Dashboard record was also a useful tool for governors to understand financial performance. It was agreed that an update presentation be scheduled as a prelude to the meeting. Mr Taylor’s report included an update to the commentary on the Financial Forecast 2018 – 2020 which had been submitted to the ESFA in July 2018 with the associated Annex A

financial planning checklist.

Mr Taylor explained that the Financial Position paper was an adaptation of the paper written for the meeting of committee chairs on 2nd November 2017 brought up to date. Mr Taylor confirmed that the ESFA correspondence referred to earlier in the meeting showed that technically the current financial health of the college was outstanding. He explained there was a need for caution because of the second year of significant under-recruitment of students. He confirmed that the financial statements audit showed the college to be going concern for the coming 12 months and possibly the following 12 months but emphasised that continuing under-recruitment and lagged drop in grant funding income was a significant factor in that.

Mr Taylor advised the committee of the premises (assumptions) on which the financial plan 18 – 19 had been based and the implications of under recruitment of learners being a key assumption. His report included a table illustrating the impact and prediction of a total shortfall of £427k which would manifest in lagged grant funding income for 2019 – 20. Mr Taylor discussed the way forward outlines set out in the written report including income, expenditure, reductions in staffing and implications for College Structures. He advised that it would soon be necessary to re-write the financial plan and to engage with ESFA who would be notified of the recruitment figures in the ILR funding return submitted on 6th December 2018.

Mr Taylor's report included an update to the standing item paper "Funding/Financial Projections" which he reviewed.

The committee was advised that the ESFA would become aware of risk indicators such as under recruitment from scrutiny of the first routine learner numbers submission which could trigger enquiries from the financial commissioner such as the size of the college and level of income. Mr Belford referred to the ESFA validation of the good financial health of the college. It was agreed that all governors should be provided with information that would make them aware realistically of the financial performance and potential scenarios arising from it.

The committee agreed that strategies for remaining as a stand-alone going concern should be planned in the context of financial performance. The cycle of demographic drop in the cohort and competition from other providers including large academy chains was discussed. It was acknowledged that the programme of staff cuts should continue with renewed discussions and a recommencement of the redundancy strategy. Mr Garvey expected Mrs Flannery and her team to come up with a plan for boosting recruitment of learners and she described how the marketing platform would be changed with greater emphasis on digital tools and advised that support was being engaged to reboot the campaign.

Mr Taylor summarised that the financial forecast return to the ESFA in July 2019 would be the plan for moving forward. He would report back to the next meeting of the committee on progress and developing strategies.

13. SFX Corporate Services Ltd: Mr Taylor

13.1. Report / Business Plans update: The committee had received a copy of the "V16 – SFX Corporate Services Limited (Trading Subsidiary – Business Plan Summary – Oct 17 – Includes year-end position for 17/18 & Initial Review 18/19)" report in the papers for the meeting. Mr Taylor drew attention to strategic decisions being moved forward. He advised the income target for lettings would be increased by £30k due to the opportunity created by the MUGA. He advised that the apprenticeship scheme had ended with no further costs. Mr Taylor and Mrs Lewis outlined a planned change to the operation of the community education provision which would give it the chance of becoming profitable. The Nursery was expected to break even and suitable

alternative accommodation continued to be sought. Mr Taylor advised that the income forecast had been over ambitious and therefore cut back to a more realistic level in all areas.

13.2. End of year (to 31st July 2018): the committee noted that the audited report and accounts had been approved and signed on 8th November 2018 at the meeting of the Board of Directors of SFX Corporate Services Ltd along with a letter of representation.

14. **Staff Cost of Living Rises:** Mrs Flannery advised that negotiations were ongoing.

15. **Professor Keohane Memorial Fund / Prize awards:**

15.1. Confirmation of value of award: Mrs Searle confirmed that £1000 had been transferred into the account to continue to support the award at £300.

15.2. Endorsement of nominee(s) for recommendation to full Board: A confirmed nomination from the Science Department would be recommended direct to the full Governing Body on 6th December 2018.

16. **Risk Management:** Have governors identified any new risks or modifications to existing risks on the register? The committee confirmed that all risks were included.

17. **Any other business**

17.1. Mr Garvey reflected on the physical achievements during the year (MUGA, roofing) and concluded that the biggest asset to the college remained its staff, leadership team and students.

18. **Review of Effectiveness of meeting:** It was confirmed that the meeting had discharged its business effectively.

19. **Date of next meeting:** Thursday 28th February 2019

The meeting closed at 7.50pm

SIGNED: _____

DATE: _____

Distribution:

Mr M Belfourd
Clerk

Mr J Opara
Mrs M Searle

Mrs S Flannery
Mr A Taylor

Mr C Garvey
Mrs J Town