

Monday 25th June 2018, 6.30pm

MINUTES

PRESENT:

Mr M Belfourd, Foundation Governor, Chair of Committee
Miss J Town, Staff Governor, Vice Chair
Mr C Garvey, Foundation Governor (Chair of Governors)
Mrs S Flannery, Principal

IN ATTENDANCE:

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

The meeting was opened by Mr Belfourd at 6.14pm and was quorate throughout.

1. **Opening Prayer:** offered by Mrs Flannery
2. **Apologies:** Mr J Opara
3. **Declarations of Interest:** there were none
4. **Minutes of meeting held on 4th June 2018:** Included in the papers and previously circulated 11th June 2018 were agreed to be a true and accurate record and were duly signed by Mr Belfourd.
5. **Matters Arising: other than agenda items:**
 - 5.1. **Review of rateable value:** Subject to formal confirmation, Mrs Searle reported that the review had not achieved any reduction in rateable value and no savings were expected to be made. Mr Taylor commented that this appeared to be a common position across the sector. **ACTION: Mrs Searle to obtain formal confirmation of outcome of review.**
 - 5.2. **Terrorism insurance add-on update:** Mr Taylor reported a meeting with the new insurers, Hettle Andrews, earlier in the day. The committee had previously agreed acceptance of their quote for a mainline insurance premium of £26,266.36 pa for the policy to commence from 1st August 2018. Mr Taylor and Mrs Searle had discussed the add-on options with Hettle Andrews. The proposed quote of £8,500 pa included in the tender to add terrorism cover would have provided £30m for destruction of the whole site. The committee was advised that elements of recovery from an act of terrorism (defined by the authorities in relation to an actual incident) would be provided through the core insurance (e.g. business interruption) and therefore cover of £10 - £15m would be adequate and would reduce the premium to approximately £5k pa. Mr Taylor reported that discussion about cyber insurance had resulted in an

assessment that the level should be increased to take account of third party liabilities including GDPR. He further advised that insurance for potential shortfall in ESFA grant funding income was currently under-valued, and below sector average, at £750k and proposed that it should be increased to provide protection of £3m - £4m.

Mr Taylor said that Hettle Andrews staff had indicated that the adjustments in the three elements would roughly equate to the original add-on premium quote of £8,500 pa. There would be exception clauses the detail of which would be provided. The overall insurance premium would be contained within the original total agreed premium quote of £35k pa compared with the current annual premium of £45k.

It was noted that the contract with Hettle Andrews (insurance brokers) had been let for a period of three years commencing on 1st August 2018, as agreed on 4th June 2018.

It was agreed that the details of the precise quotes, cover and clauses provided by the three add-ons would be circulated to the committee by email for confirmation that the overall insurance premium was as decided and within the agreed tolerance of £35k pa from 1st August 2018.

It was confirmed to the committee that the current insurers, Marsh Ltd, had been informed of the outcome of the tender and that formal arrangements were in place to resolve outstanding issues and to ensure continuity of cover at the point of handover to the new insurers.

6. **Actions outstanding from previous meetings.** There were none.
7. **Premises and Accommodation reports and plans [BAF 8, 10]:** Mr Taylor introduced his written report "Report - Capital Projects, Accommodation and Premises - Update for 'F& R Committee' (25th June 2018) which had been included in the papers for the meeting.
 - 7.1. Annual Plan of Works 17 – 18: Mr Taylor confirmed that devolved capital grants for 16 / 17 and 17 / 18 had been utilised, as agreed with the committee, to support the 17 / 18 programme. He reported an underspend against budget of £5k.

It was accepted that the "Condition Appraisal Survey" had been deferred to be undertaken in 2018 – 19. Mr Taylor informed the committee that a representative of the ESFA had visited the college the previous week to conduct a high level survey of the condition of the estate as part of the rigour of assessing bids submitted to the of CIF bids. A report would be provided within 13 weeks of the visit.
 - 7.2. Strategic Issues:
 - 7.2.1. Mr Taylor discussed the progress of the Care Home Development and noted that the "Right to Light" settlement negotiations between the developers and the Diocese had concluded. Confirmation of details of the compensation payment, expected to be £800k, were awaited along with timing of the donation of the award to the college which was anticipated to be made in the next accounting year (2018 – 19).

Mr Taylor explained plans for re-location of the art department into a

modular build at the rear of the LRC2 (subject to planning permission) which it was hoped could be implemented in 2018 – 19.

7.2.2. Mr Taylor reviewed the update in the report and announced that the application for planning permission including floodlighting for the MUGA Sports Pitch Development would be heard by Wandsworth Council planning committee on Tuesday 26th June. It was known that neighbouring residents had raised objections. Ms Town asked whether projections had been made into the viability of the development as an income generating project. Mr Taylor confirmed that predictions indicated it to be a lucrative proposition to increase income from lettings with the added value of improving sports facilities for the students particularly those on the Football Academy programme. The cost was estimated to be in the region of £150k. Some options for financing were available including from *Nottsports* who had been consulted on the project. Mr Taylor would advise options in the event that planning permission was granted.

7.2.3. The committee had noted the commencement of roof works funded by the ESFA Condition Improvement Fund 18 / 19. Mr Belfourd confirmed that the committee is in receipt of the minutes of meetings of the Project Management Group (PMG) meeting regularly to monitor the works. Mr Taylor advised that the work was currently on schedule and that completion was due by 1st October. Noisy and heavy works would mostly be undertaken during the summer holiday.

7.3. Annual Plan of Works 18 / 19: Mr Taylor outlined the colour-coded, costed schedule of works detailed in the report. It was noted that the roll out of LED lighting was already achieving cost savings and would continue. He described how outstanding works to the female staff toilets and showers had to begin with improvements to ducting for the air conditioning system and could be incorporated in a more extensive bid to embrace refurbishment of the toilets. **The costed plan of works including the IT programme and telephone system upgrade was agreed.**

8. **SFX Corporate Services Ltd: [BAF 1, 7]:** Mr Taylor introduced the report “V15 – SFX Corporate Services Ltd (Trading Subsidiary – business Plan Summary – analysis Aug 17 – May 18)” which had been included in the papers for the meeting. It was noted that the Board of Directors had held its termly meeting on Tuesday 19th June 2018 and had scrutinised all income generating, non-ESFA funded activities. Mr Taylor summarised the performance of each area and the decisions that had been taken by the SCS to protect profits by moving towards discontinuation in 2019 – 20 of activity that was making a loss. The apprenticeship programme would end on 31st July 2018 after which point there would be no further costs. **Report accepted noting that the budget had been set for 2018 – 19.**

9. **Financial [BAF 1, 13]:**

9.1. **Monthly Commentary Accounts & Cashflow:** Accounts for April and May 2018 had been circulated to all governors since the previous meeting. Mr Belfourd raised an accounting point with cashflow with Mrs Searle for her review.

It was agreed that scrutiny of the accounts would look forward to the financial forecast at this meeting rather than retrospective examination of May 2018.

9.2. **Repayment of loan:** Following the notification to the previous meeting on 4th June 2018, the committee formally noted that a total payment of £89,232 had been made to the Allied Irish Bank (AIB) on 1st May 2018. Funds (£89,232) from the Scottish Widows deposit account were used, as agreed, to clear the outstanding loan.

9.3. **Treasury: Management monitoring report:** Mrs Searle introduced the monitoring report which had been included in the papers for the meeting. The committee reviewed the investments and discussed the two fixed-term deposits made with AIB (the college clearing bank) due to mature on 10th August 2018.

The committee was advised that the funds in the two deposit accounts (total value £813, 000) would not be required to be liquidated in the near future and should therefore be re-invested for a longer term of two to three years to earn a better rate of interest.

It was agreed that closer to the date of maturity, Mrs Searle would review interest rates and terms available and a proposal would be made to the committee by email to agree where the funds should be re-invested..

With the agreement of the Chair, the committee reviewed the Treasury Management Policy listed on the agenda at item 9.5. Mr Taylor proposed that the policy should be clarified in regard to the approved instruments to be applied to investments with the college's main clearing bankers (4.2 in the policy).

It was agreed that adding the line "Taking into account the credit ratings noted below for approved institutions" should be added at that point to the policy.

The monitoring report recorded the repayment of the loan from the Scottish Widows account.

Mr Belford enquired about the standard of service provided by the AIB. The opportunity for the committee to review the account with branch managers had ceased as a result of re-structuring. Mrs Searle commented on the impact of a less personal service but confirmed that, overall, the level of service had changed but was workable.

9.4. **Financial plan / forecast 2018 - 20 incorporating college budget for 2017 – 18 (including consideration of Annex A: Financial Planning Checklist):**

Mr Taylor introduced the papers "ESFA Financial Plan 2018 – 20 FINAL 5th Draft version 1.2" and the "Draft Commentary for the Financial Plan (31 – July – 18) Final Draft" provided for the meeting as updates to the versions provided and detail discussed at the meeting on 4th June 2018.

The committee referenced the financial planning checklist "Annex A" cross-referenced to commentary.

Mr Taylor advised that the predicted out-turn for this year ending 31st July 2018

would produce a "Good" financial health rating and that the college self-assessed rating would also be "Good" for the following year ending 31st July 2019 - moderated from the automated assessment of "Outstanding" which had been generated as a result of the donation of £800k into the projections from the "right to light" settlement. Mr Taylor reviewed the financial plan and explained that it included an assumed capital spend of £400k nominally for the art block modular build. This was referenced in the draft commentary and the amount would be added. Mrs Searle confirmed that associated build and sundry costs including fees had been included in the budget.

Mrs Searle advised the committee that the donation would be designated as right to light compensation but would not be restricted in use. She would confirm with Buzzacott, external auditors, that the money would be treated as other income in the Income and Expenditure account and not held in a designated or capital fund).

Mr Taylor emphasised that whilst the settlement donation would be a useful income stream the underlying financial plan was still based on continuing the programme of downsizing of staff and that the "good" financial health for 2019 – 20 assumes that strategy would be implemented. He reminded the committee that the assumption is to reduce by a further 4 – 6 FTE in 2018 – 19 by natural wastage or redundancy. The reduction being from 126 current FTE to 119 in July 2018 to 113 by the end of 2019 – 2020.

Mr Taylor also highlighted the assumption that student enrolment would achieve 1297 and said that the plan would be revisited for the next meeting if that had not been reached. The committee was made aware that recruitment of applicant students continued to be slow. Mr Taylor advised that response to a business case made to the ESFA was awaited. He confirmed that no assumptions of potential positive outcomes from that submission had been worked into the financial plan.

It was noted that the staff ratio remained high and Mrs Searle referenced the EBITDA¹ ratio as an issue. A pay rise of 2.5% had been factored in to the budget. The current ratio (5.25) was above sector average and cash reserve was sound standing at £2.3m.

Mrs Searle reported that using the LPFA projected figure a statutory loss of -£561k would be returned for 2017 – 18 due to an adverse impact of in-year pension adjustment.

Mr Taylor concluded the review of the financial plan and draft commentary noting that for the current year, 2017 – 18 an operational surplus budget of +£126k (-£309k per statutory accounts) had been set. The predicted operational surplus was currently +£214k (-£561k per statutory accounts). The budget for 2018 – 19 would be set at an operational surplus of £638k, with an expected statutory accounts position of -£75k.

The financial plan for 2018 – 20 and budget for 2018 – 19 would be recommended to the full Governing Body for approval on 10th July 2018.

¹ Earnings before Interest, Tax, Depreciation and Amortisation

- 9.4.1. Funding update: the core ESFA budget (programme funding" for 2018 / 19 was noted from the commentary to be £6.8m
- 9.4.2. Recommendations from the Remuneration Committee: Mr Garvey reported that the Remuneration Committee had met on Monday 18th June 2018 to review the salary and benefits of the Principal and the Clerk to the Governors following completion of performance reviews. Mr Garvey would advise Mr Belfourd by email of the outcome of each assessment. Mr Belfourd would assess the impact on the budget accordingly.
- 9.4.3. Staff cost of living pay awards: Mrs Flannery confirmed that the round of negotiations for next year (18 – 19) had opened. Mr Taylor mentioned that a revaluation of the teachers' pensions fund had been announced.
- 9.4.4. Students awards fund: As previously discussed, the funds available would be insufficient for another round of awards. Mr Taylor proposed that a £1k contribution from college funds should be made to the account and partners sought to sponsor future awards. **Agreed.**

9.5. **College Financial Regulations & Associated Policies:** Mrs Searle presented three polices updated following annual review with revisions to take effect on 1st August 2018:

- 9.5.1. Financial Regulations 2018 - 19 (draft 1): Mrs Searle had provided a cover report noting the proposed amendments which did not introduce any major alteration to policy or procedure other than changes to the job title / responsibilities of some staff. The "Background" paragraph in the introduction to the regulations had been refined and GDPR had been incorporated.
- 9.5.2. SFX Treasury Management Policy 2018 - 19: had been discussed under 9.3. With the proposed amendment the policy was accepted.
- 9.5.3. Travel & Subsistence Policy 2018 – 19: The committee noted there was no change in the rates and approved the policy.

The revised Financial Regulations, 2018 – 19; SFX Treasury Management Policy 2018 – 19 and the Travel & Subsistence Policy 2018 - 19 were approved and would be recommended to the Governing Body for adoption at its meeting on 10th July 2018. To take effect on 1st August 2018.

10. **Schedule of Meetings and Business for 2018 - 19: [BAF 12]:** The draft schedule included in the papers for the meeting was approved.

11. **Any other business:** There was none.

12. **Committee Review of effectiveness, membership and skills BAF 12:** The self-evaluation questionnaire was discussed and completed communally by the committee.

13. **Has the Committee identified any new risks to be advised to the Audit Committee for the risk register?** The committee articulated that non-receipt of the donation from the Diocese expected to be made as a result of settlement of the

“Right to Light” compensation claim was a risk which would adversely affect the “good” financial health rating.

14. **Date of next meeting:** Tuesday 25th September 2018.

The meeting closed at 7.40pm.

SIGNED _____

DATE _____

Distribution:

Mr M Belfourd
(Chair)
Mrs M Searle

Mr J Opara
Mr A Taylor

Mrs S Flannery
Clerk

Ms J Town, (Vice Chair)