

GOVERNORS FINANCE & RESOURCES COMMITTEE

Tuesday 22nd June 2021 at 5.30pm
Via online remote ZOOM conference

MINUTES

PART ONE

PRESENT:

Mr G Thompson, Principal
Mr M Belfourd, Foundation Governor, Chair of Committee
Mr N Sheta, Foundation Governor, Vice-Chair of Committee
Ms R Clark, Staff Governor

IN ATTENDANCE:

Mrs M Searle, Head of Finance
Mr C Graham, Associate Principal, observing
Mrs E Lewis, Clerk to the Governors

The meeting was opened by Mr Belfourd at 5.32pm. It was quorate throughout and all participants were able to see and hear one another.

1. **Opening Prayer:** offered by Mr Thompson
2. **Apologies:** Mr D Freeman, Mrs K Taylor
3. **Declarations of Interest:** there were none
4. **Minutes of meeting held on 23rd February 2021 (part one):** included in the papers and previously circulated 4th March 2021 were agreed to be a true and accurate record to be signed in due course.
5. **Matters Arising: other than agenda items:** Mr Belfourd noted that the college contribution towards the capital T Level New Build project bid would be higher than the estimate quoted at the previous meeting - revised up from £350k to £577k as had been explained to the full Governing Body meeting 18th March 2021 and recorded in the minutes of that meeting.
 - 5.1. **Monitoring of FMCE Improvement Plan:** progress was noted from the report included in the papers for the meeting which had been reviewed by the Audit Committee on 4th May 2021
6. **Actions outstanding from previous meetings:** there were none not covered under items on the agenda
7. **Premises and Accommodation:**
 - 7.1. **Submission of bid to College Collaboration Fund:** Of no direct relevance to premises or accommodation but of note because of the match funding liability, Mr Thompson and Mr Belfourd reported that the college had submitted a collaborative bid with Leyton Sixth Form College to the DfE CCF (College Collaboration Fund) to deliver a project linked to mental health. Due to the short turn around for submission, Mr Belfourd had agreed, with Mr Sheta's knowledge, the commitment of approximately

£18k matched funding by the college, should the bid be successful. Outcomes were expected to be announced after 22nd July 2021.

- 7.2. **Reports and plans:** Mr Thompson introduced the “Capital Projects, Accommodation and Premises Report, June 2021” which had been included in the papers for the meeting. The report summarised two submissions to the CIF¹ for a boiler and associated pipework replacement project and a fire door upgrade project. The outcome of the bids was imminent. The committee noted the challenges that ongoing delay announcing the outcome caused for ordering materials and parts and sequencing the works.

The report updated the committee on the “T” Level Hub project to create a new build centre for delivery of the new course due to start in September 2022. Mr Thompson had outlined the college commitment for matched funding of 50% (£577k) in item 5 and said that an announcement of outcomes of the bids was due in July 2021 but could be delayed. Nevertheless, expenditure and completion would still be required by August 2022. He advised the committee that since that bid had been submitted, the government (DfE) had announced the Post-16 Capacity Fund. In response to the tight turnaround period Mr Thompson explained that the business hub bid had been tweaked and, legitimately, submitted as an application to this fund too – as an insurance in case the other bid was unsuccessful. The college commitment in this case would be 20% (c£231k). The SFCA had encouraged bids to the Post-16 Capacity Fund to reinforce the need for this pot of money for Sixth Form Colleges to access and secure future allocations of money for 16 – 19 expansion.

The outcome of both bids was expected around the same time with the original T Level bid due first. Mr Thompson outlined the judgement call that would be needed but it was acknowledged that if the first notification was of a successful award it would be accepted.

Mr Belfour advised the committee that the matched funded commitments were not in the finance forecast or reflected in projected cash flows and could have an effect on those. It was not anticipated that the outcome would be known before the CFFR² was presented to the full Governing Body for approval.

Mr Thompson noted that there had been no further major expenditure for Covid-19 adaptations since the previous meeting.

Mr Thompson updated the committee on the closure of Oliver House School and its Hollywood and Broadoak buildings and sites on Nightingale Lane which were now for sale with the marketing campaign due to close shortly. He said that the college was receiving support from the Diocesan team and outlined the negotiations that would be necessary with new occupiers of Broadoak with regard to impact of development on the college estate. It was noted that the college lease for learning space in Broadoak would not be renewed on expiry in October 2021. The 999 year lease of the Sacristy store would be honoured.

The report noted Health and Safety audits including covid specific which had taken place in the year including a full fire risk assessment carried out by Hettle Andrews, insurance broker, in April 2021. Recommendations from that were reviewed and the definition of a “tolerable” risk rating was confirmed to be good.

¹ Condition Improvement Fund

² College Financial Forecasting Return

Costed progress against the Annual Plan of Works for the current year was noted as appended at A and the projected plan for 2021 – 2022 was reviewed from appendix B. Mr Thompson advised that the plan was subject to the success of the CIF bids and it was accepted that regardless of the outcome for funding the listed works would have to be undertaken.

Plan of works with costs was accepted.

8. **Insurance Update:** Mrs Searle reported a meeting with the insurers the previous day which had reviewed the risk profile which she was now in the process of updating. She anticipated an increase in the premium to be paid due to market changes and Covid-19 but a quote had not yet been prepared. Mrs Searle commented that a claim was possible for business interruption to cover the loss of income from Corporate activity but advised that a claim would likely affect the no claims bonus. The long term impact and investment in putting a claim together would be assessed. Mrs Searle reminded the committee that the contract had been extended last year from three to five years. 2021 – 2022 would be year 4.

9. **Annual Health & Safety (H&S) Report:** Mr Thompson introduced the report which had been included in the papers for the meeting compiled by the Health and Safety Co-ordinator, Gary White. The report confirmed H&S training that had been undertaken and also noted the audits reported in item 7 and the implementation of Covid-19 procedures and protocols.

The report would be presented to the full Governing Body for approval on 6th July 2021.

10. **SFX Corporate Services Ltd:** Mrs Lewis introduced the report referred from the SFX Corporate Services (“SCS”) Board meeting held on 8th June 2021 which had been included in the papers for the meeting. Changes in Board membership were noted and the beginnings of recovery from the impact of covid lockdowns on the main source of income from lettings was welcomed. A target of generating 10% of income from non-ESFA³ grants had been set. The Trading Subsidiary was expected to return a surplus of approximately £12k for 2020 – 2021 which would be gift aided to the college.

11. **Financial:**

- 11.1. **Monthly Commentary Accounts & Cashflow:** Accounts up to and including April 2021 have been circulated to all members of the Governing Body since the previous meeting. May 2021 accounts had been distributed the previous day and submitted to the ESFA territorial team. It was confirmed that the accounts for the college and the trading subsidiary married up with the forecasts.

Monthly accounts, commentary and cashflow reports were noted.

11.2. **ESFA:**

- 11.2.1. **Correspondence, May 2021:** A letter from Adrian Brook “Financial Statements 2019 to 2020 and Finance Record 2019 to 2021” dated 13th May 2021 and an accompanying Finance Dashboard, May 2021, for the college aimed at governors, had been included in the papers for the meeting and were scrutinised by the committee. Mr Belfour referenced the FE Commissioners letter of 22nd February 2021 which had announced changes to financial benchmarks and highlighted the importance of having clearly understood, consistent measures of financial performance. Mr Sheta and Mr Belfour directed that the dashboard be received by all governors to support their

³ Education and Skills Funding Agency

understanding of the financial improvement to be achieved.

ACTION: Financial Dashboard and supporting letter to be included in the papers for the meeting of the full Governing Body on 6th July 2021.

11.2.2. **Annual Strategic Conversation:** Mr Sheta, Mr Belfour, Mrs Searle, Mr Thompson and Ms Foan had attended the first strategic conversation which had taken place, remotely, on 16th June with representatives of the ESFA team (Mr Chris Dearnley, ESFA Head of Territory, Mr Edwin Dhauke, ESFA Senior Manager and Ms Anna Fitch FE Commissioner Adviser). A transcript had been taken of the discussion and formal feedback was awaited. The discussion had included some searching questions but was reported to have been supportive and generalised based on a standardised approach geared towards expanding on and explaining the assumptions in the financial plans and how they would be delivered.

11.2.3. **To note any update on the Early intervention process:** Mrs Searle reflected on remarks which had opened the Strategic Conversation stating that SFX was not a college of concern despite being in early intervention. Mr Thompson would seek clarification of the official position after feedback on the conversation was received. Mr Belfour said that release from being in early intervention would be triggered by returning to “good” financial health status.

11.3. Financial forecast / plan

11.3.1. **CFFR (College Financial Forecasting Return):** It was noted that the template and commentary to year end 31st July 2023 formed the statutory return which was due to be filed with the ESFA by 31st July 2021. The return was required to be signed by the Chief financial officer (Accounting Officer – the Principal) to confirm review and approval of the 2021 to 2022 budget by the Governing Body.

Mrs Searle introduced the “ESFA Finance Health Checker / Budget 31st July 2021 – July 23 (Summary Commentary)” paper and the “SFX Final ESFA Financial Health Calculator Jul 21 F&R 22.06.21” spreadsheet both of which had been included in the papers for the meeting. She explained that the paper for the committee was in the same format as last year but contained all the figures that would feed into the new template this year to accompany a full commentary. The calculated Financial Health grade predictions were noted to be “requires improvement” for this year end 2021; “good” for 2022 and “good” for 2023. Mrs Searle informed the committee that the outturn for the current year would be better than forecast and outlined the changes in income and expenditure that were indicating that result. Mrs Searle explained why SFX Corporate Services Ltd would also be better than expected.

Mrs Searle reviewed the assumptions that underpinned the budgets / financial plans for 2021 – 2022. She highlighted a rise in staff pay costs and noted that the percentage to income had increased. The reasons for a slow- down in reducing staff costs were discussed and it was noted that the ESFA were aware of this and it would be addressed in the CFFR Commentary. The commitment to reducing the percentage and lowering costs remained with strategies in place. Care had been taken with fixed term contracts, there had been less agency staff this year and overtime had been strictly controlled so Mrs Searle was confident that the forecast staffing cost outturn was accurate.

Mrs Searle confirmed that capital expenditure in the forecast / budget excluded the match funding committed in current bids but said that a best estimate of

expenditure on essential maintenance work had been included. It was noted that cash reserves would drop if the match-funded bids were successful.

The impact of the EBITDA ratio was highlighted and the forecast that it would turn positive and remain positive for the period of the CFFR was welcomed.

Mrs Searle informed the committee of the likely impact of proposed reform of the financial health scoring and warned of a change involving a cash generation ratio that might have particular impact on the college grade if the EBITDA ratio was negative. A careful watch would be kept on that potential double penalisation and on cash levels.

Mr Belfourd clarified the process of approval of the financial return which would be proposed at the meeting of the full Governing Body. Governors would be provided with the CFFR on the new template and the accompanying full commentary. The figures and assumptions would be as discussed at this meeting transposed on to the new template

- 11.3.2. **College Budget for 2021 – 2022:** Had been reviewed as the basis for the CFFR under the previous item.
- 11.3.3. **Recommendations from the Remuneration Committee:** Mr Belfourd reported that he had been advised by Mr Somayina, Chair of the committee, of recommendations made by the Remuneration Committee in respect of the two Senior Post Holders and confirmed that the proposals for 2021 – 2022 could be covered by the budget prepared and included in the CFFR.
- 11.3.4. **Funding update:** Mrs Searle explained that the forecast was based on the provisional funding allocation made in March 2021. The final Funding Agreement was awaited but was not expected to differ from that allocation.
- 11.3.5. **Staff cost of living pay awards:** Mr Thompson reported that negotiations had just opened and gave details of the initial request from the teaching staff side. A proposal from the support staff side was awaited. An allowance of 2.5% had been made in the budget for all staff.

11.4. Treasury Management:

- 11.4.1. **Monitoring report:** Mrs Searle introduced the treasury report which had been included in the papers for the meeting. Mr Belfourd noted that the date of the proposed next meeting of the committee would be prior to the deposit with the Allied Irish Bank (AIB) maturing and could be considered at that meeting. Mrs Searle would obtain rates for the review. In respect of the concern expressed by Mr Sheta at the previous meeting that investments were only spread across two banks, he commented that the credit ratings of those institutions were currently high and balanced out the risk.
 - 11.4.2. **Policy review:** The SFX Treasury Management Policy 2022 included in the papers for annual review was agreed and would be **recommended to the full Governing Body for approval on 6th July 2021.**
- 11.5. **College Financial Regulations & Associated Policies:** Mrs Searle introduced the “Financial Regulations Update” paper which had been included in the papers for the meeting and informed the revisions to the college “Financial Regulations” to come into effect on 1st August 2021. Mrs Searle reminded the committee that the current version had been updated later than usual and key changes to mechanical processes had been made then. She explained that this update included changes of personnel structures and titles and articulated the policy of retendering for external auditors at least every

five years.

The associated "Travel and Subsistence Policy" was also presented for review without any updates or change in rates.

The "Financial Regulations" and "Travel and Subsistence Policy" for 2021 – 2022 were approved and would be recommend for ratification by the full Governing Body on 6th July 2021.

- 11.6. **Signatories on Bank Accounts:** It was noted that Mrs Plumb had been removed as a signatory on the AIB college and Trading Subsidiary accounts.
- 11.7. **Rateable Value:** There had been no changes in rateable value to report.
12. **Schedule of Meetings and Business for 2021 - 2022:** The draft included in the papers for the meeting was noted to accommodate the current cycle of financial returns and include a joint session with the Audit Committee on Tuesday 16th November 2021 and was agreed.
13. **Routine review of Committee Terms of Reference:** A draft update highlighted with the proposed minor changes arising from the routine review was agreed and **would be recommended to the full Governing Body for approval on 6th July 2021.**
14. **Any other business:** There was none.
15. **Committee Review of effectiveness, membership and skills:** Mrs Lewis would circulate an online questionnaire for completion after the meeting
16. **Has the Committee identified any new or heightened risks to be advised to the Audit Committee for the risk register?** The summer term risk register had been included in the papers for the meeting. No new or heightened risks were identified.
17. **Date of next meeting:** Tuesday 21st September 2021, 5.30pm

This part one of the meeting ended at 6.45pm. Ms Clark, Staff Governor withdrew.

SIGNED: _____

DATED: _____