

Tuesday 25th June 2019 at 5.30pm

MINUTES

PRESENT:

Mr M Belfourd, Foundation Governor, Chair of Committee
Mr C Garvey, Foundation Governor, Chair of Governors
Mrs S Flannery, Principal
Mr J Opara, Foundation Governor
Mrs K Taylor, Foundation Governor from 5.52pm

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 at 5.30pm by Mr Belfourd. It was quorate throughout.

1. **Opening Prayer:** offered by Mrs Flannery
2. **Welcome:** Mrs Kerry Taylor, foundation governor
3. **Apologies:** there were none
4. **Declarations of Interest:** there were none
5. **Election of Vice-Chair:** Mr John Opara was elected as Vice Chair of the Committee. Term of office to be formalised at next meeting.
6. **Minutes of meeting held on 28th February 2019:** Included in the papers for the meeting and previously circulated 11th March 2019, agreed to be a true and accurate record and were duly signed by Mr Belfourd.
7. **Matters Arising: other than agenda items:**
 - 7.1. **Charging Policy:** Included in the papers for the meeting. Formal agreement had been deferred from the previous meeting pending further revisions to the policy to incorporate revisions arising from the iPad project. Mr Taylor introduced those updates and the policy was accepted for recommendation for approval by the full Governing Body.
ACTION: Recommendation of approval by Governing Body on 3rd July 2019
8. **Actions outstanding from previous meetings:** Mrs Lewis reported that comparison of appropriate codes of governance was ongoing. SFCA had issued an occasional Paper on the subject and a briefing was scheduled for the [SFCA] Governance Policy Committee.
9. **Premises and Accommodation reports and plans:** Mr Taylor introduced the report "Capital Projects, Accommodation and Premises – update for 'F&R Committee' (25th June 2019)" which had been included in the papers for the meeting. He reported progress against the agreed Annual Programme of works 2018/19

confirmed by a colour coded costed worksheet at Appendix A of the report. All major works for the year were noted to have been completed and that the Condition of Estate Survey would be carried out in summer / autumn 2019 and findings arising would need to be followed through.

Mr Taylor outlined the commentary on the first page of the report which reviewed the unsuccessful “Water, Ventilation & Toilet” bid to the Conditions Improvement fund (CIF). He said that feedback provided on the bid would be used to rework a submission to future funding opportunities. He explained that some urgent work which would have been dealt with via the project had been included in the annual plan of works.

The committee had been informed by email since the previous meeting of the decision not to proceed with the building of a new modular art department block following an affordability test on the tenders received. The most competitive tender had been £200k more than the maximum budget agreed. The project had therefore been put on hold for 12 months when it would be revisited with regard to overall student recruitment and specific numbers enrolled in the art subjects and the overall financial position. Planning permission granted in January 2019 would remain valid for three years.

Mr Taylor said that he had discussed the postponement of the construction of the art block with Mr Chris Millington, Diocesan Property Manager, who had confirmed that the college was at liberty to use the right to light compensation settlement in whatever way it chose. Mr Taylor outlined an LED lighting solution plan which would provide near-natural illumination to the existing art rooms and said lighting would be improved in every part of the building impacted by loss of light from the care home construction.

Mr Garvey commented that finance was the game changer and that future review of the project would depend on finances, improved student recruitment and increased funding.

The committee agreed it was more prudent in the current financial situation to hold on to a large proportion of the compensation money in reserve.

Mr Taylor outlined the proposed Annual Programme of Works 2019 / 2020 which had been costed at Appendix B with finalised quotations for all but three projects for which indicative costs had been included in the budget. Mr Taylor explained how the devolved £35,909.20 capital grant would be used to fund some of the plan taking account of the restrictions on its use

The committee noted that the £103k “little extras” grant from the government would be put towards the iPad project.

Mr Opara enquired whether the iPads were Apple products or tablets. Mr Taylor confirmed that they were Apple iPads and explained how they had been procured and how the digital innovation strategy would relieve the investment in PCs.

[Mrs Taylor joined the meeting at 5.52pm]

Mr Taylor confirmed that he would have handover meetings with his successor, Ms Sally Plumb and that reporting templates would be left with her for consistency.

The proposed Annual Programme of Works was agreed with its maximum budget of £206,074.

10. **Insurance Update:** Mr Taylor introduced the report included in the papers for the meeting which noted that the first year of brokerage with Hettle Andrews was coming to an end. Meetings to review the insurance arrangements had taken place resulting in a premium payable for 2019 / 20 of £38k to maintain the current cover. It was agreed that this represented good value compared with a quote of £40k two years previously which did not include cyber or terrorism cover. The current contract had been let for three years from 1st August 2018 and following market testing, options would be to continue for a further two years or go out to tender. Mr Taylor confirmed satisfaction with the proactive and risk / audit based management of insurance policies provided by the brokers.
11. **Annual Health & Safety Report:** On behalf of the College Health & Safety Co-ordinator, Mr Taylor introduced the annual report for 2018 – 19 which had been included in the papers for the meeting. The committee noted the purchase and use of a security arch on a daily basis.
The report confirmed that no significant or reportable accidents, incidents or trends had emerged during the year. It summarised the range of training given to staff on health, safety and fire procedures which had been thoroughly audited by the insurers. The level of training would be maintained and the modest budget for health and safety would be protected.
Mr Opara asked about the frequency of fire drills and heard that the requirement is for one a year. The college aimed to do more. The fire alarm system is tested weekly.
The report was accepted as a source of assurance for governors that responsibilities and the Health and Safety policy are being discharged. **The report will be included in the papers for the meeting of the full Governing Body on 3rd July 2019 for note.**
12. **SFX Corporate Services Ltd:** Mr Taylor introduced the report “V18 – SFX Corporate Services Limited (Trading Subsidiary – Business Plan Summary – Analysis Aug 18 – May 19” which had been included in the papers for the meeting. The report set out a financial overview of income generated by each area which had totalled £373,652 this year to date compared with £317,555 in the same period in 2017 / 18. The year to date was in positive variance with the budget by £2,806 and was predicted to achieve £427,721 against a budget of £433,049 by year end. Profit from SFX Corporate was predicted to be £27k for 18 / 19 overall.

Mr Taylor summarised the commentary in the report. He highlighted increased income from Lettings during the current year and also from the Nursery. He noted the ending of Community (Adult) Education in its current salaried tutor model. It was anticipated that some tutors would carry on as lettings customers – hiring the rooms to deliver their classes.

Future plans 19 – 20 had been discussed at the Corporate Board meeting held on

18th June 2019. Mr Taylor explained that current corporate consultancy agreements with Empresa would end on 31st August 2019 when he and Ross Cuthbertson would be moving on.

Non-ESFA income streams for 2019 / 20 would concentrate on Lettings and the Nursery and a cautious budget of £389,902 had been forecast. The wisdom of guarding against unrealistic, unachievable non-ESFA income forecasts was agreed and therefore no growth had been factored in although it was hoped that the MUGA sports pitch would perform better than forecast. Future developments would be for the Directors of the trading subsidiary to determine.

Mr Taylor said the Board intended to invite Ms Plumb to be appointed as a Director and that he had offered to be an independent voice on the Board but would resign as a Director.

13. Financial: BAF 1, 13

13.1. Monthly Commentary Accounts & Cash flow: Monthly commentary and accounts including rolling cash flow and SFX Corporate Services had been sent to all governors up to and including May 2019 (distributed on 18th June 2019). Mr Belfourd scrutinised the May 2019 accounts with Mrs Searle. The cash flow position was noted and changes to the financial template and planning cycle including 24 month cash flow predictions were brought to the attention of the committee. Mrs Searle explained that the ESFA would require a new financial plan to be submitted in January each year commencing in 2020. The rationale was to link the financial plan to actual student recruitment. Some details of the new arrangements were yet to be published but different parameters would bring in new measures for financial health. It was acknowledged that the cash position of the college is its financial strength. Cash balance in the May accounts was £3,307,846 including £1,761,245 on short term deposit. Pay expenditure represented 64% of income. Current Ratio at 31st May = 9:1. The "Cash Days" cash balance of 1,546,601 would cover salary costs for 3 months. Mrs Taylor asked whether the college was required to have a specific amount in the bank and was advised that the Governing Body had set a minimum of £1m. Benchmarks for cash days are provided by the AoC and SFCA member sector organisations.

13.2. Treasury: Management monitoring report: Mrs Searle introduced the report which had been included in the papers for the meeting. A total of £1,761,245 was on deposit split between three accounts with the Allied Irish Bank and one with Scottish Widows. Two accounts would mature in at the end of September after the next meeting of this committee.

Mrs Searle explained the movement of cash in and out of the Scottish Widows account as noted in the narrative to the 12-24 month rolling cash flow forecast template in the papers. She confirmed there was no issue with cash flow and no major expenditure or capital spend was planned.

13.3. Financial plan / forecast 2019 - 21 incorporating college budget for 2019 – 20 (including consideration of Annex A: Financial Planning Checklist):

13.3.1. **Commentary on the Financial Forecast 2019 - 2021:** Mr Taylor introduced the detailed report “Update to the Commentary on the Financial Forecast 2019 – 2021” which had been included in the papers for the meeting. This paper would be provided to all members of the full Governing Body for the meeting to be held on 3rd July 2019. It would also be submitted to the ESFA (without Annexes A and B) with the Financial Plan and Cash flow template.

The committee also received the completed ESFA Financial Plan 2019 (Version 1.1) and the completed 12 – 24 month rolling cash flow template. All three documents in draft pending final approval by the full Governing Body on 3rd July 2019.

Mr Taylor reviewed the commentary with the committee in detail putting the financial plan into context of the financial objectives, plan for 2018 – 19 and the historical operating position. He highlighted that Financial health was self-assessed to remain outstanding for the current year (2019) bolstered by the right to light money. The following year he explained it would dip to “Requires Improvement” (formerly categorised as “Satisfactory”) in 2020 (because of the EBITDA¹ ratio) and return to “Good” in 2021 onwards. Mrs Searle explained the scoring and significance of factors in the calculation of financial health.

Mr Taylor emphasised key premises for delivery of the financial plan and self-assessment of financial health were student recruitment of at least 1211 16 – 18 learners in September 2019 and a further £312k savings in staff costs in 2019 - 20. He advised that the drop to RI would attract attention from the ESFA and the plan clearly flagged the necessity to initiate talks with the ESFA if student recruitment did not reach 1211. Mr Belfourd asked what the current feeling was on student recruitment. Mrs Flannery reported that tracking of applications and acceptances indicated that a reasonable assumption could be made that the target could be reached. In line with other colleges the conversion rate from application to acceptance of the offer of a place was better than last year. The recruitment drive would continue into the enrolment period with activities and events and admission interviews still planned.

Mr Taylor commented how staffing budgets were under considerable pressure due to increases in teachers’ pensions and pay rises and the impact of ongoing downsizing of staffing could affect the college offer to students.

Mr Taylor advised against making unrealistic assumptions in financial planning and confirmed that the assumptions upon which the SFX financial plan were based were clear, realistic and prudent. He emphasised that they did not include any assumption of an increase in the grant funding rate. A rise in the LPFA pension value had been included in

¹ Earnings Before Interest, Taxes, Depreciation and Amortization (a measure of operating performance)

the projections.

Mr Belfourd noted that the Annex A checklist did inform and assure governors that the financial plan and supporting commentary to be submitted to the ESFA had been prepared with due regard to the checklist by cross-reference.

Mrs Searle outlined what was known about the new financial planning model and that the ESFA approval process was anticipated to require signature of the Principal (Accounting Officer) and Chair of Governors' Finance Committee. It would be for Governors to decide once the detail is published.

Mr Belfourd concurred with Mr Taylor that governors should read the commentary in full to inform their understanding of the financial plans.

Mrs Searle commented that fixed costs were not going down (utility etc) but across the college efficiency gains were being made wherever possible. The photocopying contract had two further years to run having been let in 2018.

The committee discussed how meaningful a 24 month cash flow would be in the monthly accounts.

The Draft Commentary, Financial Plan 2019 – 21 and 12 – 24-month Cash Flow Template were agreed to be recommended in final format for approval to the full Governing Body on 3rd July 2019

- 13.3.2. **Funding update:** Mr Taylor said that funding is in the assumptions in the financial plan. He reflected that it had dropped by £1m in two years. Coupled with no increase in funding rates this was effectively a large cut. He reiterated that no assumptions had been made that the funding rate would increase. The committee was reminded that the college has over more than 200 over 18s who are funded at a lower rate. Mrs Taylor asked what the rationale was for funding that age group at a lower rate and Mrs Flannery explained the assumption that they were in part time education and therefore being taught for less hours whereas the reality was that they cost more not less.
- 13.3.3. **Recommendations from the Remuneration Committee (to note that account has been taken in the budget of any recommendations arising):** Mr Belfourd reported that he had been advised of the recommendations of the committee which met on 11th June and confirmed that there were sufficient funds in the budget to meet those. He confirmed that the Remuneration Committee had been chaired by Mr Sheta (foundation governor, Chair of Audit Committee) in the spirit of the principles of the voluntary AoC Senior Staff Remuneration Code. Mrs Searle commented on the requirements under the accounts direction of disclosure regarding adoption or otherwise of that code and for the changes in disclosure of staff remuneration compared to 2017/18.

13.3.4. **Staff cost of living pay awards:** Mrs Flannery announced that the teachers' pay settlement reached in April 2019 worked out at an average of 1.6% (range between 3% and 1%). The college had budgeted on a prediction of 2%.

13.3.5. **Students awards fund:** Mrs Searle confirmed that funds would cover the awards for this year.

13.4. College Financial Regulations & Associated Policies including Treasury Management:

13.4.1. **Financial Regulations:** Mrs Searle had prepared a summary of changes which had been included in the papers for the meeting along with the revised Financial Regulations to take effect from 1st August 2019. She outlined the updates. Predominantly the amendments were change of names and positions. References and procedure relating to Community Education / Evening classes had been removed. Budgetary reporting now included a 24 month cash flow. Mr Belfour suggested the "inland revenue" should be updated to HM Revenue & Customs throughout. Mr Belfour asked whether the spending limits on the college credit cards should be noted in the regulations. The committee noted the limits and decided that the information need not be included. Mrs Searle would check that a modified phrase listed for page 10 had been actioned.

ACTION: Mrs Searle to amend as discussed. Financial Regulations to be recommended to full Governing Body for approval on 3rd July 2019 to take effect 1st August 2019.

Any changes to the associated Travel and Subsistence Policy would be advised and confirmed by email for approval 3rd July 2019

13.4.2. **Treasury Management Policy:** Review deferred to next meeting

14. **Schedule of Meetings and Business for 2019 - 20:** A draft timetable included in the papers for the meeting was agreed with the addition of a meeting on Wednesday 22nd January 2020 to receive and review the financial plan prior to submission to the ESFA by 31st January 2020. for agreement.

ACTION: Decision to be made by full Governing Body on 3rd July whether it needs to schedule an additional meeting to approve the financial planning documents prior to submission.

15. Any other business

15.1. **Review of Terms of Reference:** A draft update had been included in the papers for the meeting and was agreed. Next routine review would be June 2021 although a revision may be required to reflect the new financial planning arrangements from January 2020 and formalise delegation of approval and authorising of the financial plans. **Terms of reference to be recommended to the full Governing Body for approval on 3rd July 2019.**

15.2. Mr Belfour noted this would be Mr Taylor's last meeting and extended warm thanks to him for his contribution and clear reporting to the committee which reflected the extent and depth of his expertise and service to the college and governance. Mr Taylor returned the thanks and paid tribute to the

importance of Mrs Searle's work underpinning the reporting and compilation of papers. He made a plea for understanding that the year ahead would be difficult for the finance team. Mr Garvey added his thanks. Mrs Taylor commented on the quality and high standard of reporting and information.

16. **Committee Review of effectiveness, membership and skills:** A questionnaire included in the papers was discussed and completed collectively confirming with supporting evidence that the committee had worked and reported effectively.
17. **Has the Committee identified any new risks to be advised to the Audit Committee for the risk register:** It was agreed that the risks were adequately covered in the register and sufficiently understood in the context of the work of this committee.
18. **Date of next meeting:** Tuesday 24th September 2019, 5.30pm.

The meeting closed at 7.15pm

SIGNED: _____

DATE: _____