

Tuesday 21st November 2017, 6.15pm

MINUTES

PRESENT:

Mr J Opara – Chair for the meeting from item 2, Foundation Governor
Mr C Garvey – Chair of Governors, 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 C Biscoe, Partner, Buzacott LLP for item 1
Mr T Lo, Client Manager, RSM Risk Assurance LLP for item 1
Mrs E Lewis, Clerk to the Governors

Mr Nader Sheta, Chair of the Audit Committee remained in the chair for item 1.

1. **End of Year Financial Reports: [BAF 1, 12, 13]:** Introductions were made including Mrs Biscoe and Mr Lo.
 - 1.1. **FMCE¹:** The completed (non-mandatory) self-evaluation for 2016 – 17 had been included in the papers and was introduced by Mr Taylor. He confirmed the value of completing the questionnaire each year as a self-assessment on key systems. Mr Taylor explained the grading summary on page 2 which rated each area as “Good” and the area of “Internal Control System” as “Outstanding” supported by details in the body of the document.

Three areas of improvement had been identified from the process set out on pages 3 and 4. These were explained and accepted:

 - * Governors membership of committees and attendance at meetings.
 - * Management oversight of financial planning mechanisms of all curriculum and non-curriculum initiatives
 - * Under recruitment of students and process of managing risk

It was acknowledged that the gradings correspond to the financial health rating of “Good”.

Governors affirmed the value of the self-evaluation and directed that completion of the FMCE should continue even though it was no longer mandatory.

FMCE 2016 – 17 accepted.
 - 1.2. **Financial Statements for year ended 31st July 2017:** Presented by Mrs C Biscoe, Partner, Buzacott, Financial Statements Auditors:
 - 1.2.1. **Report & Financial Statements (Consolidated Accounts) for year ended 31st July 2017:** Draft report had been included in the papers for the meeting. Mrs Biscoe took the committees through the report page by page.

¹ Financial Management Control Evaluation

From the Report of the Board of Governors, Mrs Biscoe highlighted the key financial results reported on page 5. The College had incurred an operating deficit in the year of £520,000 (£217,000 in 2015/16). It was noted in the accounts that the deficit was £168,000 prior to the application of the FRS 102 Pension Adjustment and a £44,744 lump sum payment.

Investment in the wholly owned subsidiary company, SFX Corporate Services Ltd was noted on page 6 which reported generation of an overall surplus of £31,562 which had been transferred back to the College under deed of covenant (gift aided).

Mrs Biscoe confirmed an operating cash outflow of £27,000. The liquidity position showed the College was in the position of being able to pay back the current loan arrangements.

The Going Concern paragraph on page 20 within the Statement of Corporate Governance and Internal Control section was explained by Mrs Biscoe and reviewed in the context of future challenges. Governors continue to adopt the going concern basis for the foreseeable future explicitly for a minimum of 12 months from 14th December 2017 in preparing the financial statements. The statement of Regularity and Compliance confirmed there had been no instances of impropriety and regularity

Mrs Biscoe referred to the auditor reports commencing on page 23 noting the opinion was stated clearly at the beginning and confirmed a “clean” audit report. Specific reference to the matter of a “going concern” was noted from the bottom of page 23.

The Assurance Report on Regularity was set out on pages 26 – 27. Mrs Biscoe explained that this confirmed that nothing had come to the attention of the auditors which required report to the ESFA.

It was noted that the Trading Subsidiary SFX Corporate Services Ltd accounts had been received and signed on behalf of the Board of Directors on 9th November 2017.

- 1.2.2. **Post - Audit management report for 16 – 17 including Regularity:** The report (including SFX Corporate Services Ltd) had been included in the papers for the meeting. Mrs Biscoe explained the key points of the report and confirmed clean opinions for each audit. Thanks were extended to Mrs Searle and Mrs Long for the smooth running of the audits.

Mrs Searle challenged an entry under Key Audit Risks and Outcomes which stated on page 9 that the College has breached one of its bank loan covenants for the year ended 31 July 2017. Mrs Searle contested that the covenant had been breached on the basis that the bank had not been enforcing the clause referred to by only reviewing annual accounts and not monthly / quarterly. It was accepted that the breach would be likely due to the debt service cover falling below the agreed ratio. Mrs Biscoe agreed a change of wording to read “There is a risk that the College could breach one of its bank loan covenants for the year ended 31 July 2017”.

Mrs Biscoe highlighted an adjustment made to the figures presented for audit,



explained in Appendix 1 of the report as the journal to release deferred Free School Meals income which had been spent in the year. She confirmed that no unadjusted misstatements had been carried forward.

Mrs Biscoe reviewed the appendices to the report. Mr Vianello discussed with Mr Taylor and Mrs Biscoe where SFX was out of line with sector benchmarks in *Appendix 3: Comparison of financial ratios*.

It was unanimously agreed that the Report & Financial Statements (Consolidated Accounts) for year ended 31st July 2017 should be recommended to the Governing Body for approval and signing on 14th December 2017 and, following subsequent counter-signing by the auditors, submitted to the ESFA to meet the deadline of 31st December 2017.

- 1.2.3. **Letter of Representation:** The template was noted to a standard model with adapted to include paragraph 12 referring to the loan covenant. It was noted that the letter would be transcribed onto SFX headed paper for approval and signing at the meeting of the full Governing Body on 14th December 2017.
- 1.2.4. **Letter of Engagement:** Mrs Biscoe presented an updated letter of engagement which had been revised, without change to the terms, to include paragraphs on regularity assurance and references to ESFA formerly EFA. The letter was agreed and signed on two copies by Mr Sheta and counter-signed by Mrs Biscoe. One copy was duly handed to Mrs Biscoe.

Members of the Audit Committee and the auditors left the meeting at 6.44pm

The meeting of the F&R Committee was opened by Mr Opara at 6.48pm. Mr Opara was in the chair. It was quorate by the attendance of two governors and the principal throughout.

2. **Opening Prayer:** offered by Mrs Flannery
3. **Election of Vice Chair of Committee²** (2 year term): deferred to the next meeting
4. **Apologies:** Received from Mr M Belfourd and Ms P Cummings were accepted.
5. **Declarations of Interest:** Mr Opara declared that he was currently working for the Institute of Apprenticeships.
6. **Minutes: Meetings held on 19th September 2017; 22nd June 2017 and 7th March 2017:** included in the papers for the meeting & previously circulated 9th October 2017; 7th July 2017 & 27th March 2017 were agreed to be true and accurate records and duly signed by Mr Opara.
7. **Action Points from previous meeting:** Item 6.3 “rateable value”: Mr Taylor reported that the advisor had made an assessment that the rateable value was appropriate but was awaiting more information to ensure that the college is not being over-charged. Mr Taylor would provide a further report to the next meeting.
8. **Matters Arising: other than agenda items:**
 - 8.1. Terms of Reference: had been deferred from previous meeting. Mrs Lewis would review the revised draft and include in the papers for the meeting of the full Governing Body on 14th December 2017 for adoption.
ACTION: Mrs Lewis

² Mr Belfourd was elected as Chair in November 2016 for a two year term

9. Accommodation, Premises and Resources [BAF / RISK REF 8, 10, 13]:

9.1. Mr Taylor introduced the "Report - Capital Projects, Accommodation and Premises - Update for 'F & R Committee' (21st Nov 2017)" which had been included in the papers for the meeting to update the report given to the committee on 19th September 2017. Mr Taylor reviewed progress of the agreed works in the annual programme shown in a costed, colour coded chart and confirmed that, following reconciliation, the costs would be within budget.

Mr Taylor explained that some projects were on hold pending the redevelopment of the site adjacent to the college and highlighted that this included a condition of estate survey which had not been undertaken for five years and the prospective conversion of the outside courts into a MUGA Sports Pitch.

The committee was advised that the care home development works had commenced and the current phase was creating noise and disruption. Mr Taylor classified the project as the biggest single accommodation issue for the estate. It was reported that the Diocese had resumed right to light compensation negotiations with the new developers - Apache Capital – to increase the settlement offer. The committee was advised that right to light claims can continue beyond completion of a project. The care home was due for completion in 2020. The Diocese had invested in an architect who had produced three designs for alternative teaching accommodation. Timing would be critical. No choice could be decided until agreement had been reached on the scale of the settlement payment and would then be dependent on how quickly planning permission could be sought. College management were nervous about the building going up and cutting out light to teaching areas within twelve months.

Mr Taylor reported that £23k had been received back (without interest) from the Doctors surgery. It was noted that two rooms remained out of action in Broadoak but the college could be back in there after Christmas.

Mr Taylor advised that bidding for the new round of CIF had opened and would close on 14th December 2017. He intended to re-submitting a bid for roof works – this would potentially commit approximately £30k from the 18 / 19 Devolved Capital Grant which received the support of the committee. Mr Taylor also outlined a potential second bid to the HPCF (Healthy Pupils Capital Fund) to fund the MUGA pitch. There would be no committal of college funds to this project but a bid was being made to the community asset fund (Sports England) for half of the £125k cost.

Mr Taylor reported a discussion with Mr Belfourd (Chair of F&RC) regarding the bids and matched funding;

ACTION: Exact figures for the bids to be circulated by email to the committee for agreement prior to submission.

9.2. **Annual Review of Health & Safety Policy:** The revised covering statement and support policy had been included in the papers for the meeting and the minor revisions were highlighted by Mr Taylor. It was noted that a new lock down policy was being drafted.

The Health and Safety Policy and Statement were approved and would be recommended to the full Governing Body for ratification and signing on 14th December 2017.

It was proposed by Mr Opara that related policies mentioned in the document should be hyperlinked and that consideration should be given to separating out the fire policy currently incorporated in the document. **ACTION: Mrs Lewis and Mr Taylor.**



9.3. **Insurance:** Mr Taylor advised that the budget for insurance for the last academic year had been £45,844 but the actual amount paid was £45,522. The current five year contract for insurance would expire at the end of July 2018 and it was agreed that the tendering process would invite specifications and quotes to cover cyber insurance; terrorist insurance and liability of governors (insolvency regime). The process would commence in spring 2018

10. Financial update: [BAF / RISK REF 13]

10.1. **Monthly Commentary; Accounts and Cashflow:** It was noted that since the agenda was circulated, monthly accounts for October 2017 had been distributed to all governors on 16th November 2017 and added to the papers for the meeting. September 2017 accounts had been circulated on 16th October 2017. Mrs Searle reviewed the accounts and confirmed that they were currently on profile. All expenditure was being closely monitored against budget. Currently there were no significant variances but all non-pay budgets were being reviewed. Mr Taylor advised that the scale of voluntary severance and potential compulsory redundancy would be beyond the level in the budget. Mr Opara noted that this would affect the profile.

Cash balances were good. Corporate activity had generated £16k so far.

10.2. **Treasury:** Mrs Searle introduced the "Treasury Report to Governors, Autumn 2017" included in the papers for the meeting. Referencing the loan covenant Mrs Searle confirmed that Mrs Biscoe had identified that the covenant, as written, was technically at risk of being breached. She explained that in her own discussions with the Allied Irish Bank, officials had not expressed concern aware of the amounts on deposit and proven record of good management of cash accounts. They had corroborated that assessment of the college accounts had been on an annual rather than monthly or quarterly basis.

Following discussion it was agreed that there would be a formal review of the loan at the spring term 2018 meeting of the committee with a view to paying it off.

ACTION: Mrs Searle, Mr Taylor to make proposal for consideration. Mrs Lewis for agenda.

The committee noted an investment of £300k on fixed term deposit with the Allied Irish Bank due to mature on 28th November 2017. Following discussion with Mr Taylor and Mrs Searle and reflection on indicative rates **it was agreed that the amount should remain in that account for the time being** whilst rates are monitored.

Mrs Searle commented that for financial health rating, current ratio and cash balance hold up well; performance ratio was more of a struggle to maintain. ESFA would be made aware of all liabilities including pensions deficit.

10.3. **LPFA Pensions:** Mrs Searle confirmed that the annual covenant review had been submitted for checking and she advised that she did not anticipate an issue for the current year. Mr Taylor said that adjustments to the financial plan would be critical to maintain this.

10.4. **Student Council ("Student's Union") Financial Report– presentation of accounts for 2016 – 17:** The committee received the statement of account from the papers.

10.5. **Financial plan 2017 - 19:** Receipt of confirmation by the ESFA of Financial Plans to 2019 in a letter dated 18th October 2017 from Jacqui Smillie was noted. The



committee was aware that the affirmation would now be relevant to 2017 – 18 but the following year would be re-forecast in a revised financial plan.

11. Funding - Financial Projections: review and update:[BAF / RISK REF 1]:

Mr Taylor introduced the “Financial Position Paper – 27/10/17” which had been included in the papers for the meeting. The paper had also been presented to a meeting on 2nd November 2017 with the Chair of Governors, Chair of F&R and Chair of Audit. Mrs Taylor highlighted the purpose of the paper to inform the consideration of strategies to support the crucial retention of “good” financial health following the under-recruitment of students by 119 for 2017 – 18. He stressed that changes would be necessary to manage the risks posed by the resulting loss of grant funding in 2018 – 19. Mr Taylor expressed the need to continue with the programme of cuts to staff numbers, where efficiencies had already been achieved, through voluntary severance; in-year structural changes and, potentially, compulsory redundancy. The committee was advised that action was time critical and work on drawing up a new financial plan would begin prior to Christmas. Engagement with ESFA would commence with the submission of the ILR funding return on 6th December 2017.

Mr Garvey explained the context of the Chairs’ meeting and described the dip in demographics which had disrupted student recruitment. SFX had not been the only college in London or nationally to experience the impact. The income generation activities of the college and trading subsidiary were beneficial but not sufficient to offset the drop in funding income. The conclusion was drawn that the reduction in staffing complement and curriculum rationalisation had to be continued, planned and managed to ensure that provision and choice were maintained. The committee agreed in principle with the staged move from voluntary severance to compulsory redundancy in order to execute this plan to reduce by between 10 and 15 FTE in total over two years. Mr Garvey emphasised that the process should be dealt with within the mission and ethos of a Catholic College.

The current frame for applications for voluntary severance would close on 1st December 2017.

Mr Opara established that the financial position would be an item for the agenda of the meeting of the full governing body on 14th December 2017. It was agreed that it should be introduced by Mr Taylor sharing an outline of plans with all governors. Structuring the agenda would reflect the sensitivity of the subject.

12. SFX Corporate Services Ltd: Mr Taylor [BAF / RISK REF 7]

12.1. Report / Business Plans An update report “V13 – SFX Corporate Services Limited (Trading Subsidiary – Business Plan Oct 17 – Includes year-end position for 16/17 & Initial Review 17/18)” had been included in the papers for the meeting and was introduced by Mr Taylor. The pause in recruitment of apprentices was explained and discussed – current participants would be supported to the end of their apprenticeships. The registration of the college as a prime provider could be helpful for future introduction of T-Levels.

Mr Taylor described the range of projects and activities that had generated income and reported £31,562 profit had been gift-aided back to college (£33k in 2015 – 16). It was acknowledged that income from Corporate activity would not be sufficient to counter the shortfall in funding.

12.2. Report and Accounts for 2016 – 17: It was noted the Board of Directors had met on 9th November 2017. The audited report and accounts for year ended 31st July 2017 had been signed at that meeting.



13. **Cost of living:** Mrs Flannery advised that there was no settlement to report in the current round of unresolved pay negotiations.
14. **Student Roll:** Mrs Flannery reported against the tables and graphs illustrating the comparative enrolment statistics for 2015, 2016 and 2017. She summarised the trends and noted that all A level programmes had dipped in numbers compared with general applied which were stable or increasing. The proportion of declared Catholic students on roll was 30% and from partner schools was 11%. It was observed that recruitment was from a wide variety of schools and that as many competitors were closing as were opening up. Mr Taylor highlighted that there were 231 students retaking Maths GCSE and 180 retaking English GCSE.
- A demographic bulge in pupil numbers was predicted to reach SFX in 2021.
Student recruitment for 2018 – 19 would be targeted at 1297, the number achieved in 2017 – 18
- Governors were interested to know more about the introduction of T-levels. Mrs Flannery explained that the framework was yet to be agreed but would be of a more technical application. Engineering was anticipated to be a general applied course that could morph into a T-level.

Mr Garvey emphasised the importance of attributing the drop in student numbers to a demographic glitch because the mission and value of SFX was undiminished and its strength was in a teaching staff expert in the educating of 16 – 19 year olds.

15. **Professor Keohane Memorial Fund £300 prize nomination:** A recommendation from the Science staff nominating Alexandre Dos Santos Duval who is now studying Aerospace Engineering at Leicester University, as the recipient of the prize, was endorsed by Mrs Flannery and accepted for ratification by the full governing body on 14th December 2017.

The committee noted from Mrs Searle that the balance in the fund stood at £634 and resolved to find other donors to maintain the fund. Mr Taylor advised that Quay Builders had expressed an interest in funding a student award. Mr Opara would raise the matter with governors at the full Board meeting.

16. **Risk Management:** The committee considered whether its deliberations had identified any new risks or modifications to existing risks on the register. The conclusion was that whilst student enrolment had not been elevated in position the high nature of the risk was reflected through the impact on funding and finance ranked in joint first position with quality.
17. **Any other business:** Mr Garvey commended the high standard of hard work undertaken to maintain good financial health and management of the financial position of the college.
18. **Review of Effectiveness of meeting [BAF / RISK REF 12]:** Deferred.
19. **Date of next meeting:** Tuesday 27th February 2018

The meeting closed at 8pm

SIGNED _____

DATE: _____