**CORPORATION OF SIR GEORGE MONOUX COLLEGE**

**Minutes of the Meeting of the Resources Committee held on**

**6 February 2020**

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| **Present** | Jonathan Bush (Chair), Jagdev Kenth, Nazia Shah, David Vasse, Brian Westbury, Sara Whittaker. |
| **In Attendance** | David Ball (Vice-Principal: Corporate Services), Robert Smith (Clerk to the Corporation). |

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| **1** | **Apologies for Absence and Quoracy**Apologies had been received from the following external member of the Committee: Ian ClayThe meeting was quorate. |
| **2** | **Declarations of Interest**None. |
| **3** | **Minutes of the Previous Meeting** **(26 November 2019)**It was noted that the draft minutes had been approved by the Chair of the Committee for circulation.The minutes were approved as a correct record of the business transacted, and *prima facie* evidence of the proceedings to which they relate. |
| **4** | **Matters Arising from the Minutes (26 November 2019)**None. |
| **5** | **Risk Management Report**It was noted that the Board level risk falling within the remit of the Committee is considered under Agenda 6 to 8 below.No other risks requiring the Audit Committee’s attention were identified in the course of the meeting. |

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| **6** | **Management Accounts 2019-20 to Period 5: 31 December 2019**A draft report prepared by the Vice Principal: Corporate Services and the Finance Manager, together with supporting documents (including the ESFA letter confirming the College’s financial health assessment, and the ESFA financial dashboard), were received and considered. The College is predicted to return a deficit of £230,000 (budgeted deficit: £268,000) as at 31 July 2020, an anticipated net positive variance of £38,000 owing to a range of factors, notably a number of newly recruited teachers opting out of the Teachers’ Pension Scheme. The ESFA fundable student numbers for 2019-20 are 1,704, which number will determine core funding for 2020-21. It was noted that in the course of the year, actual numbers may vary reflecting the effect of suspensions and reinstatements, and reduce if students are permanently excluded or otherwise leave the College. It was noted that the College is fully compliant with its bank loan covenants in the year. The loan was fully paid off at the start of January 2020.Pay as a percentage of income is forecast to be 70.5% at the year-end (budget: 72.3%).The financial position is significantly better than expected, though close management will still be needed since budgets for sickness and maternity cover are very constrained. The College is anticipated to be midway in the Good category for financial health at 31 July 2020.Cash balances at 31 July 2020 are forecast to be £1,911,000, a reduction of £63,000 compared to actual cash balances of £1,974,000 at 31st July 2019.Cash days in hand remain healthy and stable at 90, and are predicted to be 74 at 31 July 2020 (31 July 2019: 76). Borrowing continues to decline.The most significant financial issue for the College is “over trading”. As funding lags behind growth in enrolments by one year the College will have to educate more students on a level of funding lower than their numbers would otherwise generate. The College’s £150,000 capital budget is reserved for upgrading network storage (as the current system will no longer be supported in the near future). However, three laptop trolleys that are used in class by students have reached the end of their useful life owing to significantly increased use.The cost of replacing them is in the order of £80,000, which will have an impact on the surplus of no more than £8,000 this year. Savings will be made to keep the deficit at the same level as currently forecast. In relation to an issue raised by the Committee Chair, namely the number of teaching staff opting out of the Teachers’ Pension Scheme, it was proposed that a scheme representative be invited to present its benefits to staff and emphasise that, being a fully-funded scheme, issues of investment in interest-bearing securities should not in this instance be of concern to those with faith-based objections of conscience.It was confirmed that all student bursary funds, including those brought forward from 2018-19, will have been spent by 31 July 2020.The management accounts were recommended for consideration by the Corporation at the meeting to be held on 15 February 2020. |

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| **7** | **Outline Estimates of Income and Expenditure 2020-21**A report, prepared by the Vice Principal: Corporate Services was received and considered.Draft headline figures for 2020-21 were noted as follows: |

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|  |  | *£000* | *£000* |
|  | *Income:* |  |  |
|  | Mainstream Funding Body |  | 9,472 |
|  | ESFA Other |  | 534 |
|  | Local Authority |  | 412 |
|  | Other |  | 312 |
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|  | Total Income |  | 10,730 |
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|  | *Expenditure:* |  |  |
|  | Teaching staff | 4,275 |  |
|  | Support staff | 3,234 |  |
|  | Non-pay | 2,795 |  |
|  | Depreciation | 496 |  |
|  |  |  | 10,800 |
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|  | Deficit for 2020-21 |  | (70) |

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|  | In relation to the above it was noted that: |

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|  | **.** | although a review of mainstream funding is due, the budget had been prepared on the basis that the current funding system and attendant rates will remain unchanged (including the announced rise); |
|  | **.** | the funding increase by comparison with 2019-20 results from three principal factors – 100 more students in 2019, the announced funding rate increase, and extra funding announced for Maths; |
|  | **.** | a major funding review might entail changes in deprivation allowances – these have typically been resented by colleges with low levels of deprivation funding; |
|  | **.** | the status of the Teachers’ Pension grant covering the additional cost of raising the employers’ contribution from 16.48% to 23.48% is uncertain beyond 31 March 2021 and is linked to the funding review, with Government departments being required to implement a significant court decision on public sector pensions (relating to the McCloud judgement) which will need to be presented to Parliament;  |
|  | **.** | for the purpose of the present forecast it is assumed that the position will be no worse than under the current system; |
|  | **.** | it is assumed that Capacity and Delivery funds continue at the current rate, which is incumbent on achieving employment related targets; |
|  | **.** | free meals and bursary funding are expected to decline; |
|  | **.** | it is assumed that the Accelerated Learning Academy (ALA) is in place from the start of the year - if not, the associated costs will not be incurred; |
|  | **.** | in relation to pay costs: |

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|  |  | **.** | the pay budget is forecast by individuals, including teaching posts required for the forecast growth in student numbers; |
|  |  | **.** | a cost-of-living pay rise of 4% for all staff across 2019-20 (1.5%) and 2020-21 (2.5%) is included; |
|  |  | **.** | the support staff pension rate will rise from 13% to 13.8%, despite the College’s share of the pension scheme being funded at 89% (up from 80% three years ago) - the McCloud judgement ruled it illegal that people within ten years of retirement age receive more favourable treatment in the 2012 pension reform, a decision which is expected to add around 0.4% to future service costs (to be confirmed in April 2020); |
|  |  | **.** | the support staff pension scheme cost to employers is capped at 13%, though the cap was suspended (the Teachers’ scheme is capped at 16.48% despite the rate now being over 23%) - both caps are expected to be reactivated, but with no timescale currently in place for the reactivation (the best available advice is that these pension rates will apply to the 2020-21 and 2021-22 budgets); |
|  |  | **.** | the lump sum payments to cover the support staff pension scheme deficit are expected to stay at £60,000, with their underlying cost reducing to £43,000, though the retrospective cost of the McCloud judgement will be £12-15,000 per annum over the next three years – this is to be confirmed in April 2020; |
|  |  | **.** | staff are auto-enrolled in the applicable pension scheme every three years, even if they have opted out before, with the College not permitted to encourage opting out - the next auto-enrolment will happen on 1st April 2020, when it is assumed for budgetary purposes that all those not in the pension schemes will opt out again (were all to remain enrolled, the cost would exceed £200,000); .  |
|  |  | **.** | it is assumed that all new staff (or replacement staff) will be enrolled in the appropriate pension scheme; *and*   |
|  |  | **.** | support staff are assumed to be appointed at the bottom of the pay range for their post, with teaching staff assumed to be appointed at spine point 6. |

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|  | **.** | budgetary provision, including for additional posts, has been made in a range of areas to ensure that the College has the capacity to continue on the course of improvement started in 2016; |
|  | **.** | the College could return to a surplus position in 2020-21 by not recruiting to some of these additional posts, but it is expected that in 2021-22 continued growth in student enrolments and revenue funding increases will return the College to surplus; |
|  | **.** | in order to be assured that these additional posts are sustainable, some staff may not be recruited until after student enrolment (with a consequent cost reduction) or initially be recruited on fixed term contracts; |
|  | **.** | non-pay cost cuts made in 2019-20 have been reversed, and areas which have been particularly underfunded, such as marketing and staff recruitment, have had their resources increased; *and* |
|  | **.** | an improvement budget (£126,000) has been included to spend on upgrading or improving college facilities. |

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|  | It was noted that the ESFA funding assessment for 2020-21 will not be confirmed until 31 March 2020, though estimates of income and expenditure for the year are required by the ESFA on or before 29 February. A similar lack of confirmation also attends a number of other public grants about which assumptions had been made in the budget.Given the context of lagged ESFA funding, the Committee expressed itself comfortable with a second consecutive year in deficit prior to returning to a planned surplus in 2021-22.The Vice-Principal: Corporate Services stated with confidence that he did not expect the College contribution to the Local Government Pension Scheme to rise above the 2019-20 level, and had budgeted accordingly. Whilst the overall Scheme is 80% funded, the College’s section is 89% funded as a consequence of the previous strategy of making accelerated deficit payments. As a result, and contrary to the experience of several other colleges, a formal charge over College assets is not being sought nor are substantial demands for arrears being made.It was noted that the Corporation’s agreement in principle to the Accelerated Learning Academy (formerly “Newly-Arrived Academy”) will be sought at the meeting to be held on 15 February 2020.The outline estimates of income and expenditure for 2020-21 were approved as a basis for further development within the College with a report to the Committee at its next meeting.The Committee also recommended that, at its meeting on 15 February 2020, the Corporation approve the inclusion of the 2020-21 estimates considered under this agendum in the ESFA Financial Forecast 2020-22. |
| **8** | **ESFA Financial Forecast 2020-22**A report, prepared by the Vice Principal: Corporate Services was received and considered.It was noted that the first year comprises the estimates for 2020-21, considered and recommended for approval under Agendum 7 for submission to the ESFA.The following main financial performance indicators were noted as follows: |

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|  | **Financial Indicator** | **2018-19** | **2019-20** | **2020-21** | **2021-22** |
|  |  | *Actual* | *Predicted* | *Budget* | *Budget* |
|  |  |  |  |  |  |
|  | Operating Surplus/(Deficit):projected | 26 | (230) | (70) | 70 |
|  | Financial Health Grade – Total Points | 230 | 200 | 220 | 230 |
|  | Financial Health Grade – Category | Good | Good | Good | Good |
|  | Pay Costs (excl. Restructuring) as a % of Total Income:Projected | 65.48% | 70.48% | 70.88% | 69.25% |
|  | Available Reserves as a % of Income: Projected | 38% | 75% | 65% | 63% |
|  | Cash Balances as at 31 July each year | £1.974m | £1.591m | £1.730m | £1.857m |
|  | Cash Days in Hand: Projected | 76 | 63 | 60 | 60 |

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|  | Reserves as a percentage of income increases in 2019-20 due to the pension fund change, but then declines as income rises.Staff and student numbers during the planning period were noted as: |

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|  | **Key Assumptions** | **2019-20** | **2020-21** | **2021-22** |
|  | Staff numbers – teaching (FTE) | 73 | 80 | 81 |
|  | Staff numbers – non-teaching (FTE) | 57 | 76 | 76 |
|  | Total staff numbers (FTE) | 130 | 156 | 157 |
|  | ESFA Funded student numbers per allocation (i.e. a one year time lag) | 1,611 | 1,709 | 1,820 |
|  | Student recruitment in each academic year after 42 days from the start of term in September each year | 1,709 | 1,820 | 1,855 |
|  | Pay rises | N/A | 2.5% | 2.5% |
|  | Non pay inflation | N/A | 2% | 2% |
|  | Exam inflation | N/A | 3% | 3% |
|  | IT licence inflation | N/A | 5% | 5% |

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|  | For 2021-22 the following has been assumed: |

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|  | **.** | ESFA mainstream income grows by £700,000 mostly because of the rise in student numbers in the previous year, plus a 1% rise in the funding rate; |
|  | **.** | the Teachers’ Pension Grant continues to be paid; |
|  | **.** | capacity and delivery funds for T levels fall by 50%; |
|  | **.** | other income streams continue at the same levels as forecast in 2020-21, though these represent a small proportion of the funding and will have only a minor effect on the budget; |
|  | **.** | pay rises are 2.5% for all staff, as in 2020-21; |
|  | **.** | non-pay inflation is as projected in the above table (advised by the Association of Colleges); |
|  | **.** | employer national insurance contributions are unchanged; |
|  | **.** | the significant rise in income funds the pay rise, incremental increases and a significant rise in the budget for IT equipment and College refurbishment; *and* |
|  | **.** | capital expenditure is forecast at £200,000 for the year. |

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|  | In relation to the above assumptions it was noted that: |

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|  | **.** | the funded student numbers of 1,820 generate significantly extra funding in 2021-22, with the only additional pay cost being for one extra teacher – the rise in student numbers from 1,820 to 1,855 is not anticipated, at this time, to require additional staffing beyond that required in 2020-21; |
|  | **.** | the College returns to a surplus position of £70,000 and rises to the highest position in the “Good” category of financial health; *and*  |
|  | **.** | payroll as a percentage of income falls below 70%. |

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|  | Summary figures for 2021-22 are: |

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|  |  | *£000* | *£000* |
|  | *Income:* |  |  |
|  | Mainstream Funding Body |  | 10,169 |
|  | ESFA Other |  | 481 |
|  | Local Authority |  | 412 |
|  | Other |  | 313 |
|  |  |  |  |
|  | Total Income |  | 11,375 |
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|  | *Expenditure:* |  |  |
|  | Teaching staff | 4,492 |  |
|  | Support staff | 3,330 |  |
|  | Non-pay | 2,996 |  |
|  | Depreciation | 487 |  |
|  |  |  | 11,305 |
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|  | Surplus for 2020-21 |  | 70 |

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|  | The following sensitivity analyses were noted: |

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|  | **Sensitivity** | **2020-21** | **2021-22** |
|  | ESFA funding does not rise by 1% | 0 | (101,000) |
|  | For every 10 students under-recruited | (55,400) | (55,400) |
|  | Loss of Teacher Pension Grant | (137,402) | (137,402) |
|  | Loss of Capacity and Delivery Funds | (110,000) | (55,000) |
|  | Teaching becomes less efficient and one extra teacher needed | (50,000) | (51,000) |
|  | For every 1% higher than forecast pay rise | (67,400) | (70,000) |
|  | All staff stay in the pension scheme after auto-enrolment | (145,000) | (149,000) |
|  | For every 1% higher than forecast non-pay rates | (28,000) | (30,000) |

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|  | To mitigate the effects of any of the above the College would have to choose the most appropriate options from: |

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|  | **.** | recruiting fewer staff in 2020-21; |
|  | **.** | withdrawing from the SFCA payroll settlement; *or* |
|  | **.** | reducing refurbishment and renewal funds. |

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|  | In response to a question from the Committee Chair, the Vice-Principal: Corporate Services confirmed that budget sensitivities had been calculated on a conservative basis, with the largest risks attending the current decision of staff to opt out of the Teachers’ Pension Scheme (£145,00 in 2020-21, £149,000 in 2021-22), the potential loss of the Teacher Pension Grant (£137,402 in each year) and a revocation of the announced funding rate increase (£101,000 in 2021-22).The estimates for 2020-21 (see Minute 7 above) and 2021-22 were recommended for approval by the Corporation for submission to the ESFA. |

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| **9** | **Financial Regulations**The following proposed changes were considered in the light of the Bournville College Report and the context of good practice: |

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|  | **.** | an annual report on the value of turnover with suppliers will be presented to the Resources Committee each year - the 2018-19 report was received under this agendum;  |
|  | **.** | all instances of corporate hospitality outside the College will be reported to the External Relations Committee, with a standing agendum provided on the Committee’s order of business; |
|  | **.** | all staff reimbursements will be signed off by the relevant manager, with the Principal’s expenses being approved by the Chair of the Corporation;  |
|  | **.** | in relation to arrangements for authorising expenditure on the College’s overseas activities |

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|  |  | **.** | the College will obtain, prior to the payment of any moneys, the Corporation’s approval to enter into any overseas activity or trips, with reports on expenditure and outcomes made at each Resources Committee meeting - a standing agendum will be provided on the Committee’s order of business; *and* |
|  |  | **.** | details of any overseas trips or activities are to be included in the management accounts. |

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|  | **.** | in relation to arrangements for approving pay increases: |

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|  |  | **.** | cost-of-living pay rises for College staff, and other changes to pay spines, are negotiated by the Sixth Form College Association; |
|  |  | **.** | annual budget submissions include estimated pay rises and, where the agreed pay rise is equal to, or less than, that agreed as part of the budget process no further authorisation is needed, though if the cost-of-living pay rise exceeds that budgeted, further Corporation approval is required; *and*  |
|  |  | **.** | senior staff pay rises are linked to the cost-of-living rise for teachers on the highest pay spine point, subject to the approval of the Corporation. |

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|  | **.** | and in relation to the virement of budgets, Resources Committee approval is required for virements: |

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|  |  | **.** | between pay and non-pay costs; *and* |
|  |  | **.** | within pay or non-pay budgets where the sum is greater than £25,000 or 10% of the total budget allocation for that line (whichever is higher). |

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|  | The proposed changes were approved by the Committee on behalf of the Corporation with the exception of that relating to an annual report of turnover with suppliers. In the latter regard, the purpose of the proposed report was unclear to the Committee. If it is to verify the integrity of transactions and ensure that there are no related party issues arising from them, the Committee proposes that it be overseen by the Audit Committee within whose remit it would more appropriately fit. The Clerk to the Corporation was asked to clarify the Audit Committee’s intentions in making the recommendation.  |

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| **10** | **Health & Safety Policy**The draft policy, revised to reflect current best practice and refer to the College’s policy concerning safeguarding, was received and approved by the Committee on behalf of the Corporation. |

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| **11** | **Date and Time of Remaining Meeting 2019-20**It was noted that a meeting of the Committee will be held on:***Tuesday 23 June 2020 (8.30am)*** |
| **12** | **Any Other Competent Business**None. |

**List of Actions Arising from This Meeting**

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| ***Minute*** | ***Person Responsible*** | ***Action*** |
| **7** | SLT | Obtain Corporation agreement in principle to the Accelerated Learning Academy at the 15 February meeting. |
| **9** | Clerk to the CorporationVice-Principal: Corporate ServicesClerk to the Corporation | Provide an agendum at each meeting of the External Relations Committee for reporting instances of corporate hospitality outside the College.Include details of overseas trips or activities in the management accounts.Raise with the Audit Committee under Matters Arising from the Minutes at its 11 March meeting the purpose of the recommendation that the Resources Committee receive and scrutinise an annual report on the value of turnover with suppliers.  |

**Matter for Inclusion on the Next Agenda**

Report on Overseas Activities and Trips (see Minute 9 above)