**CORPORATION OF SIR GEORGE MONOUX COLLEGE**

**Minutes of Ordinary Business at the Meeting of the Resources Committee held on 16 March 2021**

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

|  |  |
| --- | --- |
| **1** | **Apologies for Absence and Quoracy**  All members were present. |
| **2** | **Declarations of Interest**  None. |
| **3** | **Minutes of the Previous Meeting: 30 November 2020**  It was noted that the draft minutes had been approved by the Acting Chair of the Committee for circulation.  Subject to minor amendments to the title lines of Minutes 8 and 9, 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: 30 November 2020**  Minute 10: it was reported that to show staff costs divided between teaching, direct student support and other support staff will require a substantial amendment to report generation which will be implemented from the start of the 2021-22 year. In the meantime, a relevant note will be provided to iterations of the management accounts.  Other matters were either dealt with elsewhere on the agenda, or form business for future agendas. |
| **5** | **Risk Management Report**  It was noted that the Board level risk falling within the remit of the Committee is considered under Agenda 6 and 7 below.  No other risks requiring the Audit Committee’s attention were identified in the course of the meeting. |
| **6** | **Management Accounts 2020-21 to Period 6: 31 October 2021**  A report prepared by the Vice Principal: Corporate Services and the Finance Manager was received and considered.  Factors attending the public health emergency’s impact on College finances were reported and noted.  It was confirmed that the number of enrolled students at the census date was 1,790 (target: 1,820), and that 2021-22 core funding will be based on this figure. In the course of the year, actual numbers may vary reflecting the effect of suspensions and reinstatements, and will reduce when students are permanently excluded or otherwise leave the College.  The Accelerated Learning Pathway (ALP) staff had transferred to the College on 1 August 2020. Current forecasts indicate that the Pathway to be a net contributor to College overheads. Funding is guaranteed at £400,000 per annum, irrespective of student numbers.  A restructuring of the ALP is almost complete which will reduce pay costs to yield a contribution level of around 25%. The redundancy costs of up to four staff will be covered by the Local Authority under the contract (the number of redundancies will not exceed four). The Local Authority will also reimburse salaries for the period the redundant staff worked at the College (up to nine months).  A 2.5% pay rise, already agreed with support staff, had been budgeted from 1 January 2021, at a cost of 1.4% across the year. The offer to teachers for 2020-21 will cost 2.42% in the whole year, and it is expected that the support staff offer will be upgraded to match it. The additional cost (in excess of £78,000) is included in the current projected out-turn (deficit: £122,000, budget deficit: £129,000). To absorb these additional pay costs, economies have been made in other spending plans as well as through savings already made.  The government allocated colleges a grant, based on size and yet to be received, to set up and operate coronavirus lateral flow testing centres. The grant may be reduced owing to the recent lockdown. For the purposes of the projected out-turn, it is assumed that it will cover all additional costs incurred by the College.  It was further noted that:  *the College had been allocated £216,000 by the ESFA to help with Maths and English catch-up in 2020-21, which will all be spent if the College can return to relatively normal operation;*  *it had been assumed that the extra £80.000 allocated by the Governing Body to help with catch-up (increasing the forecast deficit by an equivalent amount) will be fully spent, though this is increasingly unlikely;*  *the College had received £200,000 of Covid-19 funding to cover additional costs, all of which had been incurred by the College before the funding was announced, and it will therefore be applied for other purposes;*  *because of the continuing public health emergency, income from lettings had been reduced to zero for the 2020-21 financial year;*  *extra funding for cleaning during examinations and to cover energy costs (so that windows can be kept open) had been added to the out-turn;* and  *examination costs remain speculative given the cancellation of the summer 2021 series, but given the miniscule refunds made in 2019-20, the forecast assumes that the full cost will be levied this summer.*  It was reported that there are no current issues in relation to the relevant KPIs. The College is projected to be in the Good category for ESFA-assessed financial health, with an anticipated score of 220 as at 31 July 2021 (category range 170-230).  It was reported that:  *the tender process had been commenced for a new swipe access system and a new CCTV system, the costs of which had been included in the budget, with provision to exclude some design elements if the cost is too high;* and  *the College had negotiated a £10,000 per annum saving in its insurance with improved cover.*  It was also reported that, whilst the public health emergency makes it difficult to anticipate the future with the normal degree of confidence, the College has the funds in place to support catch-up work and the operational needs of delivering on the Strategic Plan in the current year. Despite the further disruption of the third lockdown, the College is strongly placed to manage the situation and achieve the budgeted outcome, whilst continuing to support its students. The College’s cash flow remains strong, though the public health emergency might still impact on the cash out-turn position.  The management accounts were recommended for consideration by the Corporation at the meeting to be held on 30 March 2021. |

|  |  |
| --- | --- |
| **7** | **Outline Estimates of Income and Expenditure 2021-22**  A report prepared by the Vice-Principal: Corporate Services was received and considered.  In this regard, it was noted that a minute (meeting of the External Relations Committee held on 2 February 2021), approved for circulation by the Chair of the Committee, reads:  *It was noted* inter alia *that the number of students expected to be recruited in September 2021 is 1,820, which would achieve the agreed target. The Committee accordingly advises the Resources Committee that it may use this figure as a basis for assessing the College’s projected financial performance in the 2021-22 year.*  It was reported that the following uncertainties attend the outline estimates for 2021-22, namely that:  *mainstream funding is due for review by the Government;*  *cost of living pay increases for 2021-22 have not yet been agreed;*  *support staff pension rates are attended by significant uncertainty because of volatility in fund assets and the unclear economic situation;* and  *there has been confirmation (2020-21) of the sum (£213,000) the College will receive from the COVID-19 Catch-Up Fund, and it has been assumed that funding will continue at the same level in 2021-22.*  The College’s underlying position for 2021-22, discounting extra resources applied to recovery from the public health emergency, projects a small surplus of £6,000.  In relation to estimated mainstream income, the following was reported:  *a review of mainstream funding had been due last year, but at this point in time has not happened, with no realistic prospect of a review before the start of the planning period covered by the forecast;*  *deprivation funding is now based on the 2019 Index of Multiple Deprivation, rather than the 2016 model, resulting in reduced funding for the College as the fund is stretched more widely to cover regions where deprivation is increasing, with the College also being affected by the gentrification of Waltham Forest as funding is allocated on the higher of the deprivation of the student’s home postcode and that of the College - the local area is now not deprived enough to attract funding;*  *summarising all sources of estimated mainstream income yields a net increase of £286,451 in 2021-22 by comparison with 2020-21;* and  *whilst there had been growth in student numbers, the final enrolment outcome was 30 below target, a smaller shortfall than might have been* *expected given the pandemic, with students more inclined to stay at the institution where they had spent Year 11 - without the public health emergency the College would already be looking at healthy surpluses.*  Concerning estimated other income, it was reported that:  *the status of the Teachers’ Pension grant (covering the additional cost of raising the employers’ contribution from 16.48% to 23.48%) after 31 July 2022 is uncertain and remains tied to the funding review – if the review is not conducted, the grant is likely to continue;*  *there is the possibility of further DfE funding to help colleges, but this will not be known until at least May;*  *free meals funding is in decline because there are fewer students eligible to claim it (in 2020-21 a fall of 25%, and a fall of 35% overall since funding began);*  *bursary funding is also in decline for the same reason (though only 5% of it is attributable as income, being the administration fee due to the College in its regard);* and  *income from the Accelerated Learning Pathway funding is guaranteed at £400,000 for the year.*  In relation to pay costs, the following was reported:  *the pay budget is forecast by reference to individual posts, including teaching posts required for the forecast growth in student numbers;*  *a cost of living pay increase of 2.5% from 1 September 2021 is included for all staff though, given the current absence of an underlying funding rate increase and the imposition of public sector pay restraint, this may be higher than will eventually be required;*  *no changes in pension contribution rates are anticipated;*  *the lump sum payments to cover the support staff pension scheme deficit are £55,000 - the underlying cost had been reduced to £43,000 but the retrospective cost of the McCloud legal decision adds £12,000 per annum over the next three years;*  *it is assumed that staff not currently enrolled in the pension schemes will not subsequently choose to opt in (though it is assumed that all new or replacement staff will opt in);* and  *the estimates include all the temporary posts that occur regularly, namely examination invigilators, extra staff at enrolment and, in the first two months of the year, temporary staff for destinations and data entry, and extra staff on passport days.*  Pay as a percentage of income is 70.8% before inclusion of catch-up costs and 71.5% after their inclusion. 70% is the benchmark upper limit for the sector and the College intends to continue progress towards meeting this target in 2022-23.  The continuing impact of the public health emergency in 2021-22 will leave many students experiencing welfare needs as well as being in need of help to catch up with missed study. The College would like to provide £74,000 for additional pay costs in these areas. This would give a temporary deficit budget, but keep pay as a percentage of income below 71.5%. This money would ensure that the College is able to provide the necessary personal support, coaching and counselling needed by students. It would result in an operating deficit for the year (£68,000) rather than the otherwise projected surplus of £6,000.  Non-pay cost costs had been reviewed. There will be detailed discussions with budget holders in the next three months, but the cost envelope provided will not be exceeded.  The most significant risks with the potential to impinge on College financial performance were noted as: |

|  |  |  |
| --- | --- | --- |
|  | ***.*** | failure to recruit the forecast number of students; |
|  | ***.*** | failure to deal with the consequences of the public health emergency; |
|  | ***.*** | failure to maintain or improve the College’s academic performance; |
|  | ***.*** | changes to funding that adversely affect the College’s allocation; |
|  | ***.*** | lack of funding diversity (95% ESFA, 3% Local Authority re. ALA, other 2%); |
|  | ***.*** | early termination of the Teachers’ Pension Grant; |
|  | ***.*** | pay rises greater than forecast; *and* |
|  | ***.*** | failure to maintain or improve teaching deployment efficiency. |

|  |  |
| --- | --- |
|  | In response to a question from the Committee Chair, it was noted that with the inclusion of Covid-19 catch-up costs the College would be budgeting for a third consecutive annual deficit, although the underlying position would otherwise yield a surplus in 2021-22. The ESFA’s stance in relation to the impact of such exceptional costs on the projected financial out-turn is not yet known, but should be reportable to the next meeting of the Committee. In any event, the effect of catch-up costs can be independently shown in forecasts submitted to the ESFA.  In response to a further question from the Committee Chair, it was confirmed that budgeted provision had been made for a 2.5% cost of living increase for all staff but that, were it not to exceed 1.5%, the pay ratio would be reduced close to 70%.  In response to a question from Sara Whittaker, it was confirmed that, although the second student counsellor post is not permanently established, it will be needed in 2021-22.  The estimates were approved as the basis for further development and consideration at the meeting on 22 June. |

|  |  |
| --- | --- |
| **8** | **Financial Health Scoring by the Education and Skills Funding Agency (ESFA)**  A paper prepared by the Vice-Principal: Corporate Services was received and considered.  It was noted that the current system assesses and categorises colleges according to: |

|  |  |  |
| --- | --- | --- |
|  | ***.*** | EBITDA - earnings before interest, tax, depreciation and amortisations as a percentage of income (measuring profitability); |
|  | ***.*** | the adjusted current ratio (measuring liquidity), *and* |
|  | ***.*** | the borrowing ratio to revenue income (gearing). |

|  |  |
| --- | --- |
|  | Each of the above is scored from 0 to 100, with an allocated health score of 1-4 based on the aggregate of the scores thereby derived. There are some limiting factors, such as one ratio being so low as to automatically trigger an overall grade 3, even if the points score would otherwise indicate a higher category.  In particular, colleges without debt can achieve high health scores even though they do not always have adequate resources to maintain and invest in their provision. Typically, these colleges have high scores for liquidity and gearing, but a low score for profitability.  A possible new system under consideration would measure colleges’ performance, solvency and financing by, respectively, measuring EBITDA (as at present), the current ratio with sector-specific adjustments (rather than cash days in hand), and either the debt servicing cover ratio (i.e. cash generated from operations divided by debt obligations - interest expense and principal repayments for the year - measuring the ability to afford current debt levels whilst continuing to invest in the college) or, where a college has no debt, cash generated from operations (i.e. cash flow from operations as a percentage of revenue income) - measuring a college’s investment capacity.  Because there are no details of how a scoring system would be used to derive ratios, the impact of such changes on the College is impossible to estimate. No current implementation date for a revised scoring system has been set.  It was suggested that the present and any revised method of calculating financial health might be run in parallel to assess the effect of the revision.  At the request of the Committee Chair, it was agreed that, for information, the effect of any change, once officially published, will be retrospectively calculated for the years 2018-19, 2019-20 and 2020-21. |

|  |  |
| --- | --- |
| **13** | **Dates and Times of Remaining Meeting 2020-21**  The approved date and time for a meeting of the Committee was noted, as shown below:  ***Tuesday 22 June 2021 (8.30am)***  It was agreed that, for the protection of members and the College, the meeting will be held online. |
| **14** | **Any Other Competent Business**  None. |

**List of Actions Arising from This Meeting**

|  |  |  |
| --- | --- | --- |
| ***Minute*** | ***Person Responsible*** | ***Action*** |
| **4** | Vice-Principal: Corporate Services | Provide a relevant note to future 2020-21 iterations of the management accounts to show how staff costs are divided between teaching, direct student support and other support staff, and amend the reporting format to include this information as standard with effect from the start of the 2021-22 year. |
| **7** | Vice-Principal: Corporate Services | Show the differential effect of Covid-19 catch-up costs on the 2021-22 annual estimates of income and expenditure, subject to relevant ESFA guidance as and when it is published. |
| **8** | Vice-Principal: Corporate Services | Retrospectively calculate for 2018-19, 2019-20 and 2020-21 the effect of any revision to the basis for calculating the College’s financial health, one once relevant guidance has been published by the ESFA. |