**CORPORATION OF SIR GEORGE MONOUX COLLEGE**

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

**23 June 2020**

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| **Present** | Jonathan Bush (Chair), Jagdev Kenth (agenda 6-13), Nazia Shah, David Vasse, 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 were received from the following external members, Ian Clay, Brian Westbury.  The meeting was quorate. |
| **2** | **Declarations of Interest**  None. |
| **3** | **Minutes of the Previous Meeting** **(6 February 2020)**  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 (6 February 2020)**  Corporation agreement in principle to the Accelerated Learning Academy, due to have been considered at a meeting of the Corporation on 15 February 2020, had been given on behalf of the Corporation by the Chair acting under the provisions of Chair’s Action.  A standing agendum had been provided at each meeting of the External Relations Committee for reporting instances of corporate hospitality outside the College.  The purpose of the Audit Committee’s recommendation that the Resources Committee receive and scrutinise an annual report on the value of turnover with suppliers had been raised with the Audit Committee at its meeting held on 10 March. The Audit Committee had responded that the Corporation needs to have an overall view of the value of contracts, and the tender process attending them, for assurance that there are no loopholes as had been identified in the Bournville Report (e.g. two companies under common beneficial ownership having separate dealings with the College). It had been agreed, however, that the Audit Committee is the proper organ for conducting such oversight. |
| **5** | **Risk Management Report**  The schedule of board level risks was received for information. It was noted that none are specifically overseen by the Resources Committee, though it continues to monitor the College’s financial performance and attendant risks as part of its key remit.  No hitherto unidentified risks falling within the Committee’s remit were identified in the course of the meeting as requiring the attention of the Audit Committee. |
| **6** | **Management Accounts 2019-20 to Period 10: 31 May 2020**  A report prepared by the Vice Principal: Corporate Services and the Finance Manager was received and considered.  It was noted that: |

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|  | **.** | a deficit of £250,000 is projected at 31 July 2020 (budget: £268,000); |
|  | **.** | the ESFA fundable student numbers for 2019/20 are 1,709; |
|  | **.** | the College is fully compliant with bank loan covenants, with the loan having been fully repaid in January 2020; |
|  | **.** | pay as a percentage of income is forecast to be around 69% at the year-end (budget 72.3%); |
|  | **.** | the in-year forecast includes a 1.5% pay rise from 1 September 2019 and a further 1.25% from 1 April 2020 increase for all staff as agreed at a national level between employer and employee representatives; *and* |
|  | **.** | all overseas trips had been cancelled and other Covid-19 mitigation expenses incurred at a cost to the College of £53,000. |

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|  | In relation to relevant KPIs, it was reported that: |

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|  | **.** | there are no current issues; |
|  | **.** | the College is provisionally placed midway in the Good category for financial health at 31 July 2020 (owing to the level of surplus); |
|  | **.** | cash balances at 31 July 2020 are forecast to be £1,610k (31 July 2019: £1,974k); *and* |
|  | **.** | the number of cash days in hand remains healthy, predicted to be 62 at 31 July 2020 (31 July 2019: 76). |

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|  | The following points to note were reported, namely that: |

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|  | **.** | the forecast £250,000 deficit represents the worst-case scenario; |
|  | **.** | over 98% of the College’s income is guaranteed by the Government, placing the College in a notably stronger position than most other institutions; |
|  | **.** | the College must ensure that the forecast deficit is not exceeded so that its Good financial status is protected, and hence additional spending must be offset by savings elsewhere; |
|  | **.** | 60 broken student laptops need replacement at a cost of £55,000, though obtaining computers at this time is difficult – in this regard, a funding application had been made to the ESFA the outcome of which is unknown at present; |
|  | **.** | £40,000 match funding is provided for the TAG building refurbishment so that it can deliver the Accelerated Learning Academy; *and* |
|  | **.** | the projected out-turn at 31 July 2020 is subject to the combined effect of the following factors, namely the College: |

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|  |  | **.** | benefitting from a reduction in examination fees payable (a 10% reduction saving the College £32,000); |
|  |  | **.** | receiving rebates from cleaning and catering contractors able to claim furlough grants; |
|  |  | **.** | incurring additional marketing costs of £20,000, representing a reduction from the £25,000 estimated earlier in the year owing to the College closure and resultant requirement for virement of funds; |
|  |  | **.** | retaining or having to repay funds received from the British Council for the cancelled Vietnam trip; *and* |
|  |  | **.** | trip cancellations and costs attending the Covid-19 pandemic (about 22% of the total increase in non-pay spending in the year). |

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|  | In response to members’ questions, it was confirmed that savings in the year to date result from non-enrolment by staff in the relevant pension schemes, though this cannot continue to be guaranteed owing to the recurrent three-year cycle of auto-enrolment, and from new members of staff not being appointed at the top of the appropriate salary scales.  Members noted the report, and expressed satisfaction at the College’s financial performance against budget in the year to date. |

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| **7** | **Estimates of Income and Expenditure 2020-21 & Two-Year Financial Forecast 2020-22**  A report prepared by the Vice Principal: Corporate Services and the Finance Manager was received and considered.  It was noted that it had been agreed at the previous meeting that the annual estimates of income and expenditure be updated at the present meeting to reflect changed circumstances.  It was noted that the latest iteration includes the effect of pay settlements negotiated between the Sixth Form Colleges’ Association and employee representatives, as well as making provision for funding the College’s IT replacement programme. It also includes the extra costs associated with the continuing Covid-19 pandemic, and the attendant loss of income.  The principal uncertainties were noted to be: |

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|  | **.** | a review of mainstream funding by the new government, with the economic effects of the Covid-19 crisis making increased baseline funding appear less likely; |
|  | **.** | the Teachers Pensions grant *not* having been confirmed beyond 31 March 2021; *and* |
|  | **.** | the unconfirmed effect of the April 2020 pension auto-enrolment measures on the level of staff membership of the respective schemes. |

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|  | A deficit budget of £130,000 (leaving the College in the Good financial health category) had been proposed for the 2020-21 year (previous estimate: deficit £70,000) in order to meet non-recurrent costs incurred as a result of providing for: |

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|  | **.** | assistance to students adversely affected by the lockdown owing to lack of resources or a sub-optimal home environment; |
|  | **.** | Saturday classes, and later weekday opening to assist students most seriously affected by the lockdown to make good learning deficits; *and* |
|  | **.** | a significantly higher level of holiday classes than originally planned. |

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|  | Projected KPIs were noted in the context of the above proposals: |

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|  | **Ratios** | **2020** | **2021** | **2022** |
|  | Adjusted Current Ratio | 3.41 | 3.56 | 4.44 |
|  | EBITDA as a % of Income (education specific) | 1.50 | 2.14 | 3.39 |
|  | Borrowing as a % of Income | 0.00 | 0.00 | 0.00 |
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|  | **Calculation of Grade** |  |  |  |
|  | Adjusted Current Ratio | 100 | 100 | 100 |
|  | EBITDA as a % of Income (education specific) | 10 | 20 | 30 |
|  | Borrowing as a % of Income | 100 | 100 | 100 |
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|  | Total Points | 210 | 220 | 230 |
|  | Financial Health Grade (automated) | Good | Good | Good |
|  | Automated Moderation - EFS | No | No | No |
|  | Automated Moderation - EBITDA score zero | No | No | No |
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|  | College Self-Assessment | Good | Good | Good |

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|  | The above scoring system is due for review by the ESFA, but there are no present indications as to the changes contemplated.  It was reported that “catch-up” funding from the ESFA in the context of the Covid-19 pandemic is being requested by the sector, but with no indication at present that it will be provided.  In discussion it was confirmed that a surplus in the 2021-22 year is projected, though this will depend on adequate recruitment of student numbers, which aspect requires continued close monitoring by the Corporation.  With the agreement of the Drapers’ Company, it is hoped that some funding from this source may be diverted to assist the College in providing resources to make good the learning deficits of students arising from the period of closure.  The annual estimates of income and expenditure 2020-21 (including the proposed in-year deficit of £130,000) were recommended for approval by the Corporation at the meeting to be held on 7 July 2020. |

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| **8** | **Accelerated Learning Academy (ALA)**  A report prepared by the Vice Principal: Corporate Services and the Finance Manager was received and considered.  It was noted that Corporation agreement in principle for the ALA had been secured through the medium of Chair’s Action.  It was further noted that the ALA will be attended by a new funding stream, which will not be lagged by reference to the previous year’s student numbers. Anticipated income is in the region of £400,000, including £100,000 as a contribution to core costs and overheads. Negotiations are continuing with Waltham Forest Council on the financial aspects of the provision, with a draft contract expected to be in place by 31 July 2020.  The following aspects of the proposed financial arrangements were also noted, namely: |

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|  | **.** | a guarantee of 50 places at a per capita fee receivable of £8,000; *and* |
|  | **.** | additional places above 50 to be funded pro-rata to a maximum of 60, with any above that number attracting a per capita fee receivable of £8,500. |

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|  | The following expenditure estimates were noted: |

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|  | Curriculum | 174,356 |
|  | Leadership | 30,000 |
|  | Administration | 30,000 |
|  | Student Support | 56,470 |
|  | Start-Up Costs (over three years) | 13,250 |
|  | Total | 304,076 |

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|  | It was also noted that: |

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|  | **.** | curriculum expenditure shows direct, not marginal, costs (e.g. students in the ALA will join existing classes for English and Math GCSE, vocational courses and some A Level programmes, for which no additional cost is projected); |
|  | **.** | £40 000 of first year income will be applied to provide a base centre for the ALA - this is linked to a successful proposal submitted to the GLA Small Projects Fund for an additional £80 000 of capital funding to refurbish the conference centre space, construction of which is forecast to be completed before the start of the academic year; |
|  | **.** | the Local Authority had agreed to pay Free School Meals for eligible students though, the provision in mainstream schools being slightly less than that which the College provides, a total annual College subsidy of around £5,000 may be required; *and* |
|  | **.** | the risk of lower student numbers owing to reduced migration resulting from the effects of Covid-19 and Brexit are mitigated by the Local Authority’s commitment to fund 50 places for the first two years, with the outcome of any subsequent review of guaranteed funding confirmed by April 2022 for the 2022-23 year and subsequently. |

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|  | Following discussion, it was agreed that: |

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|  | **.** | most costs attending the Academy are fixed costs; |
|  | **.** | the College is committed to providing the most economically efficient approach to effective delivery of the service; *and* |
|  | **.** | relevant indemnities (and the time limitations attending them) are to be noted. |

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|  | It was also agreed that the ALA’s financial performance will be reported separately within the management accounts from the start of 2020-21.  The estimates of income and expenditure were recommended for approval by the Corporation at the meeting to be held on 7 July 2020. |

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| **9** | **Reserves Policy**  A draft policy (2020-23) was received and its provisions considered.  Charity Commission requirements were noted, namely that: |

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|  | **.** | *reserves constitute that part of a charity's unrestricted funds that is freely available to spend on any of the charity's purposes, which definition excludes restricted income funds and endowment funds, although holding such funds may influence a charity's reserves policy, as well as tangible fixed assets held for the charity's use and amounts designated for essential future spending;* |
|  | **.** | *governors of every charity must ensure that the charity's funds are used appropriately, prudently, lawfully and in accordance with the charity's purposes for the public benefit, the general principle of trust law being that funds received as income should be spent within a reasonable period of receipt;* and |
|  | **.** | *the holding of reserves will be authorised either by using an express or implied power to hold reserves, and governors are justified in exercising their power to hold income reserves, whether express or implied, only if, in their considered view, it is necessary in the charity's best interests.* |

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|  | There is no explicit legal authority for the College to hold reserves, but the implied authority is deemed sufficient. The College is not required to formally accumulate reserves, but is required to consider what level of reserves it is appropriate to hold so as to demonstrate proper financial management, stewardship and sustainability. By considering these factors governors are able to provide: |

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|  | **.** | assurance to all stakeholders that the College is being managed in a prudent manner for the best interests of its beneficiaries; *and* |
|  | **.** | confidence that there is a strong justification for the reserves held, as well as openness and transparency concerning all aspects of the College’s reserves policy. |

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|  | The following issues had therefore been taken into account, namely that: |

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|  | **.** | because core funding is received on an appropriate basis and at due intervals from public funds, reserves are not required to fund working capital; |
|  | **.** | variations in student enrolment numbers require a measure of financial buffering to obviate their effects; |
|  | **.** | funds are needed to develop the College’s activities or to consider new opportunities to assist its students; *and* |
|  | **.** | there is a need to convert underlying assets into cash in order to fulfil a reserve utilisation. |

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|  | The disclosure requirements attending the College’s reserves policy in the Annual Report, as set out in the Statement of Recommended Practice 2015, were also noted.  Members commented that, although it is important for a reserves policy to be place, the virtual guarantee of continuing government funding places a lower degree of strain on its operation.  The policy was approved by the Committee on behalf of the Corporation. |

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| **10** | **Health & Safety Annual Report 2020**  It was agreed that, owing to operational reasons attending the “lockdown” and shielding arrangements for a key member of staff, consideration of this business be held over to the next meeting.  In the interim, it was reported that the College is complying with all relevant current guidance in relation to the pandemic, and measures will be reviewed in the context of an anticipated full opening of the College in September taking account of fresh guidance issued in that regard. It was confirmed that oversight of the measures, both current and prospective, is carried out through the College’s regular management structures and processes and that no specialised group had been convened for the purpose. |

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| **11** | **Human Resources Annual Report 2018-19**  The above report, prepared by the interim HR consultant, was received and noted.  It was reported that, although delayed for operational reasons, the report is important in not only recording progress made during the 2018-19 year but also in providing baseline data for the 2019-20 report which will be considered at the next meeting of the Committee.  It was specifically reported that for the year in question: |

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|  | **.** | there had been greater staffing stability, and therefore less reliance on agency teaching staff; |
|  | **.** | staff turnover had moved closer to the 2018 average public sector turnover rate of 16%; |
|  | **.** | the number of formal performance management actions had remained low; |
|  | **.** | improved sickness monitoring arrangements had been operated resulting in a more accurate record being maintained; |
|  | **.** | the amount of training delivered in-house or online had increased, in line with sector trends; |
|  | **.** | the staff age and gender profiles had remained typical of the education sector, with a majority of staff being under 50 and female; *and* |
|  | **.** | the College management profile had remained skewed by comparison with the overall staff profile in terms of gender and ethnicity. |

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|  | Members asked that the financial implications of any disciplinary proceedings be included in the next report, whilst noting that none had attended the matters reported for 2018-19.  It was also reported that, despite the period of College closure, most vacancies, including key teaching vacancies, had been filled, demonstrating the generally positive light in which the College is now viewed within the sector and the local area. A trend had also been observed towards staff transferring between school and College posts thereby contributing to a more integrated perception of educational provision.  Attention was drawn to the contrast in gender and ethnicity data between those in management roles and the generality of staff. In response it was reported that, since most appointments to management roles are internal promotions, the contrast should become less marked over time, even without any special initiatives to harmonise them. It was agreed that such initiatives may be difficult to operate equitably in all instances, but that gender and ethnicity data for managerial roles should be monitored at least annually to ensure that anticipated progress is being achieved. |

**List of Actions Arising from The Meeting**

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| ***Minute*** | ***Person Responsible*** | ***Action*** |
| **8** | Vice-Principal: Corporate Services | Report ALA financial performance separately within the management accounts from start of 2020-21 year. |
| **11** | Vice-Principal: Corporate Services | Include the financial implications of any disciplinary proceedings in the HR Annual Report 2019-20, and subsequently. |
| **11** | Chair of the Resources Committee | Monitor at least annually the gender and ethnicity data for those in management roles by comparison with the generality of staff. |