**CORPORATION OF SIR GEORGE MONOUX COLLEGE**

**Minutes of Ordinary Business at the Meeting of the Resources Committee held on 30 November 2020**

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| **Present** | Jagdev Kenth (Acting Chair), David Vasse, Sara Whittaker, Jay Wint. |
| **In Attendance** | Beno Azebiah (Head of HR: Agendum 5 only), David Ball (Vice Principal: Corporate Services), Robert Smith (Clerk to the Corporation), Alan Wells (Chair of the Corporation). |

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| **1** | **Welcome to New Member, Apologies for Absence and Quoracy**  Jay Wint was welcomed on the occasion of her first meeting of the Committee.  Apologies for absence had been received from the following members of the Corporation: Jonathan Bush, Nazia Shah.  The meeting was quorate.  In the absence of the Committee Chair, Jagdev Kenth (Vice-Chair of the Committee) presided at the meeting. |
| **2** | **Declarations of Interest**  None. |
| **3** | **Minutes of the Previous Meeting** **(23 June 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 (23 June 2020)**  *Minute 6:* it was confirmed that funding subsequently received had compensated the College for losses otherwise incurred in relation to overseas trips. |
| **5** | **HR Annual Report 2019-20**  The report was received and considered.  It was noted that:  *all teaching roles, and most support roles (with the signal exception of web developer), had been successfully filled in the year reported;*  *the College’s disciplinary procedure had been invoked on six occasions, resulting in two dismissals and four resignations, which, whilst representing an increase from previous years, had not been identified as having an underlying cause;*  *no grievances or formal probationary actions had been reported, though probationary reviews were suspended in March 2020 and have since resumed for the 2020-21 academic year, with outcomes yet to be confirmed;*  *staff turnover in the year was reported as 16.1% (2018-19: 19.4%, 2017-18: 26.3%);*  *the average rate of staff sickness in the year was reported as 5.1 days (2018-19: 6.2, 2017-18: 4.6), against a sector average of 7.8 and an overall average of 5.8;*  *little change was reported in the overall demographic of the College when compared to the previous two years;*  *the age and gender profile remain typical of the education sector, with the majority of staff being under 50 and female;*  *the management profile, whilst diverse, remains skewed with a greater proportion of managers having White British backgrounds compared to the overall staff profile, and a male dominant management profile which is disproportionate when compared with the gender and ethnicity splits of the overall college workforce;*  *in-house training delivery had been disrupted owing to the College lockdown, though all staff had been able to access internal training and a number of training providers had moved their delivery online, resulting in only a moderate decrease in the amount of external training received.*    It was agreed that internal promotions will be included in future iterations of the Report.  Members noted the low proportion, by comparison with the general staff profile, of management who are women or from BAME backgrounds. It was confirmed that, whilst female and BAME staff are encouraged to apply for more senior roles as and when these become available, no formal scheme as yet addresses the disproportionate outcomes. With this in mind, the Principal confirmed that, as a constituent element of the College Improvement and Development Plan, the introduction of a management succession plan is an objective for the year. It was, however, noted that publicly-funded bodies like the College have limited scope to implement such schemes owing to the need, entailed by funding restrictions, to maintain a lean staffing body. It was also noted that, whilst succession planning may be more readily applied to teaching roles, a substantial proportion of support staff are engaged in individual roles rather than as members of teams.  To assist the Committee to monitor the impact of initiatives intended to address existing disparities, it was agreed that future iterations of the Report should show breakdowns by gender and ethnicity referenced to **levels of management**, and also to whether positions were filled as a result of internal promotion or external recruitment.  In response to a question from Jay Wint, it was confirmed that appraisal data is reported internally. |
| **6** | **Gender and Ethnicity of Staff in Management Roles by Reference to the Generality of Staff**  It was noted that this had been reported and discussed under Agendum 5 above. |
| **7** | **Risk Management Report**  It was noted that the Board level risk falling within the remit of the Committee is considered under Agenda 9 and 10 below.  No other risks requiring the Audit Committee’s attention were identified in the course of the meeting. |
| **8** | **Draft Annual Report & Financial Statements for the year ended 31 July 2019**  The draft financial statements, which had been previously considered by the Audit Committee, were received and considered.  The Audit Committee reported that, based on the work of the financial statements’ auditor, it had been able to advise the Resources Committee that: |

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|  | **.** | suitable accounting policies had been selected and applied consistently; |
|  | **.** | judgements and estimates had been made that are reasonable and prudent; |
|  | **.** | applicable accounting standards had been followed; *and* |
|  | **.** | it had been appropriate to prepare the financial statements on the going concern basis. |

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|  | It was noted that the outcomes for the two years (2019-20 & 2018-19) are not significantly different despite the increase in student numbers.  The following matters were also noted in relation to the Statement of Comprehensive Income and Expenditure: |

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|  | **.** | the Financial Statements show a deficit of £707,000 (2018-19: £616,000) after £642,000 pension adjustments, thedeficit prior to FRS 102(S28) pension adjustments having been £242,000 (2018-19: £26,000 surplus); |
|  | **.** | income rose by £51,000, the Strategic College Improvement Fund income that was non-recurrent in 2018-19 having been replaced by student growth and a grant from the Greater London Authority for the refurbishment of the TAG Centre for its use as the Accelerated Learning Pathway; |
|  | **.** | pay costs rose by £169,000 (from £6.738m to £6.907m), with pay before pensions adjustments having increased by £376,000, and pay as a percentage of income having risen to 69.95% (recommended maximum: 70%); |
|  | **.** | non-pay costs fell by £43,000, being a real terms reduction (without the pandemic, the reduction would have been £149,000); *and* |
|  | **.** | the College had managed within its approved budget parameters, despite the public health emergency, and had continued to provide online teaching and support services to students. |

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|  | It was specifically noted in relation to the Balance Sheet that: |

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|  | **.** | ongoing cash levels had remained between £1.2m and £2.1m (dependent on the timing of funding body cash flows), with year-end cash levels £784,000 lower than the previous year, after £318,000 capital additions in the year; |
|  | **.** | the year-end cash position had been lower than expected in relation to which it was further noted that a £200,000 grant to offset costs attending the public health emergency had been successfully bid for – the expenditure was incurred but the grant will not be received until December; |
|  | **.** | the Balance Sheet total had fallen by £2.833m, mostly because of the pension fund deficit increase; *and* |
|  | **.** | the negative revenue reserves are not considered to be an issue because of the underlying (and long-term) nature of the pension deficit (and the difficulties attending its reliable calculation). |

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|  | In relation to the Waltham Forest Local Government Pension Scheme it was noted that: |

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|  | **.** | the College’s reported share of the deficit on the Waltham Forest Local Government Pension Scheme rose by £2.591m from £2.514 million from £4.88m to £7,471m, according to the actuarial FRS 102 (28) review; *and that* |
|  | **.** | the above figure is substantially different from the formal triennial actuarial valuation of the scheme which showed a deficit of £1.081m, mainly because the assumptions being used reflect the different requirements of financial standard setters from actuaries. |

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|  | It was noted that the College’s revenue reserves are £4.783 million, but that net revenue reserves after the pension deficit are £2,688m in deficit. The volatility of the pension provision leads directly to the instability of the College’s reserve position. Whilst the ESFA and the bank disregard these pension adjustments in order to calculate financial health there is no guarantee that either will continue to do so, which would be of particular concern if the College ever wished to raise further loan finance (though recent discussions with the new Bank Manager confirmed that Lloyds still ignore pension deficits when calculating loans). It was noted that the liability is payable over the lifetime of the scheme’s members, and is therefore not an issue affecting going concern.  The change from a final salary scheme to career average scheme in 2014 included transitional provisions for the over 55s that have now been ruled illegal (the McCloud judgement). This is the worst possible outcome as all service since then will be assessed for all staff, who will be given the choice to opt for whichever methodology yields the higher pension.  It was confirmed that the College is able to pay contributions to the scheme as and when due, with prompt payment securing an advantage to the College in terms of the outstanding liability. The contribution rate is fixed for the 2020-21 and 2021-22 years. The possibility was mooted that the pension scheme may at some point wish to take a charge over the College’s assets, which would have an adverse effect on the College’s ability to raise loan finance from banks. However, it was suggested that the College’s bankers would be likely to base any loan decision on the viability of the College’s cash flow, which is good at present and in the outlook period. The Government’s announcement of funds for college building development might also assist any loan applications which may be made to be responded to favourably.  The Teachers’ Pension Scheme, the cost of which to the College has risen to 23.68%, is also under review. The cost cap was temporarily removed. If it is reinstated there will be a cost saving, but also a significant rise in contribution rates for teaching staff which is likely to lead to pay rise demands from trade union representatives.  Overall, the College is at the top of the financial health Group 2 (Good), out of 4. |

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|  | The following outcomes for the year compared to budget (i.e. variances) were noted:  ***Income*** |

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|  |  | *Variance (£000)* |
|  | Mainstream Funding | 2 |
|  | Other ESFA Grants (being free meal income through applying funds received in prior years) | 101 |
|  | Local Authority (Accelerated Learning Academy) | 94 |
|  | Other Income | 39 |
|  |  | **236** |

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|  | ***Expenditure*** |

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|  |  | *Variance (£000)* |
|  | Pay | 141 |
|  | Non-Pay | (321) |
|  | Depreciation | (30) |
|  |  | **(210)** |
|  | **Surplus** | **26** |

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|  | There have been no events after the reporting date (i.e. post-balance sheet events) affecting any matter of substance.  The draft audited annual report and financial statements were, in terms of the outcomes reported, recommended for approval by, and signature on behalf of, the Corporation at the meeting to be held on 15 December 2020. |

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| **9** | **Management Accounts 2019-20 to Period 3: 31 October 2019**  A draft report prepared by the Vice Principal: Corporate Services and the Finance Manager, together with supporting documents, was received and considered.  Factors specific to the public health emergency’s impact on the College’s finances were reported and noted.  It was confirmed that the number of enrolled students at the census date is 1,795 (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 reduce if students are permanently excluded or otherwise leave the College.  Cash balances at 31 July 2021 are forecast to be £1.767m, an increase of £587k compared to actual cash balances of £1.18m at 31st July 2020.  Cash days in hand remain healthy and stable at 73, and are predicted to be 57 days at 31 July 2021 (31 July 2020: 46).  There are no issues anticipated at this time attending the achievement, or slight undershoot, of the budget deficit for the year.    The College is anticipated to be in the Good category for financial health at 31 July 2021.  It was reported that during the public health emergency it had not been possible in three instances to obtain the three quotes which would normally attend procurement of IT equipment where the cost exceeds the prescribed threshold. The Financial Regulations allow for the provision to be overridden by College senior management where it is not possible to obtain three quotes. In this instance during the first period of lockdown there were few suppliers able to deliver goods and services within the time frame required by the College to ensure a continuation of services in both the short and medium terms. The management override had been accidentally omitted as a note to the Management Accounts circulated at the time.  The Auditors had noted the omission, but stated that they believe there were no adverse issues attending the procurement. This view had been endorsed by the Audit Committee, who noted that it was impressive that the College had managed to successfully procure equipment at the time. The College’s policy of prompt settlement of purchase invoices had positively assisted with maintaining supplies at a time of shortage.  Attention was drawn to the difficulty during the continuing public health emergency of anticipating the future with the normal level of confidence. However, the College does have funds in place to support catch-up work and finance the operational needs of delivering on the strategic plan in 2020-21.  Further disruption (e.g. another college closure) would necessitate a review of expenditure, with some possible reallocation of funds to mitigate its effects.  The College’s cash flow remains strong, with no issues presently attending liquidity.  The management accounts were recommended for consideration by the Corporation at the meeting to be held on 15 December 2020. |

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| **10** | **Student Numbers: Impact on College Finances**  A report, prepared by the Vice Principal: Corporate Services was received and considered.  It was noted that: |

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|  | **.** | the College’s two-year financial forecast had been predicated on an enrolment of 1,820 students, but the actual number recruited in 2020 (1,795) entails a shortfall of approximately £140,000 – this may be ameliorated by an uplift in the funding rate for students aged 16-19, implied in the Spending Review, should it be announced; |
|  | **.** | despite the ESFA formal deadline for a 2021-22 budget submission having reverted to 31 July 2021, the College intends to bring a budget to the March Resources Committee meeting showing a draft break-even outcome; |
|  | **.** | there is the potential for the College’s financial health to return to Outstanding, dependent on expenditure decisions, but at the very least it would return to the top of the Good grade; *and* |
|  | **.** | there are additional risk factors to be considered, namely that: |

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|  |  | **.** | the Teachers’ Pension Scheme (TPS) raised the employer contribution rate from 16.48% to 23.68% from September 2019 (largely owing to a change in the discount rate) - it has been guaranteed that additional ESFA funding will be made available to cover this increase at least to March 2022, the annual impact of this loss being approximately £150,000; *and* |
|  |  | **.** | the Capacity and Delivery funds (£80-100k per annum) have not been confirmed, but their availability appears increasingly likely; *and* |
|  |  | **.** | although the 2020-21 cost of living pay rise for support staff had already been agreed at 2.5% with effect from 1 January 2021, that for teaching staff has yet to be agreed, but is unlikely to be less than that obtained by support staff. |

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|  | Members noted the adverse effect of the Accelerated Learning Academy on staff costs as a proportion of income, which had risen very close to the recommended upper limit. It was further noted that the employment of student mentors had also increased the proportion of staff categorised as “support staff”. In this regard, it was agreed that future iterations of the College management accounts and the 2020-21 Annual Report and Financial Statements should show staff costs divided between teaching, direct student support and other support, with supporting rationales for any significant changes in the proportions reported. |

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| **11** | **Review of Financial Regulations**  The Financial Regulations were received by the Committee for consideration. It was noted that, in the absence of any relevant audit recommendations or changes in the College’s operating circumstances, no changes to the Regulations had been proposed in this instance.  It was particularly noted that the College’s financial systems are operated almost entirely online, and are unimpeded during the public health emergency.  The Regulations were approved on behalf of the Corporation. |
| **12** | **Review of Treasury Management Policy**  A policy prepared by the Vice Principal: Corporate Services and the Finance Manager was received and noted to be unchanged from the previous year, thereby providing that: |

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|  | **.** | the College will hold its funds at a bank covered by United Kingdom compensation schemes and either registered, or maintaining a significant presence, in the United Kingdom; |
|  | **.** | the College management will have the power to deposit funds at the following institutions without any further approval: Lloyds PLC, Barclays PLC, HSBC PLC, RBS PLC, Nationwide Building Society; |
|  | **.** | the use of any other institution must continue to be approved in advance by the Corporation on advice from the Resources Committee; *and* |
|  | **.** | the use of any investment vehicle, other than a United Kingdom-based deposit account or a money market deposit not exceeding sixth months, must be approved in advance by the Corporation on advice from the Resources Committee. |

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|  | The Policy, which was accepted as necessarily risk averse, was approved on behalf of the Corporation. |

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| **13** | **Dates and Times of Remaining Meetings 2020-21**  The approved dates and times of meetings of the Committee were noted, as shown below:  ***Tuesday 16 March 2021 (8.30am)***  ***Tuesday 22 June 2021 (8.30am)***  It was agreed that, for the protection of members and the College, the 16 March 2021 meeting will be held online.  Whether subsequent meetings are held physically or online will be determined by the public health situation as it affects participants at the time. |
| **14** | **Any Other Competent Business**  None. |

**List of Actions Arising from This Meeting**

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| ***Minute*** | ***Person Responsible*** | ***Action*** |
| **5** | Head of HR | Include internal promotions in future iterations of the HR Annual Report.  Show breakdowns by gender and ethnicity referenced to **levels of management**, and also to whether positions were filled as a result of internal promotion or external recruitment, in future iterations of the HR Annual Report. |
| **10** | Clerk to the Corporation  Vice-Principal: Corporate Services | Provide an agendum at the 16 March meeting for consideration of the financial forecast.  Future iterations of the College management accounts and the 2020-21 Annual Report and Financial Statements to show staff costs divided between teaching, direct student support and other support, with supporting rationales for any significant changes in the proportions reported. |