**CORPORATION OF SIR GEORGE MONOUX COLLEGE**

**Minutes of Ordinary Business at the Meeting of the Resources Committee held on 30 November 2021**

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| **Present** | Jonathan Bush (Chair), Adenike Betiku, Nazia Shah, David Vasse. |
| **In Attendance** | David Ball (Senior Director of Finance and Resources), Robert Smith (Clerk to the Corporation). |

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| **1** | **Welcome to New Member, Apologies for Absence and Quoracy**  Adenike Betiku was welcomed on the occasion of her first meeting of the Committee.  It was noted that Jagdev Kenth had resigned from the Corporation, and would therefore be playing no further part in the work of the Committee.  All members were present. |
| **2** | **Declarations of Interest**  None. |
| **3** | **Minutes of the Previous Meeting:** **16 March 2021**  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:** **16 March 2021**  None. |
| **5** | **Risk Management**  It was noted that the Board level risk falling within the remit of the Committee is considered under Agenda 6-8 and 14 below.  No other risks requiring the Audit Committee’s attention were identified in the course of the meeting. |
| **6** | **Draft Audited Annual Report & Financial Statements for the year ended 31 July 2021**  The following documents were received:  *The Annual Report and Financial Statements*  *The Letter of Representation*  *The Regularity Self-Assessment Report*  *The Accounting Estimates Paper*  It was noted that the edition of the Annual Report and Financial Statements differs from that considered by the Audit Committee in incorporating the outcome of the Ofsted inspection and accommodating a few minor changes noted by Audit Committee members.  It was further noted that:  *the reports had been prepared on the basis that the matter under investigation by the internal audit service will report that there is no systemic issue affecting control – should this not be so they will be amended;* and  *the Report and Financial Statement section will be updated with Ofsted outcomes before the Corporation meeting.*  It was also noted that:  *there had been five differences between the Financial Statements and the Management Accounts, none of which impact on the College’s underlying financial performance;*  *three of the differences result from the actuarial estimate of the deficit on the support staff pension scheme, namely an interest charge on the liabilities (£133,000), an additional pension charge (£541,000) and an actuarial gain (effectively a valuation change on the assets and liabilities of the scheme) that nets off to a gain of £250,000;*  *there had been a valuation increase of £10,000 on the investments bequeathed by former teacher, Mr Rothery;* and  *the College had 400 computers donated by the Department for Education (DFE) which were given to students, shown as £128,400 in income and the same amount as an additional cost.*  In relation to the Statement of Comprehensive Income and Expenditure, it was noted that:  *figures for 2020/21 show significant increases in income and costs. mostly owing to increased student numbers, but also some COVID-19 recovery funds claimed by the College and spent to make the site safer and provide catch-up sessions for students;*  *the financial statements deficit had decreased from £2.833m to £0.484m (and the actual underlying deficit from £242k to £70k);*  *income had increased by £1.913m, £1.1m owing to increased student numbers, but also £420,000 from the new Accelerated Learning Pathway, £143,000 of COVID-19 catch-up funding from the ESFA, £200,000 for COVID-19 building and equipment adjustments from the Greater London* *Authority (GLA), £27,000 for running a COVID-19 test centre, and £128,000 in the form of donated laptops for students;*  *pay costs had risen by £1.389m (from £6.907 million to £8.296 million), with pay before pensions adjustments rising by £1.196 million, pay as a percentage of income rising to 69.4 % (close to the accepted maximum of 70%), and a phased cost of living pay rise of 3.25% across the year (in year cost 2.42%) for all staff;*  *non-pay costs had risen by £507,000, though this includes the £200,000 GLA grant and the DFE computer donations for which there was matching income - COVID-19 test centre money barely covered the direct costs and had not compensated for internal staff redeployment;* and  *the College had managed within the parameters of its budget – with a deficit £59,000 lower than budgeted, despite the effects of the public health emergency and the continuing need to provide online teaching and support services to students.*  In relation to the Balance Sheet, it was noted that:  *on-going cash levels had remained between £1.2 million and £2.1 million (dependent on the timing of funding body cash flows), with year-end cash levels £395,000 higher than the previous year despite £685,000 of in-year capital additions;*  *the Balance Sheet total had fallen by £0.484 million, mostly because of increase in the amount of the pension fund deficit;* and  *the negative revenue reserves are not considered to be an issue due to the underlying (and long-term) nature of the exact pension deficit.*  In relation to the local government pension scheme deficit, it was noted that:  *the College’s reported share of the deficit on the Waltham Forest Local Government Pension Scheme had risen by £0.424 from £7.471 million to £7.895 million, according to the actuarial FRS 102 (28) review, which is substantially different from the formal triennial actuarial valuation of the scheme which showed a deficit of £0.918 million as at 31st March 2019 (issued in March 2020) – these figures are calculated in slightly different ways, giving rise to some doubt in relation to a deficit close to £8 million;*  *the College’s revenue reserves comprise £4.768 million (just £15,000 lower than a year ago), but net revenue reserves after the pension deficit are £3.127 million in deficit - the volatility of the pension provision leads directly to the instability in the College’s reserve position and, whilst the ESFA and the bank strip out all these pension adjustments in order to calculate financial health, there is no guarantee that either will continue to do so, which may be of particular concern if the College ever wishes to raise further loan finance;*  *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, which is the worst possible outcome since all service since then will be assessed for all staff and they will be given the choice to opt for whichever methodology gives them the higher pension;* and  *the Teachers’ Pension Scheme is also under review – the cost of which is 23.68% for the College (as the cost cap was temporarily moved owing to the precarious position of the May government of 2017-19 and has not yet been addressed by the current government because of Brexit and the public health emergency).*  It was confirmed that the College’s share of the scheme deficit is disregarded by the ESFA in assessing financial health and by banks in assessing compliance with loan covenants.  The College’s earnings before interest, taxes, depreciation and amortisation (EBITDA) show an operating surplus for the year, which is recorded as a deficit after taking depreciation into account.  The College is at the top of Group 2 (Good) for financial health (as currently assessed by the ESFA).  The Committee noted that the internal audit report into College procurement had not found any evidence of irregularities other than those arising from the negligent conduct of the former Estates Manager. The matter had been reported to the ESFA by the Principal (as Chief Accounting Officer).  It was agreed that no change is needed to the Letter of Representation (para.28) since no irregularities relating to the 2020-21 year had been reported by the internal audit investigation. The financial statements’ auditor had confirmed that, unless contra-indicated by the internal audit service’s findings, no action would be required on his part.  It was further agreed that changes to the Financial Regulations would be required. It was recommended that the Corporation delegate detailed consideration of the changes to the Resources Committee, a special meeting of which will be convened following the Corporation meeting due on 14 December 2021.  Subject to potential changes arising from the internal audit service’s investigation of College procurement procedures, and to the Corporation’s confirmation that it is appropriate to prepare the accounts on a going concern basis, the financial statements were recommended to the Corporation. |
| **7** | **Management Accounts 2021-22 to Period 3 (31 October 2021)**  A draft report prepared by the Senior Director: Finance & Operations and the Finance Manager, together with supporting documents, was received.  It was noted that:  *student numbers at the census date had been below the target level of 1,820 at 1,664 (with 1,660 still attending);*  *the out-turn projects a small surplus of £5,000, even allowing for the increase in National Insurance contributions (later Healthcare levy);*  *there is a higher level of cover required for maternity and sickness than normal, partially offsetting the savings accrued from having fewer students on roll;*  *a significant backlog in maintenance had been identified by the new Estates Manager, and the projected out-turn includes these costs;*  *the severe flooding in Walthamstow during the summer had caused serious damage to the College, with the main building boilers failing as a result - the replacement cost is approximately £120,000 of capital expenditure, which has been increased by an estimate of £20,000 due to the discovery of asbestos in the boiler room;*  *there had also been further damage to the science building roof leading to extensive leaks, which had been patch-repaired to minimise winter damage, but will need replacing in summer 2022;*  *drains had been completely cleared of debris at a cost of over £10,000 and there had been underground seepage into the main building underfloor drainage spaces due to the inability of water to drain away in the unusual conditions;*  *savings on staff costs, because the lower student numbers, mean that funds have been reallocated in the projected out-turn to non-pay costs; £60,000 for surveys needed to start the land sale process, £20,000 for writing a property strategy and £10,000 for the cost of using a head-hunter to find a new Chair of the Corporation;*  *£100,000 has also been provided for refurbishment work, which figure may change during the year owing to changes in operational needs;*  *the College canteen now operates a healthy meals policy, meaning that it is no longer operating on a zero-cost contract - the likely loss for the year is estimated at £60,000;*  *the College has been allocated £240,000 by the ESFA to help with catch-up for 2021-22, to which £70,000 of last year’s funds not spent because of the spring term lockdown and the early finish due to Teacher Assessed may be added, all of which will be spent in the year;* and  *there had been no issues to report in relation to financial KPI’s.*  It was reported that, owing to site maintenance demands, there is likely to be greater in-year financial volatility within the limitations imposed by the available resources. The impact of maintenance expenditure will be specifically included within each monthly out-turn forecast.  The Committee emphasised the need for a College Property Strategy to be developed.  The management accounts were recommended for noting by the Corporation. |
| **8** | **Student Numbers: Impact on College Finances**  A report, prepared by the Senior Director: Finance & Resources, was received.  It was noted that there are 156 fewer students on roll than had been projected for the 2021-22 year, giving rise to a decrease in lagged funding from the ESFA in the 2022-23 financial year and the consequent need to reduce expenditure through a reduction in pay costs of c.£330,000 and a further reduction, said to be achievable, in non-pay costs.  Growth in 2023-24 would allow a reversal of £250,000 of payroll cuts and an increase in non-pay expenditure by comparison with 2022-23 of £225,000.  Clarification from the ESFA of the funding is expected in the period before Christmas. A further forecast and update will be brought to the March meeting of the Resources Committee.  It was agreed that, guided by the need to prioritise expenditure on the quality of educational provision, the College will aim to return annual operating surpluses whilst remaining mindful of the limits on available resources.  The Principal stated his conviction that impediments to school liaison activity owing to the public health emergency had been critical in depressing the number of 2021 enrolments, but that its revival in the 2021-22 year to date, together with a well-attended open day and the conduct of in-person interviews with prospective students bodes well for a recovery in enrolment numbers in 2022, the target for which (1,730) was agreed on present evidence to be appropriate.  In this regard, it was noted that increased enrolment numbers in 2022-23 would have to be financed from depressed lagged funding (because of poor recruitment in 2021).  It was further noted that, in the event of a failure to achieve the 2022 enrolment target, in-year savings (2022-23) will need to be made, for which there are a number of measures held in reserve.  The report was noted. |
| **9** | **Financial Review of Accelerated Learning Pathway (ALP)**  A report, prepared by the Senior Director: Finance & Resources, was received.  It was noted that is incumbent on the College to report on different funding streams separately to ensure that the Corporation is not breaking funding rules by subsidising one area of provision with funds provided for other work.  The ALP made a surplus of £17,467 (3.7% of income) as a contribution to college overheads, which would have been significantly higher had it not been for the effects of the public health emergency requiring students to be provided with laptops to work at home.  In future years lower costs for management of the project within the College and no purchases of laptops should yield a contribution of approximately 20-25% of income to College overheads, as had been originally projected.  With regard to the College’s longer-term financial viability, members agreed the importance of the following factors:  *a property strategy to be developed in the context of realistic student number projections, available capital funding, and the sale for development of unused College land;*  *the impact on student numbers of T levels (bearing in mind, their phasing-in, and the twelve-month postponement of de-funding Applied General Qualifications);* and  *maintaining a critical mass of student enrolments, below which the Colleges’ continued viability would be in question (of critical importance should enrolments fail to reach their target in 2022).*  It was noted that a sensitivity analysis by reference to the level of student enrolments forms an element of the College’s ESFA financial forecast.  The report was noted. |
| **10** | **Financial Review of Access System / CCTV Project**  A report, prepared by the Senior Director: Finance & Resources, was received.  It was noted that the project had been overspent by £22,000 owing to additional significant extra work required at the College. Extra cameras had been added and some extra doors had required door swipes not been included in the original tender. There had also been a decision to have a third external camera at the front of the College, so that the front is completely covered.  Outside the contract the College had also decided to have turnstile barriers put in for The Zone at a cost of £34,000.  The total capital cost had been incurred in the 2020-21 financial year.  The report was noted. |
| **11** | **Review of Financial Regulations**  A report, prepared by the Senior Director: Finance & Resources, was received.  It was noted that the proposed amendments set out those arising from the Principal’s investigation into an alleged irregularity on the part of the (now retired) Estates Manager, as well as those arising from the regular annual review. They will be supplemented and strengthened by the internal audit service’s recommendations, and this minute should be mediated through that observation.  The following proposed additions to Section 18.5 Tenders and Quotations were noted:  *Where it is not possible to obtain three quotations (due to specialist requirements or the unwillingness of firms to quote) the Senior Director of Finance and Resources (or in their absence the Principal) can authorise the waiving of the three-quotation requirement. Where this is done, it will be reported in the management accounts and there will be an annual report on all these cases to the Resources Committee.*  *The College is a member of the Crescent Purchasing Consortium (CPC), and may join other consortia. CPC create framework agreements and pre-vet companies to provide supplies and services in a range of areas. Companies who go through this competitive process are obliged to offer goods and services on the terms they used to succeed in obtaining listing on the frameworks. In these cases, it is not necessary to go through tender or detailed processes. It is still required to obtain best value and three quotations must be obtained where the rules above require them.*  *Where regular purchases may take place over an extended period that would normally require multiple repeated quotations the College will be able to designate a Preferred Supplier. Preferred suppliers will need to submit quotes based on the costs for the services they are going to supply (eg hourly rates, mark up on goods they purchase and supply to the College, etc.). These suppliers must be reviewed each year as to whether their status should continue, including a review of their financial health. Preferred Supplier status will last no longer than three years before further quotes are obtained.*  The right for the Finance Manager to waive the three quotations rule is proposed to be removed.  It was suggested that the proposed changes tighten the rules on three quotations and require reporting to the Resources Committee. They add a section on purchasing consortia where the work on tenders and value for money are done externally (and at arms’ length from the College) and introduce the concept of a preferred supplier.  The following proposed additions to Section 18.8 Contracts were noted:  *All contracts will be tendered for set periods, with extension periods where applicable. These would normally be for up to five years, though in some circumstances may be longer owing to contractual requirements.*  *In the event of a contract renewal becoming due after this period the College may wish to continue without a tender process where value for money and quality considerations make it unnecessary. In these cases the reasoning for this will be reported to the Resources Committee for approval. For the sake of clarity and ease there will be a report once per year to the Committee stating all contracts, their period to run and the College’s opinion of performance.*  The following proposed addition to Section 18.11 Advance Payments was noted:  *In most circumstances the College does not pay for goods and/or services until they have been delivered or commissioned to a satisfactory standard. There are circumstances, particularly on large contracts, where stage payments will have to be made (particularly if the supplier is spending significant sums purchasing goods for the contract).*  The following proposed additions to Section 18.12 Action in the Event of a Receivership or Liquidation were noted:  *When the College is listed as being owed money in a receivership or liquidation process, all negotiations and returns must be carried out by the Senior Director of Finance and Resources (or in their absence another senior manager authorised by the Principal).*  *All such instances must be reported to the Principal and included in the Management Accounts.*  The following proposed additions to the Annual Budget Holder Declaration were noted:  *When I authorise any invoice/ expenses claim / staff timesheet claim for payment I am certifying that either the goods have been received or that the services have been carried out and completed to the expected standard (para.4).*  *I will complete the Declaration of Interests form each year (para.8).*  *I will explicitly declare, in writing, to the Senior Director of Finance & Resources and the Finance Manager any conflict of interest that I have in any purchasing or authorisation decision before any order is made, contract commissioned or payment approval made (para.9).*  *I will comply with the College’s policy on gifts and hospitality. I will register any gift/ hospitality I receive over the value of £25 in the register (held by the Finance Manager) within one week of it being received. Where there is not an easily discernible value a description and estimate of value must be entered on the register (para.10).*  It was noted that the Financial Regulations will incorporate changes in response to the internal audit service’s recommendations and, subject to approval of the arrangement by the Corporation, will be considered in detail by the Committee (as per Minute 6 above). Approval of the Financial Regulations was accordingly held over to that meeting.  It was otherwise noted that references to the *Vice Principal: Corporate Services* had been replaced by *Senior Director of Finance and Resources*. Other minor wording changes had been made to facilitate reading, but none had changed the meaning of, or responsibility described by, any section or control. |
| **12** | **Review of Treasury Management Policy**  A report, prepared by the Senior Director: Finance & Resources and the Finance Manager, was received.  It was noted that no changes to the policy had been proposed, and that it therefore provides for the following:  *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;*  *College management will have the power to deposit funds at institutions named in the Policy without any further approval;*  *the use of any other institution must be decided by the Corporation on advice from the Resources Committee;*  *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.*  The policy was approved. |
| **13** | **Health & Safety Annual Report 2021**  The report, originally schedule for the June 2021 meeting of the Committee (which had been unavoidably cancelled), was received setting out information related to the College’s response to the pandemic, health & safety training, the Health & Safety Committee, the health & safety audit cycle, safeguarding, the Accelerated Learning Pathway, work experience, the schools police liaison officer (shared with Leyton Sixth Form College), fire safety, evacuation chairs, asbestos, water hygiene, the refectory, portable appliance testing, College adherence to the Disability Discrimination Act, campus officers, first aid room, talent lab / entry periods, sports hall & weights room, safety awareness, and summer works 2021.  No reportable accidents had occurred during the 2020-21 year. There had been two minor accidents on the College premises, without adverse consequences in either circumstance.  The following areas of concern had been noted in the Report:  *local gang culture spreading to the College;*  *an increase in the number of students with diabetes;*  *an increase in the number of students carrying knives/weapons;*  *science departments;*  *the Art Department;*  *the sports hall and weights room;* and  *overcrowding in some offices.*  Principal areas requiring improvement had been noted as:  *health & safety training;* and  *risk assessments*  The College’s response to the areas identified as requiring improvement will be reported in a remedial plan to be present to the next meeting of the Committee.  The College’s risk assessment for Covid-19 was also received and noted. |
| **14** | **Site Maintenance: Review of Current Status and Future Works**  A report, prepared by the Senior Director: Finance & Resources, was received.  It was noted that:  *since 2017 budgets in all areas of the College had been restricted owing to funding, including maintenance of the College estate;*  *a new Estates Manager, who started at the College in summer 2021, had identified gaps in the College’s maintenance programmes;*  *in late July 2021 floods had caused significant damage to the College (as noted above);* and  *post-pandemic it had been extremely difficult to procure contractors for a range of urgent jobs, with many having instituted a requirement to be paid for delivering quotes – because of urgent operational requirements (the science roof leak, the failure of the front lights) the normal procurement requirement for multiple quotes had had to be waived.*  The Schedule of the Planned Maintenance Programme, maintenance risk assessments, and a schedule of contracts currently in place were also received and noted.  It was further noted that a site condition survey had been conducted. A planned preventive maintenance (PPM) programme providing for regular servicing and compliance work to ensure that equipment is working and relevant legislation is complied with is recommended in preference to a patchwork of individual contracts, since this will make site maintenance more efficient to manage, as well as reducing the College’s risk exposure for compliance issues.  The College proposes tendering for these services to start on 1 August 2022 for a contract period of not less than three to five years. In order to ensure the continued safe and compliant operation of the College, it is proposed that Accelerate Cleaning Solutions Ltd carry out these services for the rest of the 2021-22 year without going out to tender.  It was noted and approved that a PPM programme be drawn up on behalf of the College by an external contractor, who would also assume responsibility for its execution. In the light of the present focus on procurement arrangements, it was emphasised that a minimum of three tenders be obtained by the College for this contract.  The Committee, on behalf of the Corporation, approved the plan for College maintenance, including the waiving of the tendering rule for the rest of the 2021-22 year for the PPM element. The plan to subsequently tender for a PPM contract was also approved. |
| **15** | **Contracts of Employment (Teaching): Terms and Conditions**  A report, prepared by the Senior Director: Finance & Resources, was received.  It was noted that teachers are appointed at a scale point on a nine-point pay spine based on their education, experience and salary prior to appointment at the College. Each year, subject to successful performance in their role, they are incremented by one point until they reach the top of the pay spine, whereas the terms for support staff contain the provision that they can be accelerated up the pay spine for high performance or in order to retain them if they are offered higher-paying jobs.  The terms and conditions for teachers do not include this latter provision. In order to compete with other organisations, including academies that are not bound by pay processes, the College is at a competitive disadvantage when recruiting and retaining highly skilled teachers, particularly in hard to recruit subjects such as maths and sciences.  Accordingly, in order to be in the position to retain talented staff, the College management is seeking the power to accelerate teachers up the pay spine in order to retain in-demand staff. The change to allow College management to have the ability to accelerate pay increments was approved, subject to its effects not increasing pay as a percentage of income. This was noted to have been rising and, although not out of line with many providers in the sector, to be in need careful scrutiny. |
| **16** | **Any Other Competent Business**  It was agreed that an annual standing agendum on cyber-security be provided at the Committee’s Summer Term meetings with effect from June 2022, at which the Colleges’ Data Protection Officer will give a report and answer questions. |
| **17** | **Dates and Times of Remaining Meetings 2021-22**  To note that meetings of the Committee will be held on the following dates:  ***Tuesday 15 March 2022 (8.30am)***  ***Tuesday 21 June 2022 (8.30am)*** |

**A list of actions arising from this meeting is set out on the following page.**

**List of Actions Arising from This Meeting**

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| ***Minute*** | ***Person Responsible*** | ***Action*** |
| **6** | Corporation (if it thinks fit) | Delegate consideration of the effect on the Financial Regulations of the internal auditor’s recommendations concerning procurement procedures. |
| **16** | Clerk to the Corporation (or interim appointee) | Include standing business on the June agenda re. cyber security. |

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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. |