

SIR GEORGE MONOUX COLLEGE

Minutes of the Meeting of the Personnel, Finance and General Purposes Committee held on 15 June 2011

Present Toby Grainger (Chair), James Hedges, Paolo Ramella (Principal).

Clerking Services Robert Smith (Clerk to the Corporation).

Observers David Ball (Vice Principal: Corporate Affairs)

1 Apologies for Absence

All members were present.

2 Declarations of Interest

None.

3 Minutes of the Previous Meeting (8 March 2011)

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

It was noted that, in relation to Minute 8, the cancellation of the Corporation Conference forestalled the presentation to Corporation members of a briefing session on the funding mechanism, which would be re-scheduled when opportune for another occasion.

There were no other matters arising.

5 Management Accounts as at 30 April 2011 – Period 9 (Paper PFGP 11-07)

A report prepared by the Vice Principal (Corporate Affairs) was received for consideration.

Members noted that:

- an actual surplus of £578,000 had been earned in the period (budget: £2,000) owing to under-expenditure on payroll costs pending the full implementation of the 0.75% pay rise (£187,000), an exceptional item relating to the release of deferred pension balances as agreed with auditors (£122,000), under-expenditure on non-pay costs across a wide range of College areas (£224,000) and improved income receivable (£43,000);
- a surplus for the year of £80,000 is projected (budget: £37,000), being surplus income (£56,000) offset by surplus expenditure (£13,000);

- total assets less current liabilities at the year-end are projected to be £13,508,000 (budget £13,288,000);
- reserves at the year-end are projected to be £9,132,000 (budget: £8,912,000);
- the forecast health score as at 31 July 2011 is "Good" (the second highest category out of four);
- structural (i.e. not timing-related) under-expenditure had enabled the College to increase its budget for summer works;
- the front-loading of payments by the funding agencies had resulted in a positive cash flow (£434,000) in the period;
- pay costs are running at 68% of income;
- the current ratio remains close to 2.5 (the value recommended by funding bodies being 1.5 or above);
- cash days in hand remain at, or around, 59 days, giving the College its necessary working capital;
- no capital expenditure had been undertaken in the period, but the installation of a wireless network, together with new cabling and attendant upgrades, is anticipated later in the financial year;
- 1,961 students had been enrolled and remained at the College on the census date (target: 1,891), yielding additional lagged funding for the 2011-12 financial year;
- 1,488 students are currently registered for the Education Maintenance Allowance (EMA), concerning which more generous future provision has been announced by the Government for second and third year students in 2011-12;
- a bursary scheme for students in greatest need, and increases in the Learner Support Fund (yet to be quantified) for first year students, have been announced, enabling more flexible and targeted support, in cash or in kind, to be provided for students, but entailing a higher burden of attendant administration on the College;
- the College has outsourced security, catering and cleaning, which activities, in accordance with the request of the Committee (Minute 7, meeting dated 8 February 2011), are reported on an exception basis only, there being no matters to report at this time.

The report was recommended for approval by the Corporation at the meeting to be held on 11 July 2011.

6 Budget 2011-12 (Paper PFGP 11-08)

A report prepared by the Vice Principal (Corporate Affairs) was received for consideration.

By way of introduction, members noted that:

- guidance and papers published by the Skills Funding Agency (SFA) and the Young People's Learning Agency (YPLA) had been overdue when the 2011-12 draft budget was agreed at the end of May;
- paper PFGP 11-08 therefore had been prepared on an indicative basis only, pending presentation in the prescribed form to the full Corporation meeting on 11 July 2011;
- the College is to be funded for 1,961 students, rather than 1,891, owing to the over-recruitment achieved in 2010-11;
- a degree of uncertainty attends the level of 19+ALS (Additional Learner Support) funding, and is under query by the College;
- the disadvantage funding allocation announced by the government had resulted in increased funding for 2011-12, though the transitional funding arrangements will be withdrawn over the next three years and the disadvantage funding is not guaranteed beyond 2011-12;
- a favourable combination of over-recruitment in the present year, yielding a higher level of per capita lagged funding, and the location of students in areas of comparative disadvantage (assessed by post code) has given the College an improved financial outlook for at least one year.

In relation to the proposed budget, members noted that:

- a surplus of £66,300 is projected as at 31 July 2012 (current year projection: £64,000);
- total income in the year is projected to be £10,502,512 (current year projection: £9,967,000), and total expenditure £10,436,212 (current year projection: £9,903,000), thereby maintaining the value of the surplus at 0.6% of income;
- a 0.75% cost of living increase is provided, though the eventual settlement may be zero;
- contingent payroll expenses are provided for specific activities, but there is no general contingency fund for this class of expenditure;
- payroll savings may result from vacant posts, or replacement of staff at lower points on the pay spine, but from no other cause;
- the payroll costs include the effects of restructuring and associated salary protection as closely as can be estimated at this time;

- payroll costs in the year amount to 69.9% of income (recommended maximum value: 70%), but include those relating to outsourced cleaning and security activities (without which the percentage would be 66%);
- long-term pension provisions for former staff are being released over five years from 2010-11, thereby reducing pay costs by £122,000 in the year;
- a zero net impact of adjustments relating to the Local Government Pension Scheme owing to the application of Financial Reporting Standard 17 is assumed in accordance with sector guidance, pending the actuarial year-end report due in September 2011;
- discretionary non-pay budgets (i.e. those allocated to teams for spending as seems fit to best deliver their outputs) had been agreed and allocated at senior post-holder level following discussions with budget holders;
- £125,000 is included for summer 2011 works carried out after 1 August 2011, plus those required in summer 2012;
- a general contingency fund (£230,000) is provided, under the control of the College Principal;
- no capital investment is anticipated in the year, except for the provision of wireless access to the network and a new Human Resources database (if delayed beyond 31 July 2011);
- cash balances are projected to rise slowly, approximately in relation to the level of projected surpluses;
- the College's financial health is projected to continue to be "Good", the second permitted Ofsted category (out of four).

The draft budget, to be presented in the prescribed form, was recommended for approval by the Corporation at the meeting to be held on 11 July 2011.

7 Three-Year Financial Forecast (Paper PFGP 11-09)

A paper prepared by the Vice Principal (Corporate Affairs) was received for consideration and discussion.

It was noted that:

- in the absence of information concerning funding for the second and third years of the forecast (2012-13 and 2013-14), and the unknown impact of future changes in government policy, the activity has limited value;
- late publication of planning guidance and templates by the funding bodies had prevented the production of a detailed forecast in the prescribed form;
- the College intends to remain in surplus with pay costs restricted to a maximum of 70% of income;
- the following assumptions had been made by the College:
 - transitional funding relief will be phased out equally over the period stated by the government (i.e. until 2014-15);
 - the funding methodology will not be changed;
 - additional disadvantage funding will continue at the level presently advised;
 - student numbers will be maintained across the period, but will not increase;
 - cost of living pay increases will not exceed 0.75% per annum, and salary increments will continue to be paid as they fall due;
 - salary protection attending the restructuring will end by 31 July 2012;
 - other income will fall as deferred funds on the release schedule agreed with the auditors are extinguished;
 - lump sum pension payments are paid up prior to 2013-14.
- the following outline implications were noted:
 - the 2012-13 outcome is only achievable if all temporary one year posts are not renewed and savings are made to the support staff payroll, either by natural wastage or otherwise, or contact hours for teachers are increased;
 - an indicative deficit is shown in relation to the final year of the forecast (2013-14) which, if necessary, could be alleviated by the implementation of efficiency gains;

- additional income sources will have to be identified over the next two years if the current funding regime remains unaltered, or is changed to the detriment of the College, in respect of which a paper setting out options for the diversification of College funding will be prepared for submission at a future meeting of the Committee;
- consumables budgets will be reduced in each year, including a fall in depreciation charges;
- discretionary budgets across the period will need to be held at the same cash level or, where possible, reduced.

Members accepted the outline projections, noted the intention to present a forecast in the prescribed form to the Corporation at the meeting to be held on Monday 11 July 2011, noted also that amendments might be entailed once funding body guidance had been issued and, on these bases, recommended the forecast for approval by the Corporation.

8 Industrial Relations Report

A verbal report from the College Principal was received and noted

The Committee sought and obtained assurances from the Principal that the College mission, the quality of provision, the effective and efficient use of resources, College solvency and the safeguarding of College and Corporation assets would not be compromised as a result of the matters forming the substance of his report.

9 Items for the Corporation

Items 5 - 7 were approved as competent business for the Corporation at the meeting to be held on Monday 11 July 2011.

10 Any Other Competent Business

None.

11 Items for Future Agendas

None, except for that recorded in Minute 7 above.

12 Date and Time of the Next Meeting

Tuesday 22 November 2011 (7.30pm), subject to confirmation at the Corporation meeting to be held on 11 July 2011.