

<p><b>haysmacintyre</b></p> <p><b>17<sup>th</sup> annual schools' conference</b></p>   <p><b>welcome</b></p>	<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>haysmacintyre</b></p>
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<p><b>Programme</b></p> <p><b>Morning</b></p> <p><b>9.15 Registration and coffee</b></p> <p><b>9.45 Welcoming address</b> Noble Hanlon, haysmacintyre</p> <p><b>9.55 Independent Schools for the Future</b> Chair: Noble Hanlon haysmacintyre Presenter: Dr Anthony Seldon, Master of Wellington College</p> <p><b>11.00 Coffee break</b></p> <p><b>11.30 The UK Economy</b> Chair: David Sewell, haysmacintyre Presenter: Professor Joe Nellis, Cranfield School of Managemnt</p> <p><b>12.30 Lunch</b></p>	<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>haysmacintyre</b></p>
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<p><b>Programme</b></p> <p><b>Afternoon</b></p> <p><b>2.00 The Charities Act and Public Benefit Update</b> Chair: Peter Beesley, Lee Bolton Monier-Williams <b>Panel:</b> Matthew Burgess, Deputy Chief Executive, ISC Dr Christopher Ray, High Master, The Manchester Grammar School Christopher McCall QC David Lyscom, Chief Executive, ISC Francesca Quint Hubert Picarda QC</p> <p><b>3.15 Closing Remarks</b> Noble Hanlon, haysmacintyre</p>	<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>haysmacintyre</b></p>
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<p><b>Welcome</b></p>          <p><b>Noble Hanlon</b> partner haysmacintyre</p>	<p><b>haysmacintyre</b></p>
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<p><b>Independent schools for the future</b></p>          <p><b>Chair:</b> Noble Hanlon, partner haysmacintyre</p> <p><b>Speaker:</b> Dr Anthony Seldon, Master of Wellington College</p>	<p><b>haysmacintyre</b></p>
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<p><b>COFFEE</b></p>	<p><b>haysmacintyre</b></p>
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<p><b>The UK Economy</b></p> <p><b>Chair: David Sewell, partner haysmacintyre</b></p> <p><b>Speaker: Professor Joe Nellis Cranfield School of Management</b></p>	<p><b>haysmacintyre</b></p>
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<p><b>The UK Economy</b></p> <p><b>Presenter: Professor Joe Nellis Cranfield School of Management</b></p> <p>(e-mail: <a href="mailto:j.g.nellis@cranfield.ac.uk">j.g.nellis@cranfield.ac.uk</a>)</p>	

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<p><b>Overview</b></p> <ul style="list-style-type: none"><li>• Some Key Questions</li><li>• Outlook for the Global Economy</li><li>• The Current State of the UK Economy</li><li>• Comparison of Previous UK Recessions</li><li>• Outlook for the UK Economy<ul style="list-style-type: none"><li>– The Danger of a “Double Dip”</li><li>– Forecasts 2010 to 2013</li></ul></li><li>• In Conclusion....</li><li>• Q &amp; A</li></ul>	
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**Key Questions**

Is the recession really over? - For sure?

Can we look forward to solid sustainable growth? When?

Will inflation roar again? When?

How will events of the past two years affect behaviour?

When and by how much will interest rates rise in 2010 and beyond?

How severe will be the fiscal squeeze that is coming?

Will business soon be back to normal in the banking sector?

What factors will drive the rate of economic growth in the years ahead?

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**Outlook for the Global Economy**

- **Global recovery is off to a stronger start than expected**
  - but is proceeding at different speeds in the various regions
- **In 2010, the IMF predicts that World Output will grow by almost 4%**
  - but will be sluggish in the advanced economies
  - at around 2% (2.5% in 2011)
  - and relatively “vigorous” in many emerging and developing economies at around 6% (6.3% in 2011)
- **Inflation pressures are expected to remain subdued in most economies due to:**
  - lower levels of capacity utilisation
  - low inflation expectations
  - with inflation rising from zero in 2009 to 1.25% in 2010 in advanced economies
  - and edging up to 6.25% in emerging and developing countries

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**Outlook for the Global Economy**

- **Risks to Global Recovery**
  - > premature exit from the fiscal and monetary policy stimulus measures
  - > slow “repair” of the financial systems
  - > sluggish adjustment in housing markets
  - > rising unemployment
- **These risks could hold back recovery in household spending more than expected**
  - “the consumer is king!”
- **Growing fiscal deficits could unsettle financial markets**
  - and stifle recovery by raising the cost of borrowing for households and firms
- **Finally, rallying commodity prices may constrain recovery in advanced economies**

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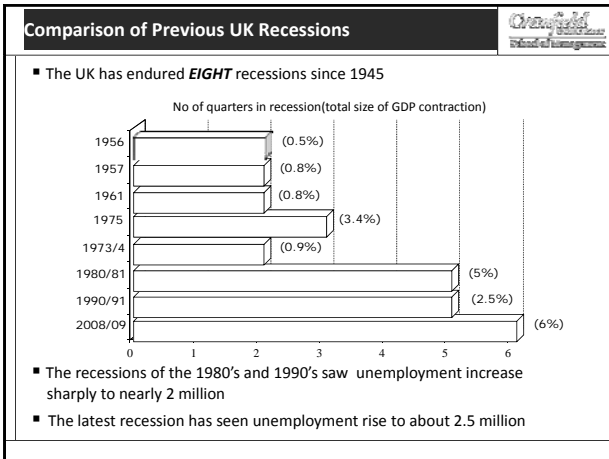
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### Growth Forecasts for the Global Economy

	2008	2009	Forecasts	
			2010	2011
<b>World Output</b>	3.0	-0.8	3.9	4.3
<b>Advanced Economies</b>	0.5	-3.2	2.1	2.4
USA	0.4	-2.5	2.7	2.4
Euro Area	0.6	-3.9	1.0	1.6
UK	0.5	-4.8	1.3	2.7
Japan	-1.2	-5.3	1.7	2.2
<b>Emerging and Developing Economies</b>	6.1	2.1	6.0	6.3
Africa	5.2	1.9	4.3	5.3
Central and Eastern Europe	3.1	-4.3	2.0	3.7
Brazil	5.1	-0.4	4.7	3.7
Russia	5.6	-9.0	3.6	3.4
India	7.3	5.6	7.7	7.8
China	9.6	8.7	10.0	9.7

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### The Current State of the UK Economy

- **It's official.....**
  - the UK economy is out of recession!
- **Official estimates released on 26 January indicate that GDP grew by 0.1% in Q4 2009**
  - *suggesting* the economy has emerged from its deepest and longest recession since records began in 1955
  - after six consecutive quarters of negative growth
- **But....**
  - most economists had expected growth of around 0.4%
  - and the figures may be revised *UP* or *DOWN* when final estimates are reported in a few weeks

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There may still be some surprises

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Forecasts for the UK Economy*			Forecasts			
(% yoy)	2008	2009	2010	2011	2012	2013
GDP Growth	0.5	-4.8	1.0	2.5	3.1	3.0
Consumer Spending	0.9	-3.0	0.4	0.9	2.4	2.9
Fixed Investment	-3.5	-13.9	-0.9	3.2	4.6	3.9
Manufacturing Output	-2.9	-10.7	2.6	5.6	5.0	3.9
Domestic Demand	0.1	-5.1	1.4	1.3	2.3	2.7
Average earnings	3.4	1.4	2.0	3.1	3.5	3.6
RPI (headline rate)	4.0	-0.6	3.2	3.0	4.1	4.8
CPI (core inflation)	3.6	2.1	2.2	1.7	2.0	2.0
Short term interest rate <sup>†</sup>	5.5	5.5	1.2	0.7	1.0	1.9
Effective exchange rate <sup>†</sup>	94.1	82.6	82.7	81.3	79.9	79.1

\* Based on the latest ITEM Club Report (January 2010)  
<sup>†</sup> Average over calendar year

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**The Current State of the Economy**

- There have been positive signals in recent weeks suggesting that the official figures may be revised upwards
  - a fall in unemployment
  - improved business confidence
  - growth in manufacturing output of 0.4%
  - a lower level of repossessions than previously forecast
  - exports have increased as sterling has fallen
- But it will still be a long hard climb out of recession in 2010
  - everyone is wary of over-confident predictions
  - as we head towards the General Election
  - and fears about post-election macroeconomic policy decisions!

The recovery is fragile and has largely been driven by record fiscal and monetary policy stimuli – which must end at some stage!

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**The Danger of a “Double-Dip” – Risks Galore!**

- Public finances are burdened by a record budget deficit
- Recovery in the economy in the months and years ahead will be in the context of spending cuts and tax rises which are inevitable following the General Election

*“The pips are going to squeak like they have rarely been squeaked before” according to one City analyst*

- Interest rates cannot remain at 0.5% indefinitely
- Inflation will rise in the months ahead
  - due to higher petrol prices and increases in VAT
  - before falling back to the target range
- The housing market is only showing “stuttering” signs of recovery in volume terms, although prices are recovering in some regions

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**The Danger of a "Double-Dip" – Risks Galore!**

- While "officially" unemployment has peaked, there are concerns that the total could rise again in the coming months
  - as business confidence stalls?
  - with sizeable "underemployment"
  - as A-level students fail to secure university places?
- Pay cuts and pay freezes are unlikely to be reversed for the foreseeable future
  - thus dampening consumer spending
- Fears over the long term economic outlook have led to a sharp rise in household saving rates
  - reaching an 11-year high of 8.6% in Q3 2009

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"Animal Spirits" are low!

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**Outlook for the UK Economy**

- GDP growth could struggle to reach much more than 1% this year
  - but should be back near trend rate of 2.5% in 2011
  - with brighter prospects for 2012 and 2013 (3%+)
- The economy needs to move away from:

The diagram consists of two ovals. The left oval contains the text 'SPENDING + BORROWING'. An arrow points from this oval to the right, with the word 'towards' written above it. The right oval contains the text 'SAVING + EXPORTING'.

- Thus rebalancing the economy after a decade of debt-fuelled spending
- On the back of weaker sterling, exports are expected to grow by 10% per year over the next few years

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**Outlook for the UK Economy**

- Confidence is slowly returning to the banking markets
  - but these are unlikely to return to "normal" until UK banks repay their obligations to overseas bankers and the government

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The vast size of these debts means that borrowing and spending will be restraining for much of this decade

- Prospects for the first half of 2010 look particularly weak :
  - VAT has gone back up to 17.5%
  - The car scrappage scheme will end soon (March)
  - The stamp duty holiday is over
  - Voters are starting to think about the squeeze that is inevitable after the election
  - Real disposable income will remain flat (at best) for much of this year
  - While there has been some recovery in house prices the market is unlikely to gather significant momentum over the next two years

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**In Conclusion....** 

- **Let's not forget...**  
... a depression has been avoided!
- **After a decade of credit-fuelled spending we will have to adjust to new realities**
  - rebalancing of household and government accounts is inevitable
  - and this will be a painful adjustment
- **We cannot and should not expect a "quick fix"**
  - major structural and regulatory reforms of the banking sector are still required, even as the economy recovers

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**Or else the recent crisis could be reignited  
– with even more dire consequences!**

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**LUNCH**

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**The Charities Act and Public Benefit Update**

**Chair: Peter Beesley  
Lee Bolton Monier-Williams**

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**The Charities Act and Public Benefit Update**

**Panel:**  
 Matthew Burgess, Deputy Chief Executive, ISC  
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 Hubert Picarda QC

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**Public Benefit**

Matthew Burgess  
 Deputy Chief Executive, ISC



February 2010

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**Outline**

- Public benefit one year on
- Bursaries
- Partnerships



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**Public benefit one year on**

Jul 09	<ul style="list-style-type: none"> <li>Assessment reports published</li> <li>"Emerging Findings" published</li> </ul>
Oct 09	<ul style="list-style-type: none"> <li>Two schools respond to Commission</li> <li>Dame Suzi gives schools "five years"</li> <li>Scottish schools file public benefit plans with OSCR</li> </ul>
Nov 09	<ul style="list-style-type: none"> <li>OSCR approves all Scottish school plans</li> <li>School public benefit assessments halted</li> <li>Commission confirms tax treatment of "advised" schools</li> <li>Children, Schools and Families Bill published</li> </ul>
Dec 09	<ul style="list-style-type: none"> <li>Commission annual report before PASC</li> </ul>

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**Bursaries: What the Commission said...**

- No benchmark:
  - "There is no specific percentage or amount of free or subsidised access ... that fits all charities; each will be assessed in its individual circumstances"
- Proportionality:
  - "We recognise that smaller charities are unlikely to be able to provide the same opportunities to benefit as larger charities"




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**Bursaries: What the Commission did...**

	Schools which passed	Schools which failed
Number of bursary pupils	14% - 24%	0% - 0.8%
Number of 100% bursary pupils	1% - 8%	0%
Amount of bursaries vs. fee income	5% - 14%	0% - 1%




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**Partnerships: What the Commission says...**

- Dame Suzi at HMC:
  - *"Look at the pages of guidance we dedicate to wider benefits. They exist so that schools and other fee chargers may be reassured that a wide variety of adjacent activities do count. Indeed, they could in principle count on their own ..."*




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**Partnerships: What the Commission does...**

- "Emerging Findings" report:
  - *"In none of the assessments were other opportunities to benefit significant enough on their own" (G7)*




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<p><b>Closing remarks</b></p>          <p><b>Noble Hanlon</b> <b>Partner</b> <b>haysmacintyre</b></p>	<p><b>haysmacintyre</b></p>
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