

HARLOW COLLEGE FURTHER EDUCATION CORPORATION

RESOURCES COMMITTEE

Minutes of the meeting held at Harlow College on Tuesday 27 February 2024

Membership *Paul Taylor (Chair)
 *Liz Laycock
 *Karen Spencer
 *Ed Whittle
 *Heather Wilson

*denotes present

In attendance Pauline Odulinski, External Reviewer
 Will Allanson, Deputy Principal
 Paul Whitehead, Vice-Principal
 Deanne Morgan, Executive Director – Finance
 Sally Appleby, Executive Director – HR Services (agenda item 9
 only)
 Ruth Lucas, Head of Governance

1 Apologies for Absence

Paul Taylor welcomed everyone to the meeting and introductions were made.

The Committee noted that Julia Fillary has moved from the Resources Committee to the Audit Committee.

There were no apologies for absence.

2 Declarations of Interest

There were no additional declarations of interest.

3 Minutes of the Previous Meeting

The minutes of the Resources Committee meeting and the joint Audit and Resources Committee meetings, both held on 6 December 2023, were agreed as an accurate record and were signed by the Chair.

4 Matters Arising from the Minutes (not mentioned elsewhere on the agenda)

There were no matters arising.

5 Management Accounts for the period 1 August 2023 – 31 December 2023

The Resources Committee received and considered the management accounts for the period 1 August 2023 – 31 December 2023, presented by Deanne Morgan, Executive Director – Finance.

Governors noted that the forecast year-end position is a £76k surplus against a £15k target. The increase in the surplus is mainly due to the increase in bank interest.

Governors were informed that pay costs remain challenging. Governors were reminded that the October management accounts reported on hard to fill vacancies and staff shortages in certain areas. Some of the vacancies have been filled with agency staff being made permanent members of staff however agency costs are high. In addition, the College has employed two security guards which were not in the original financial plan and salary scales have been reviewed in line with the College's commitment to meet the Real Living Wage. This has included salary scales which were close to the Real Living Wage to ensure that there is clear differentiation between salary scales after the Real Living Wage was implemented. HR Services have undertaken a review of pay scales across the sector with a view of this helping in the College's recruitment and retention processes.

Governors' attention was brought to project work as the year to date position looks low compared to the year end forecast. A working group has been established to look at individual lines which make up the project work budget.

Karen Spencer reported that the biggest area of project income is the Local Skills Improvement Fund (LSIF) which is secured income however the DfE did not release the funding until November 2023. The College is acting as the lead partner for Greater Essex and there are a number of returns and reprofiling requests that are required to be submitted on a regular basis to the DfE.

Deanne Morgan reported that the College cannot include income in the KPIs where the College is acting as an agent for other partners therefore a new line has been added into the management accounts for adjusted project income. Governors were informed that the College's staff cost to income ratio is calculated on net income rather than total income received.

Governors noted that the bank covenants are forecast to be met. There will be a pinch point in April however economic closure for Easter will help to reduce costs.

The bank has reviewed the 2022-2023 financial statements and have confirmed that the bank covenants were met for the year.

The College's financial health rating is good and is forecast to be good at year end.

A Governor asked about fixed assets as this is rated red with spend being moved into next financial year and that the total forecast fixed assets for year end is £2m higher than at year end 2022-2023. Deanne Morgan reported that a lot of this related to project income and capital funding and highlighted that £1.6m was spent last year on cladding for Building J. A Governor asked if cladding was classed as a fixed asset and Deanne Morgan confirmed that this was the case as it extends the life of an asset. Further information on this will be presented in agenda item 8 – Harlow College Capital Projects and Estates Update.

A Governor asked why the depreciation changes in different quarters and asked if it should be a straight, linear rate. Deanne Morgan reported that if a building for example comes into use in May, then only three months' depreciation costs will be included in the accounts. The College forecasts when the asset will be completed and first used and calculates depreciation from this point forward.

A Governor asked why there are no forecast costs for the different categories of staff costs whereas the actual spend for each category is stated. Deanne Morgan reported

that the College changed its process a few years ago. Staff can be moved around to other areas across the College based on learner recruitment numbers and business need therefore providing the forecast figures could not be that beneficial. For the actual costs, staff costs are coded to where staff have been working that month. All staff are mapped on a spreadsheet at the start of the year and this is held internally, however not reported into the management accounts in this format.

A Governor asked if it would be beneficial to split out agency costs. Deanne Morgan reported that agency costs are coded separated internally and are separated at year end. They are summarised in the management accounts however they are not shown as a separate line in the accounts. The Resources Committee agreed that it would be useful to have agency costs as a separate line in the management accounts so that this can be monitored by the Committee as the College is trying to reduce its spend on agency costs and without it being reported separately, Governors cannot monitor this.

A Governor asked if agency costs were anywhere in the budget. Paul Whitehead reported that the College plans for the cost of teaching, rather than agency costs however if agencies are being used, there is a budget for agency fees. A Governor asked if this budget was just agency fees and Paul Whitehead confirmed that the budget includes agency fees and associated salary costs. It was agreed that without any budget for agency costs, Governors cannot assess if the current expenditure is good or bad. Governors agreed that this detail needs to be seen as they need to know whether there is an over or underspend on these budget lines.

The Resources Committee agreed that the staff cost categories need to be reviewed, with due regard to what is needed for the ESFA and what is needed to enable Governors to effectively scrutinise staff costs across all categories, with a particular focus on agency costs. Paul Whitehead and Deanne Morgan reported that they would undertake a review and update future management accounts accordingly.

A Governor asked about the e-learning income being below target and if there any concerns. Karen Spencer reported that the College introduced more e-learning during lockdown and is now no longer as relevant because of employability work being more effective face to face for lower level students. There is now more of a focus on other adult targets, such as employability courses and face-to-face learning. If these areas are above target the College has to reduce its e-learning provision, otherwise it wouldn't necessarily be funded for over delivery. Paul Whitehead reported that there had been underperformance in the Adult Education Budget in recent years and the funding was broken down further in the management accounts so that it could be more closely monitored. The College has two contracts for adult funding, one through the ESFA and one through the Greater London Authority (GLA), which is primarily focused on work at Stansted Academy and e-learning. The College has over-delivered on its GLA contract however was not paid for this over-delivery. The College was successful in securing £30k of growth funding and took the decision to prioritise the work at Stansted Academy to fulfil the contract and has paused its e-learning at present however this will be reviewed. Karen Spencer reported that there is a need to balance the growth in the College's employability work against a reduction in its e-learning or vice-versa. It is an incredibly complex system and funding is clawed back if providers do not achieve the full contract however there is no extra funding for over-delivery, making it a difficult process to manage. A Governor highlighted that the College manages this funding carefully and only releases the funding once delivery has taken place.

The Resources Committee noted the management accounts for the period 1 August

2023 – 31 December 2023 and noted the forecast position in terms of financial health and bank covenants.

6 Treasury Management Report

The Resources Committee received and considered the treasury management report, presented by Deanne Morgan, Executive Director – Finance.

Deanne Morgan reminded Governors that this is an annual report and the College's approach to treasury management matches the College's strategic direction.

Governors were informed that the College is on track in terms of cash days and has a health cash balance.

Governors noted that the current balance on the loans is £3.628k. All loans are on fixed rates with a swap cover therefore the College is in a safeguarded position in terms of interest rate increases. As the bank covenants were met for 2022-2023, no lump sum repayment on the loans have been asked for by the bank.

The Resources Committee reviewed the College's bank facility as follows:

Facility	Previous Limit	New Limit	Frequency
Overdraft	£0	£0	-
BACS (salaries)	£870,000	£950,000 (since October 2023)	per month
BACS (non salaries)	£1,000,000	£1,000,000	per week
Business Card (credit card)	£40,000	£40,000	per month
Open Credit (Cash facility with Natwest)	£10,000	£10,000 (until account closed)	per week

Governors noted that no overdraft is being proposed.

The College has two BACS facilities – one for salaries and one for non-salary expenditure. The non-salary BACS level is at the proposed level due to capital expenditure which is taking place.

Governors noted that payment cards have been implemented however not all business credit cards have been replaced yet. The £40k limit will however be reduced down.

Governors were informed that the cash facility with Natwest has not been used for many years. A Governor asked about progress in closing down the account and Deanne Morgan reported that this is progress however there is an issue with needing two signatures however only one of the authorised signatories still work for the College. This is currently being worked through.

Governors were informed that there are no proposed changes to the College's bank mandate.

A discussion was held around investing in fixed term investments as agreed by the Corporation in March 2023 however Governors were informed that the interest rate on

the College's current account remains higher than the interest rates of fixed term investments therefore nothing has been invested to date. The Resources Committee agreed to recommend to the Corporation that the College invests up to £2m in fixed term investments in £500k rolling tranches, with a review at the point of £1m invested, subject to the interest rates secured being above the interest rate on the current account. This is the same recommendation as was made by the Committee and agreed by the Corporation in March 2023.

A Governor asked if it was worth considering paying off some of the capital on the loans rather than having the cash in the bank or in a fixed term investment. Paul Whitehead reported that since ONS reclassification the College is unable to borrow from the bank therefore there is a risk that the College could need the cash and it is better to have the cash available for the College to use rather than paying off some of the loans. Deanne Morgan reported that the College's loan to income ratio is very low and therefore does not have much of an impact on the College's financial KPIs.

A Governor asked about the reason for the drop in cash levels in August 2024 and September 2024. Deanne Morgan reported that this is when a lot of campus works are undertaken due to the summer holidays, cladding works are scheduled to be undertaken and the annual IT refresh is undertaken.

The Resources Committee agreed to recommend to the Corporation the following:

- the investing up to £2m in fixed term investments in £500k rolling tranches, with a review at the point of £1m invested, subject to the interest rates secured being above the interest rate on the current account.
- the approval of the annual banking facility with Clydesdale Bank / Virgin Money from 1 April 2024, as detailed above.

7 Future Funding

The Resources Committee received and considered the report on future funding, presented by Paul Whitehead, Vice-Principal.

Paul Whitehead reported that after the College's Annual Strategic Conversation with the ESFA, the College received its updated funding allocation statement for this year. The College has had a growth in learner numbers by 143 however only growth over 100 is funded in year. The College will therefore receive in year growth funding for 43 learners. The College's T-Level funding has also been adjusted and reduced to match actual learner numbers. T-Levels are paid at a higher rate therefore there is a need to separate out T-Level and 16 – 18 funding going forward.

For 2024 – 2025, the 16 – 18 funding rate has been increased by 2% and the College will be funded for all 143 additional learners next year. Disadvantaged block funding has also increased by approximately 2%.

Governors were informed that from 2024 – 2025, additional funding for English and Maths will be introduced however this is for additional delivery. Minimum teaching hours for Maths will be 4 hours per week and English 3 hours per week. The College's current model is 2.5 hours per week therefore this new requirement will need extra planning and resource. The additional funding is estimated to be in the region of £750k however it is likely to replace the Tuition Fund which the College currently receives £221k from. If

tolerance levels are removed as is expected, this additional funding will be wiped out however there will still be the requirement to deliver the additional hours. Management are looking at how this can be mapped into the College's timetabling model.

Karen Spencer reported that the AoC are conducting a survey on this as they are incredibly concerned about the impact this will have on colleges. There has been no preparation time for this policy and no consultation took place. The College's maths results are in the top 25% nationally however the College would still be required to deliver the additional hours. There is a risk that if the tolerances are removed, colleges will no longer be able to exempt students and there is a risk that additional staff will be needed. The AoC are asking for case studies on the impact on colleges and the College is following this through.

A Governor asked what the definition of additional teaching is in this context. It is believed to be face-to-face classroom delivery and cannot be small groups. The policy has been set in line with funding announcements and not curriculum change therefore this is still a lot of unknowns with this,

A Governor asked if the additional staffing requirements to deliver this could be estimated. Paul Whitehead reported that it is not possible at this stage as the College does not yet know how many students will be studying English and Maths next year.

Apprenticeship funding for 2024-2025 is continuing in the same direction as last year.

Adult funding is changing from the Adult Education Budget to the Adult Skills Fund. There will be some flexibility and moving funding between bands and some rates could be increased.

There is not much change in the College's Greater London Authority funding.

Adult Learner Loans have not been at the level the College predicted for this year and it is anticipated this will be the same for 2024 – 2025. The Community Renewal Fund voucher scheme has had an impact on this budget lines as learners did not need to access the loan funding to undertake qualifications.

Higher Education numbers are low however the College is looking to grow its numbers with the new ARU partnership.

Project work income is challenging to predict however the College is confident that this funding will be achieved.

Essex County Council are changing their high needs funding approach and this will impact on the amount of funding per learner the College receives. The College is waiting for the announcement on banding funding amounts. This change could have an impact on what the College can offer learners and this will be reviewed once the banding amounts are available.

A Governor asked if any other local authorities were changing their funding mechanisms. Paul Whitehead reported that the College is not aware of any changes from other local authorities and that the College is working closely with Essex County Council on these changes. The College has however seen a significant growth in learners with additional needs. A Governor asked if Essex County Council are aware of this and Paul Whitehead confirmed that they are and that open discussions are being held with Essex County

Council.

Governors reported that the report was good and helpful, with the table at the end of the report being particularly useful.

Paul Whitehead reported that the figures in this report will be used as a starter for financial planning for 2024-2025.

The Resources Committee noted the report on future funding.

8 Harlow College Capital Projects and Estates Update

The Resources Committee received and considered the Harlow College Capital Projects and Estates Update, presented by Will Allanson, Deputy Principal.

Will Allanson provided the Committee with an overview of the College's current capital projects.

The Institute of Technology (IoT) has been delivered with a saving and the DfE has allowed the College to keep this funding for part of the cladding of Building J.

Work is about to commence on the cladding of Building J with the expected completion date now October 2024. This will be worked through in more detail by Will Allanson and the project team.

The College is contributing £320k of its own resources for the cladding however the current forecast is that not all of this funding will be required this year so some of the funding may move into next year.

Essex County Council has funded the STAC Phase 2 feasibility study. Work is progressing well however some elements are looking at being redesigned. The feasibility study is on track to be completed by March 2024, thanks to the Essex County Council funding. Phase 2 of STAC will be split into a Phase 2A and a Phase 2B. Phase 2A will focus on an aircraft-type hanger facility.

The work on decarbonisation is being funded by the College. A consultant has been commissioned to undertake a site-wide survey and a full report is expected by March 2024. The survey will provide a building by building breakdown, with recommendations for each building.

The capital Local Skills Improvement Fund (LSIF) funding will be used for investment in AR / VR equipment and to extend and develop the College's immersive technology.

Will Allanson reminded Governors of the College's Construction Skills Hub which is situated in the UKHSA car park. Due to the ongoing delays with the relocation of UKHSA, the Hub has been mothballed however it has attracted interest from Essex County Council, Harlow District Council and East Herts District Council (EHDC). EHDC are keen to have a construction hub on the Harlow Gilston Garden Town (HGGT) site. The site extends from Harlow into Hertfordshire. Discussions are being held with the contractors and there is a £750k commitment through Section 106 agreements. The College is keen to progress a conversation with EHDC and HGGT about having a more permanent structure on the site to meet the needs of the planned additional 16k – 20k homes in the area. It was agreed that these discussions are strategically important for

the College.

Karen Spencer reported there is a complex political geography in Harlow as well as at STAC. The College is land-locked and has limited space to expand. Due to the location of HGGT, the College is best-placed to operate a construction hub facility and creates opportunities for all parties involved.

Will Allanson reported that the College's lease on East Walk expires in May 2025 and currently it is not the College's intention to renew it. Work with HGGT gives the College the opportunity to rationalise what the College wants to do and where.

The Resources Committee noted the Harlow College Capital Projects and Estates Update and agreed for the College to continue negotiations with EHC & HGGT relating to a Gilston based adult skills facility.

9 Human Resources Policies

The Resources Committee received and considered the following Human Resources policies, presented by Sally Appleby, Executive Director – HR Services:

- Adoption Policy;
- Discretionary and Compassionate Leave Policy;
- Flexible Working Policy;
- Maternity Leave Policy;
- Paternity Leave Policy;
- Salary Policy;
- Senior Postholders' Disciplinary Policy and Procedures;
- Shared Parental Leave Policy;
- Staff Code of Conduct.

Sally Appleby reported that the majority of the proposed changes are statutory changes coming into force this Spring.

The changes to the Adoption Policy, the Maternity Leave Policy, Paternity Leave Policy and Shared Parental Leave Policy are mainly around enhanced redundancy rights.

The Discretionary and Compassionate Leave Policy now includes the new unpaid carers leave provision.

The Flexible Working Policy is a new policy based on previous guidance previously in place. There is now a day 1 entitlement to request flexible working however this not an entitlement. There has been a change to the process which has been documented in the policy.

The Salary Policy has been updated with the Real Living Wage.

The Senior Postholders' Disciplinary Policy and Procedures has been tightened and clarification added around suspension grounds.

The Staff Code of Conduct has been tightened due to the latest Keeping Children Safe in Education guidance, particularly in relation to low-level reporting.

The Resources Committee reviewed the proposed changes.

A Governor asked how the updated policies are communicated with staff. Sally Appleby reported that they will be shared with the Trade Unions and then all staff will be informed when policies are updated and they are uploaded to the College's intranet. The Staff Code of Conduct has already been provided to the Trade Unions and they are supportive of the proposed changes.

Sally Appleby reported that some policies are used more than others therefore HR Services will deliver on the job training to staff on the policies when cases are presented.

A Governor asked about the change in the flexible working request right and if this will have an impact on recruitment. The College must have already considered all eight grounds and given it some thought. Sally Appleby reported that the process will need to be worked through and it was recognised that this might entail some extra work upfront.

A Governor highlighted that there could be some positives from this change and Sally Appleby confirmed that it could help the College in the job market.

Karen Spencer reported that there can be a misunderstanding with flexible working and hybrid working and that there could be situations where staff have a temporary flexible working arrangement but this is not a contractual change. Sally Appleby confirmed that there are circumstances where there are temporary changes to the pattern of work for a fixed term however this is outside of the Flexible Working Policy.

A Governor asked if the College has review periods in the Flexible Working Policy. A discussion was held around whether this was possible as it is understood that a flexible working arrangement is a permanent, contractual change.

Sally Appleby confirmed that legal advice was sought for the proposed Flexible Working Policy, as with all policies.

The Committee thanked Sally Appleby for her clear report.

The Resources Committee approved the proposed changes to the following Human Resources policies:

- Adoption Policy;
- Discretionary and Compassionate Leave Policy;
- Flexible Working Policy;
- Maternity Leave Policy;
- Paternity Leave Policy;
- Salary Policy;
- Senior Postholders' Disciplinary Policy and Procedures;
- Shared Parental Leave Policy;
- Staff Code of Conduct.

10 ONS Reclassification

The Resources Committee received a verbal update on the ONS reclassification, presented by management in attendance at the meeting.

Governors were informed that there were no further updates at this point.

A Governor highlighted that there are still issues and questions on areas such as loan finances and VAT. Karen Spencer reported that the AoC had asked for a quick response

on VAT however this has not been forthcoming. In terms of lending, colleges need to approach the DfE and processes for doing this are not yet well-established.

The Resources Committee noted the update on ONS reclassification.

11 Any Other Business

A Governor encouraged Governors to visit the IoT.

Pauline Odulinski thanked the Committee and reported that the meeting had been really helpful and she had enjoyed the discussions and explanations provided.

12 Dates of Future Meetings

Summer Term 2024	Thursday 09 May 2024	9.30am
	Wednesday 03 July 2024	9.30am
	(Joint meeting with the Audit Committee)	

Key Points From The Meeting For Corporation:

1. Management Accounts

To note the current position.

2. Treasury Management Report

To receive the report and approve the recommendations from the Resources Committee.

3. Future Funding

To note the current position in terms of funding for 2024-2025.