

# HARLOW COLLEGE FURTHER EDUCATION CORPORATION

## RESOURCES COMMITTEE

### Minutes of the meeting held virtually on Zoom on Thursday 13 May 2021

Membership: \*Eddie Johnson (Chair)  
Julian Bedford  
\*Liz Laycock  
\*Brian Spencer  
\*Karen Spencer  
\*Paul Taylor

\* Denotes Present

In attendance: Paul Whitehead, Vice-Principal  
Deanne Morgan, Executive Director – Finance & Facilities  
Sally Appleby, Executive Director – HR Services  
Ruth Lucas, Head of Governance

#### 1 Apologies for Absence

Apologies for absence were received from Julian Bedford, due to work commitments, and from Will Allanson.

#### 2 Declarations of Interest

Eddie Johnson declared he is an Essex County Councillor.

#### 3 Minutes of the Previous Meeting

The minutes of the Resources Committee meeting held on 4 March 2021 were agreed as an accurate record and 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 2020 – 31 March 2021

The Resources Committee received and considered the Management Accounts for the period 1 August 2020 – 31 March 2021, presented by Deanne Morgan, Executive Director – Finance and Facilities.

Deanne Morgan confirmed that the current end year forecast is £673k in deficit however this is an accounting deficit and the College continues to generate underlying cash. This position is mainly due to the Adult Education Budget (AEB). The revised income forecasts were set below the contract value however the ESFA has set their tolerance level higher than anticipated.

Paul Whitehead informed the Committee that an adjustment has been made in the

management accounts which is aligned to the 90% reconciliation level which the ESFA has set. The College has adjusted its approach and is working hard to achieve as much of this income as possible and good progress has been made. Management are confident that the income level set in the management accounts is achievable however there are challenges to achieve this. Paul Whitehead informed the Committee that the adult team is doing fantastic work to maximise the income potential.

Paul Taylor asked if the £2.8m AEB forecast is the latest forecast and Paul Whitehead confirmed that this was the case and included the 10% safeguarded by the ESFA.

Karen Spencer reported that the Association of Colleges (AoC) is still lobbying the ESFA to allow AEB business cases to be submitted so that colleges are not overly impacted by the 90% tolerance level however there is no movement from the Government on this at present.

Governors were informed that the balance sheet contains a clawback provision for the AEB as currently the College is being paid to contract, not to delivery.

Governors noted that the College is performing well in other areas, such as project income.

Deanne Morgan reported that the Teachers' Pension Scheme (TPS) is fully funded by the ESFA up to July 2022. There are still some uncertainties with the Local Government Pension Scheme (LGPS). The actuarial report is not due until August 2021 therefore estimates have been included in the management accounts.

Governors were informed that non-pay costs are on track except depreciation which is a non-cash cost and due to the Anglia Ruskin University (ARU) building having a higher value than originally forecast in the budget.

Paul Taylor asked why the ARU depreciation figure was different. Deanne Morgan responded that when the budget was drafted in May, a lower value for the building was included in the budget. In September a higher value was given to the building however the financial plans had already been submitted to the ESFA. The building is being depreciated on its actual value rather than on its originally forecasted value.

Governors noted that some capital projects have been scaled back due to the current challenges with income.

The College's cash position remains good, the College continues to be solvent and forecasts to be so for the next two years. The College continually monitors its cash carefully and makes adjustments where required.

The bank covenants are being met for April and are forecast to be met in July and up to 2023. The College is safeguarding its ability to pay its bank loans and meet the banking covenants going forward.

Deanne Morgan informed the Committee that the bank loan is being processed at present as per the terms agreed at the Corporation meeting held on 25 March 2021. The loan will be on a variable rate as an interim position. Paul Taylor asked if the loan would then be converted into a product and Paul Whitehead confirmed that this is the case. Paul Taylor asked if the loan was reflected in the cash flow graph as the graph does not indicate an increase in the College's borrowing. Deanne Morgan confirmed that the new loan is a

direct, like-for-like replacement of existing borrowing therefore there is no overall increase to the College's borrowing and the College still has the ability to borrow money for future projects if required.

Paul Taylor asked if the Lennartz payment on the balance sheet was still required as it is showing zero. Deanne Morgan responded that it could be taken off the balance sheet however there is some background work on VAT recovery being undertaken for which the line will be needed. The Resources Committee agreed that the line should be kept in the management accounts.

Governors' attention was brought to the banking facility as follows:

<b>Facility</b>	<b>Limit</b>	<b>Frequency</b>
Overdraft	£0	-
BACS (salaries)	£800,000	Per month
BACS (non-salaries)	£1,100,000	Per week
Business Card (credit card)	£40,000	Per month
Open Credit (cash facility with Natwest)	£10,000	Per week

The Resources Committee noted the following:

- The management accounts for the period 1 August 2020 – 31 March 2021;
- The loan maturing in May 2021 (total £2.977m) and the refinancing progress;
- The forecast position in terms of financial health and banking covenants;
- The Clydesdale banking facilities as detailed in the table above.

## **6 Financial Planning 2021 – 2022**

The Resources Committee received and considered the report on Financial Planning 2021 – 2022, presented by Deanne Morgan, Executive Director – Finance and Facilities and Paul Whitehead, Vice-Principal.

Governors were informed that the paper is a working document and a College Financial Forecasting Return (CFFR) template is being produced by the ESFA however at the time of the meeting, it had not yet been published. At the next meeting of the Resources Committee, the figures will be in the required ESFA format.

Governors noted that £26m income is being budgeted for. The College has assessed where it is with the pandemic and recovery and provision has been made for staffing increments, the new loan, the College's Digital Strategy and the continuation of project work.

The draft figures indicate bank covenants will be met up to July 2023.

A small £50k surplus per year is forecast which is low but realistic. The plan indicates that the College is still generating cash, can pay its borrowings, remains solvent and has an on-going ESFA financial health rating of good.

Capital projects next year will be subject to more certainty with the AEB funding.

Karen Spencer highlighted the Government's COVID Recovery Catch Up Scheme with the possibility of an extra 100 hours funding being available for 16 – 19 learners which could

be significantly more in funding than the £300k applied for by the College via the ESFA's business case process.

Karen Spencer reported that the College is submitting a number of funding applications for project work, ranging from £300k to £4m in value.

Paul Taylor asked about the bank covenant test 1 where the value needs to be greater than 1.4 and that it is very high in the second year compared to other years. Deanne Morgan explained that this is due to timing issues on projects, relating to when the expenditure is incurred and when the grant is drawn down and that the figures all balance out.

Paul Whitehead informed Governors of the following:

- There is uncertainty with the AEB funding and the College has received a reduced contract. A business case has been submitted to the ESFA however it is not currently being considered. There is material uncertainty with the AEB income level which the College can earn however the College will look for in-year growth if possible.
- Some catch-up funding for 16 – 19 years has been assumed in the financial planning with the same level as last year being included - £300k, however there is a possibility that this could be significantly more as Karen Spencer detailed above.
- There are rising costs in terms of cyber security, with insurance being purchased and additional preventative measures being implemented.
- Staff costs include increments and a central pay award.
- Staff costs to income ratio looks a little high however the College is limited to what it can allocate to the income lines. The College considers overall robust and prudent financial management more important and Governors noted that the budget is affordable.
- A £300k ESFA business case for 16 – 19 learners has been submitted as the College believes there has been an error with the data used by the ESFA. The outcome of this is expected by the end of May 2021.
- The College will make any further adjustments to the figures once more information and the ESFA template is received.

Paul Taylor asked if the high needs income is based on the known throughput of students for next year. Paul Whitehead explained that it has been set at the same level as last year as the College is receiving more income from the ESFA and tends to be funded at the same level by Essex County Council. Early indications show that the figure is accurate however adjustments will be made once enrolments take place.

Paul Taylor asked what the debt service cover ratio is. Paul Whitehead informed Governors that this is a new ratio which has been introduced by the FE Commissioner's Office. Deanne Morgan reported it is a normal financial indicator however the FE sector has some anomalies with how pensions and capital funding is accounted for and therefore

until further guidance is released, the College is unsure what to include in the calculation. The Committee agreed that a note should be included stating that at present, this is the College's our calculation.

The Resources Committee noted the report on financial planning 2021 – 2022.

## **7 Policies for Approval**

The Resources Committee received and considered the Fee Policy & Student Terms & Conditions 2021/22, the 16-19 Bursary Fund Policy 2021/22 and the 19+ Discretionary Learner Support Policy 2021/22.

Paul Whitehead highlighted the proposed changes to the policies as detailed in the covering paper.

Governors noted that it is proposed to increase the income limit for those receiving a bursary allocation and all changes are in line with statutory guidance.

Paul Taylor asked why evidence of three months of Universal Credit payments is being requested rather than one month as previously requested and Paul Whitehead confirmed that this is due to the statutory guidance having been updated and to ensure that the College is compliant with the guidance.

The Resources Committee approved the Fee Policy & Student Terms & Conditions 2021/22, the 16-19 Bursary Fund Policy 2021/22 and the 9+ Discretionary Learner Support Policy 2021/22.

## **8 College Capital Projects and Estates Update Report**

The Resources Committee received and considered the College Capital Projects and Estates Update Report, presented by Karen Spencer, Principal.

Karen Spencer informed Governors that there are no significant changes to the projects and planned programme of work since the last report at the Resources Committee meeting held on 4 March 2021.

Karen Spencer reported that the College is finalising cost certainty on the T-Levels projects, which is currently at 85% however discussions are continuing to ensure the projects are in budget.

The Institute of Technology application, led by South Essex College, has been successful at Stage 1 and a Stage 2 application is being developed.

The College is waiting to hear the outcome of the stage 1 application to the FE Capital Transformation Fund.

Karen Spencer reported that the College is leading on an Essex-wide application to the Government's Strategic Development Fund on behalf of all Essex FE Colleges and Sixth Form Colleges, with support from Essex County Council and the Essex Chamber of Commerce. Epping Forest College was not invited to be part of the application as whilst they are based in Essex, they are part of New City College, based in London. The application will be for up to £4m and will focus on the development of green skills in key

sectors for adults. The deadline for the application is 25 May 2021 and the Resources Committee approved the College to act as lead applicant and to submit the application on behalf of the partnership of Essex-wide FE and Sixth Form Colleges with the exception of Epping Forest College.

Liz Laycock reported that it is fantastic to see the College in such a position compared to other colleges and that collaboration is strong.

The Resources Committee noted the College Capital Projects and Estates Update and approved the College to act as lead applicant and to submit the Strategic Development Fund application on behalf of the partnership of Essex-wide FE and Sixth Form Colleges with the exception of Epping Forest College.

## **9 Human Resources Reports**

### **9.1 Human Resources Strategy 2021 – 2024**

The Resources Committee received and considered the Human Resources Strategy 2021 – 2024, presented by Sally Appleby, Executive Director – HR Services.

Sally Appleby highlighted that the Strategy summarises what has been achieved in the 2017 – 2020 Human Resources Strategy and identifies a vision and a direction for 2021 – 2024, cross referenced to the College's Strategic Plan, capital projects, growth at Stansted Airport College and housing growth in the area. The Strategy builds on the good relationships which the College has established with the trade unions and equality and diversity underpins the whole Strategy.

Sally Appleby gave an overview of the legal changes as detailed in the Strategy and Governors noted the following six priority areas in the Strategy:

- Priority Area 1 – Recruit and Retain a Highly Skilled and Competent Workforce, with a focus on broadening the College's staff skills base and developing staff.
- Priority Area 2 – The Health, Wellbeing and Engagement of Staff, with a focus on growing engagement, reviewing working practices as a result of the COVID pandemic and the further integration of health and wellbeing into College practices.
- Priority Area 3 – Pay and Reward, with a focus on reviewing employment terms and conditions, ensuring the College is competitive and continued monitoring of the gender and ethnicity pay gap.
- Priority Area 4 – Performance Management and Development, with a focus on continuing with existing processes, such as appraisals, the Power of 3 and walkthroughs.
- Priority Area 5 – Our Staffing Profile Meets Business Needs, with a focus on improving recruitment and sickness absence management processes.

- Priority Area 6 – HR Policies and Procedures, with a focus on developing policies and managers and to look further into agile and flexible working practices.

The Resources Committee noted the Human Resources Strategy 2021 – 2024.

## **9.2 Gender Pay Gap Report 2019 – 2020**

The Resources Committee received and considered the Gender Pay Gap Report 2019 – 2020, presented by Sally Appleby, Executive Director – HR Services.

Sally Appleby reported that the report has already been published on the College’s website in line with statutory requirements. Sally Appleby reported that, as of 31 March 2020, whilst the pay gap remains relatively low and compares favourably nationally, there has been an increase in the mean Gender Pay Gap to 6.29% and a decrease in the median to 10.98%. As of 31 March 2021, the mean has also decreased.

Sally Appleby reported that there is in depth analysis behind the headline figures and there are no significant trends arising which need to be addressed. Pay policies are under review at present however no amendments are currently proposed and the College has a range of family-friendly policies in place.

Eddie Johnson highlighted the significant increase in staff returning from maternity leave and asked if the College could be certain that females are being paid the same as males for the same job. Sally Appleby confirmed that this is the case and that time on maternity leave is included in years of experience or service when applying the Salary Placement Policy. Karen Spencer also confirmed that the College does not assume that females and those returning from maternity leave will start at a lower level which is common in other organisations. Sally Appleby confirmed that the College consistently applies the Salary Placement Policy and explains the rationale to the employee. Eddie Johnson commended the College’s approach.

Paul Taylor asked if the College expects to see a shift in flexible working and the numbers of staff on a different working pattern to the default. Karen Spencer reported that it is too early to know this at present as the Government will set rules and guidelines which will need to be adhered to however the College is expecting to see some changes in working patterns.

The Resources Committee noted the Gender Pay Gap Report 2019 – 2020.

## **10 Any Other Business**

There were no items of any other business.

## **11 Dates of Future Meetings**

Summer Term 2021	Thursday 22 June 2021	9.30am
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## **Key Points From The Meeting For Corporation To Note:**

### **1. Management Accounts**

To note the current position.

### **2. Financial Planning 2021 – 2020**

To note the current position.

### **3. College Capital Projects and Estates Update**

To approve the College to act as lead applicant and to submit the Strategic Development Fund application on behalf of the partnership of Essex-wide FE and Sixth Form Colleges with the exception of Epping Forest College.