

# HARLOW COLLEGE FURTHER EDUCATION CORPORATION

## JOINT RESOURCES & AUDIT COMMITTEE MEETING

### Minutes of the meeting held on Zoom on Tuesday 23 June 2020

Membership	*P Bartlett (Chair)	*R Levy
	*J Bedford	*L Lin
	J Breen	*B Spencer
*denotes present	*C Chatt	*K Spencer
	A Durcan	*P Taylor
	*E Johnson	

In attendance  
W Allanson, Deputy Principal  
P Whitehead, Vice-Principal  
D Morgan, Executive Director – Finance & Facilities  
R Lucas, Head of Governance

#### **40 Chair for the Joint Meeting**

E Johnson was elected as the Chair for the joint meeting.

#### **41 Apologies for Absence**

Apologies for absence were received from J Breen.

#### **42 Declarations of Interest**

E Johnson declared that he is an Essex County Councillor.

C Chatt declared that he is a staff governor.

#### **43 Minutes of the Previous Meeting**

The minutes of the joint Audit and Resources Committee meeting held on 05 December 2019, previously agreed individually by the Resources Committee and the Audit Committee, were noted at the meeting.

#### **44 Two Year Financial Forecast 2020 – 2022 and Draft Budget 2020 – 2021**

The Resources and Audit Committees received and considered the two year financial forecast 2020 = 2020 and the draft budget 2020 – 2021, presented by D Morgan, Executive Director – Finance and Facilities.

D Morgan reminded Governors that in February 2020 the Resources Committee and the Corporation received and approved the ESFA's Integrated Financial Model for Colleges (IFMC) which consisted of a detailed spreadsheet and supporting commentary.

D Morgan confirmed that the presented plan is based on the February submission however the figures have been updated with the latest information that the College has received. The figures in the plan need to be approved by the Accounting Officer, rather than by the Corporation, and submitted to the ESFA by 31 July 2020. The ESFA released the form to be completed on 15 June 2020.

D Morgan reported that the changes in this plan compared to the plan approved by the Corporation in February were highlighted in red.

Governors' attention was brought to the following:

- The forecasts and surplus which are based on the May management accounts;
- The key financial objectives which are for the College to remain solvent, to maintain its good financial health rating and to meet the bank covenants. These are forecast to be met.
- Due to uncertainties with cash, capital expenditure has been realigned to ensure the bank covenants are met.
- Income for adult work and apprenticeships was unknown in February and the forecast included in this plan is lower than the contract value due to uncertainties around the current COVID-19 pandemic and what implications it might have on the College achieving the full contract value.
- Funding for 16 – 18 year olds is guaranteed.
- The College is planning for a reduction in its Adult Learner Loan funding as potential learners under this funding stream may not have the same appetite to learn given the current circumstances.
- A reduction in catering income has been budgeted for.
- Expenditure to facilitate social distancing on campus has been budgeted for, along with increased IT infrastructure spend to allow staff to continue mobile working.
- The Government has committed to fund the increase in the TPS until April 2021 however the assumption has been made that this will continue after this date. No other pension assumptions have been built into the plan. The LGPS and TPS employer contributions have been fixed however any issues arising from the underlying deficit and the actuarial valuation are currently unknown.
- Discussions are progressing well with the bank for a £1m loan, £500k of which will be used as match funding for the T-Levels Capital Funding application. The remaining £500k will be used for capital work across the campus. The £1m loan is the maximum which the College can ensure is affordable.
- There has been a slight change in the presentation of the accounts. The loan which is due for renewal in May 2021 must be classed as a short-term liability, however the bank is willing to confirm that a new product is being explored by the College and the bank. This will assist with the required disclosures and going concern assessment undertaken by the external auditors.
- The forecasts include the transfer of the UCH building from ARU to the College.

- The cash reserves are predictions. The 2021 – 2022 adult work and apprenticeship income is unknown and the sensitivities were highlighted with the varying levels of income. The contract value for adult work and apprenticeships has been reduced and the budget could tolerate a £100k reduction in income however anything more than that would mean the bank covenants would not be met however financial health would remain good. If this situation arises, capital expenditure would look to be reduced to reduce the impact.
- There is the potential to earn an additional £700k in Adult Learner Loans, adult work and apprenticeships. This would ensure bank covenants would be met and the College's financial health would be classed as outstanding.
- The income and expenditure and balance sheet appendices were highlighted and D Morgan confirmed these figures will be transferred onto the ESFA template unchanged. The supporting commentary will also be submitted to the ESFA.

Governors were given the opportunity to ask questions.

P Taylor asked if the College had received any feedback from the ESFA on the February IFMC submission. K Spencer reported that there has been no formal feedback however any feedback received by colleges is likely to inform them that they are being placed in early intervention. K Spencer reported that the College is in frequent dialogue with its regional ESFA contact and that the AoC is undertaking work aimed at making processes simpler across the sector. P Whitehead reported that information is released bit by bit and there is constant feedback with the regional ESFA contact as to where the College is at. The College has taken a prudent approach in its financial planning. The ESFA is looking at ways to support colleges and the College has informed the ESFA of the short-term liability status of the loan.

P Taylor highlighted that in February 2020 the Corporation had agreed not to classify the loan as a short-term liability. D Morgan reported that the College had sought advice from its external auditors who confirmed that it must be treated as a short-term liability. The figure will be shown as a short-term liability in the accounts however should not adversely affect the going concern assessment.

E Johnson asked if the short-term liability would cause the College any inconvenience. D Morgan reported that it is not inconvenient however discussions have needed to take place with the bank.

P Bartlett asked why staff costs are shown as unallocated. D Morgan reported that information is taken from payroll at the end of the year and staff employed by the College from August are then categorised. For the ESFA return the numbers will be split as they are recorded in the latest management accounts.

P Bartlett asked how Governors would get regular updates and D Morgan confirmed that the figures would be presented in the management accounts which are circulated to Governors and are considered by the Resources

Committee and Corporation each time it meets.

The Resources and Audit Committees approved two year financial forecast 2020 – 2022 and draft budget 2020 – 2021 and approved for K Spencer, in her role as Accounting Officer, to sign and submit the plan to the ESFA by 31 July 2020.