

HARLOW COLLEGE FURTHER EDUCATION CORPORATION

JOINT RESOURCES & AUDIT COMMITTEE MEETING

Minutes of the meeting held on Zoom on Tuesday 22 June 2021

Membership	*Paul Bartlett	*Ray Levy
	*Julian Bedford	*Brian Spencer
	Eddie Johnson	*Karen Spencer
	*Brian Keane	*Paul Taylor (Chair)
	*Liz Laycock	*Michael Travers

*denotes present

In attendance
W Allanson, Deputy Principal
P Whitehead, Vice-Principal
R Lucas, Head of Governance

1 Chair for the Joint Meeting

Paul Taylor was elected as the Chair for the joint meeting.

2 Apologies for Absence

Apologies for absence were received from Eddie Johnson, due to Essex County Council commitments, and from Deanne Morgan.

3 Declarations of Interest

There were no additional declarations of interest.

4 Minutes of the Previous Meeting

The minutes of the joint Audit and Resources Committee meeting held on 03 December 2020, previously agreed individually by the Resources Committee and the Audit Committee, were noted at the meeting.

5 Two Year Financial Forecast 2021 – 2023 and Draft Budget 2021 – 2022

The Resources and Audit Committees received and considered the two-year financial forecast 2021 – 2023 and the draft budget 2021 – 2022 presented by Paul Whitehead, Vice-Principal.

Paul Whitehead highlighted the key financial objectives set out in Section A of the report and confirmed that the plan is looking at forecasts for this year and where the College is planning to be in the next two years. Paul Whitehead also confirmed that the draft figures have previously been considered by the Resources Committee at its meeting on 13 May 2021.

Paul Whitehead presented the financial forecasts and draft budget and Governors noted the following:

- Ratios are being met in the normal way.

- The surplus targets are small, however they are realistic due to the impact the last two years has had on funding levels.
- The College continues to generate cash.
- The College is anticipating some growth and recovery, particularly in relation to the Adult Education Budget (AEB).
- The bank covenants are forecast to be met.
- Earnings Before Interest Tax Depreciation & Amortisation (EBITDA) is forecast to be met.
- Borrowing as a percentage of income is below the ESFA threshold.
- Staff to income ratio is 72% and the College is forecast to maintain this level. The ESFA expect it to be around 65% however there is a challenge with the way the ESFA looks at it. The College has brought a number of departments in-house rather than outsourcing them and the College does not sub-contract out any of its provision, therefore the associated costs are included in the College's staff costs. If potential outsourced costs were taken out, the College would be closer to the ESFA's 65% staff cost to income target. Subcontracting costs are more difficult to ascertain as college's nationally have different approaches but based on Harlow's historic costs, when we subcontracted, we would be within the 65%. The Principals are comfortable with the College's current level of staffing.
- Cash and borrowing as set out in the report were noted.
- Loans and when they mature as set out in the report was noted and the new loan agreed and secured in May 2021 has been included in the figures.

Paul Whitehead highlighted the impact of differing levels of income for 2021-2022 as follows, which was noted by Governors:

Impact	Surplus / (Deficit)	Bank covenants	Financial Health	Possible mitigating action
Reduce income by £300k	c£250k deficit	Both met	Good	None
Reduce income by £900k	c£850k deficit	Both met	Satisfactory	Reduce expenditure
Increase income by +£300k	c£350k	Both met	Good	Bring 2022/23 capital expenditure forward

Governor's attention was brought to Appendix 4 which sets out suggested areas to cover in the supporting commentary and Paul Whitehead confirmed that all areas have been covered in the College's supporting commentary.

Paul Whitehead informed Governors that a 1.5% pay award has been built into the plan, with the affordability of a 2% rise being looked into. The College is being pro-active in planning pay awards and is looking at the potential of a longer-term approach to pay awards, for example agreeing a two-year deal.

Governors were informed that the ESFA has changed the template which needs to be completed and there remains some uncertainty with some funding streams, such as the 16 – 18 catch up funding. Once all funding is confirmed and any glitches with the new form have been resolved, the College will complete the ESFA template with the underlying figures presented to the Committee at today's meeting.

Paul Bartlett asked what the impact of the Local Government Pension Scheme (LGPS) has on the accounts, particularly in relation to the salary assumptions they use which are often in excess of what colleges are predicting, and whether the College challenges LGPS' assumptions especially if it has an impact on the College's overall surplus / deficit. Karen Spencer reported that Deanne Morgan challenges LGPS' assumptions every year, with mixed success.

Karen Spencer informed Governors that the financial forecasts and draft budgets are conservative. Careful, prudent planning has taken place and the College has not been over-optimistic with forecasted income levels. There are some bidding opportunities which have not been included in the presented figures. Furthermore, the figures do not include the tuition fund which is guaranteed for this year and the following two years.

Paul Whitehead reported that the College had submitted a business case to the ESFA for its 16 – 18 learner responsive funding allocation due to an error in which the ESFA calculated the ratios. The business case was successful and an additional £75k has been awarded therefore there will be a slight adjustment to the ESFA income figures.

Brian Keane asked how realistic the planned recovery is. Paul Whitehead reported that there is a Government focus on economic recovery based on Level 3 provision and initiatives such as the National Skills Fund. The College is ensuring it is ready to deliver on these schemes and is working in partnership with Reed which will produce significant more referrals to the College's AEB provision. The College has the capacity to deliver however the challenge will be people's appetite to access education and training opportunities when lockdown restrictions are fully lifted. In non-COVID years, the College has earned approximately £4m in AEB funding and the College is confident it can recover back to this level.

Karen Spencer reported that apprenticeship income is an anomaly, with the income being stable and having increased slightly. The Government moved from Frameworks to Standards which are longer with more funding therefore the College has had a lower number of apprentices however has earned more income. This model will have an impact on the College's funding in the forthcoming years if recruitment does not increase. Paul Whitehead confirmed that there has been a number of in-year apprenticeship starts and employers are recruiting apprentices therefore recovery looks promising.

Karen Spencer reported that pre-COVID, catering income had increased, particularly due to its catering provision at Stansted Airport College (STAC). It is anticipated that when there are more students on both campuses, catering income will increase again.

Karen Spencer reported that the ESFA are always interested in contribution rates for departments, particularly in relation to the curriculum. Governors were informed that the College flexes and adapts its staffing to meet the curriculum needs therefore does not look at contribution rates on a course by course basis. The College's focus is on moving students through the levels, moving them towards their chosen career. Finance indicators are examined to ensure that resources are being used appropriately and a team approach is taken to assess whether teams are over or under staffed.

The Resources and Audit Committees approved the two-year financial forecast 2021 – 2023 and draft budget 2021 – 2022, subject to final contract values being provided by the ESFA, and recommended it to the Corporation for approval at its meeting on 8 July 2021.

Key Points From The Meeting For Corporation:

- 1. Two Year Financial Forecast 2021 – 2023 and Draft Budget 2021 – 2022**
To approve the two-year Financial Forecast 2021 – 2023 and Draft Budget 2021 – 2022.