

# HARLOW COLLEGE FURTHER EDUCATION CORPORATION

## RESOURCES COMMITTEE

### Minutes of the meeting held at Harlow College on Thursday 02 March 2023

Membership

- \*Paul Taylor (Chair)
- \*Julia Fillyard
- \*Liz Laycock
- Rachel Miller
- \*Brian Spencer
- Karen Spencer
- \*Ed Whittle

\*denotes present

In attendance

- Will Allanson, Deputy Principal
- Paul Whitehead, Vice-Principal
- Deanne Morgan, Executive Director – Finance
- Ruth Lucas, Head of Governance

#### **1 Apologies for Absence**

Apologies for absence were received from Rachel Miller due to personal circumstances and Karen Spencer due to work commitments.

#### **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 2022, 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 2022 – 31 January 2023**

The Resources Committee received and considered the management accounts for the period 1 August 2022 – 31 January 2023, presented by Deanne Morgan, Executive Director – Finance.

Governors were informed that the current year-end forecast is a £800k deficit. The increase in the deficit is mainly due to the lower than predicted learner numbers at STAC and the clawback of funding related to the non-delivery of T-Levels this academic year where learners have not been recruited to some T-Level pathways. Normally funding is lagged and not clawed back in-year however this has not been the case with the T-Levels funding. For T-Level pathways the College delivered last academic year, the previous learner numbers have been forecast forward for this academic year however for new T-Level pathways, funding has been awarded based on planned recruitment

numbers. Where the College has not recruited to these pathways, the funding is being clawed back in-year. The challenge when starting a new programme is that teachers are required however the class sizes are not always full group sizes therefore the income does not match the expenditure. Concerns about the approach being taken to T-Levels funding have been expressed to the ESFA.

Apprenticeship and adult income is forecast to be slightly lower than the year-end forecast. The College has been cautious with its apprenticeship income forecast and is focusing on the quality of provision. Forecasts have been adjusted accordingly. There has been difficulty in recruiting staff in certain areas therefore the difficult decision was taken not to start learners on some apprenticeships as the College has not got the staff resources to make it a good and positive experience for both the learners and the employers.

Paul Whitehead reported that the College received updated funding guidance for adult income from the ESFA on the morning of the Resources Committee meeting, indicating a 2.2% uplift for this academic year and next. In addition, the ESFA are uplifting programmes in certain sectors by 20% for this academic year and next. Going forward this could have a negative impact of the College as the sectors are the ones that the College is struggling to recruit staff to therefore the College has lower learner numbers. The College is working its way through the published guidance to ascertain what impact it will have on the College's finances.

A Governor asked if the low number of unemployed adults is still an issue. Will Allanson confirmed that this is the case and the job centres have stopped mandating individuals to undertake training and they are being encouraged into jobs. The Adult Team are running the same number of courses however there are lower learner numbers.

Governors were informed that project income is higher than originally forecast and that a significant amount of capital and revenue funding has been secured via the Strategic Development Fund.

Deanne Morgan reported that interest rates are increasing therefore the College is benefitting from this due to having a healthy cash balance.

Staff costs are under budget, partly due to not being able to recruit to some posts and some posts being kept deliberately vacant. The College matches staff to the income it receives.

The Essex LGPS has confirmed that the deficit contribution will remain at the same level for the next three years.

Deanne Morgan reported that the College considers itself to be financially stable and it confident with its cash forecasting.

Governors were informed that non-pay costs have increased due to rising inflation. The College is on a fixed electricity and gas contract therefore rising energy prices is not a risk at present. Deanne Morgan reported that work is currently being undertaken to establish when it is best to look for a new contract for electricity and gas.

A Governor highlighted that the contract for electricity expires in September 2023 therefore it is a risk now and needs looking at now. Deanne Morgan reported that companies are not currently offering fixed terms therefore the College will monitor the

market. A Governor highlighted that this should be eluded to as a risk. Paul Whitehead confirmed that it is not a risk for this set of management accounts as the contracts expire after the end of this academic year. A Governor asked how early could the College enter into a new contract. Deanne Morgan reported that this is not known at this point however she is attending a meeting next week as this is a sector-wide issue.

A Governor asked where the potential increase of £300k for electricity has come from and Deanne Morgan confirmed that it was provided by the broker.

A Governor asked if the College has requested support through the Government's cost of living support. Deanne Morgan confirmed that a submission was sent in however the College did not get any financial help due to being in a fixed term contract.

A Governor asked if the College had considered using roof space for renewables. Will Allanson confirmed that this is being investigated however there is a need to be careful in getting the correct infrastructure and the best long-term deal for the College. Some companies operate a 25 year contract and take ownership of the roofs therefore what is advantageous to the College today may not be in the College's best interests in 25 years' time. Will Allanson confirmed that some photovoltaic panels will be installed this month.

Governors noted the cash flow and balance sheet.

Governors were reminded that there is bank waiver in place due to the late adjustments in the accounts last year. The College is managing its finances to make sure it remains within the waiver and the waiver is in place until April. The bank covenants are forecast to be met going forward.

Cash levels are high and the deficit is an accounting deficit.

The College's financial health rating is good.

The bank has reviewed the 2021-2022 financial statements and the January 2023 management accounts and have not raised any issues.

Paul Whitehead reported that the MIS, Developers and Finance Teams are looking to find a solution around the reporting of apprenticeship income and this will be updated in the next set of management accounts.

Paul Whitehead confirmed that the predictions in the management accounts were prudent and that a provision has been included in staff costs for increased pension costs due to auto-enrolment taking place in April 2023.

A Governor asked if staff are opting out of the pension scheme due to the cost of living. Deanne Morgan reported that there are a number of staff not in a pension scheme.

A Governor highlighted that no staff have taken up the car leasing scheme to date. Paul Whitehead confirmed that the leasing company reported that they do not get many staff taking up the scheme however it is a good scheme to offer to staff.

Paul Whitehead highlighted that the College is competing in a very difficult market for its staff and is lucky to have retained as many staff as it has. Industry and schools pay more than colleges and this could have an impact on the College's ability to retain its staff.

Paul Whitehead confirmed that the Principalship had met with the DfE to discuss workforce and qualification / curriculum reform.

A Governor asked if there is anything Governors or the College can be doing now in relation to meeting the exceptional growth trigger and recruitment of learners for 2023-2024. Paul Whitehead confirmed that activities with schools has significantly increased this academic year, the College is attending assemblies at partner schools and the open evening attendee numbers has increased. The College is focusing on all the “drop-off” points from application to enrolment and looking at the entire applicant journey. There is an internal focus group leading on retention. A number of learners leave the College within the first six weeks and the College is looking at the reasons behind this and ensuring that learners are enrolled on the correct courses from the start.

A Governor asked if the College had the required staffing resource, could the College have achieved the required number of learners? Paul Whitehead reported that potentially could be the case however the biggest issue at STAC is that returning learners have secured employed and this has become more important to them due to the cost of living. The number of new learners at STAC is good. STAC is looking to intensify delivery on some programmes and offer a fast track to learners so that they have gained their qualifications and are ready when employers are looking to recruit.

A Governor asked about the spike in salary costs in July. Deanne Morgan confirmed that there are often a higher number of expenses claims going through in July, along with pension costs, invigilator costs, annual leave provision and costs associated with part-time members of staff. A Governor asked if these costs should be included in the budget and Deanne Morgan confirmed that the green line is the original budgeted salary costs and the red line is the current forecast.

A Governor asked if the current apprenticeship income figures have been adjusted for reconciliation and Deanne Morgan confirmed that the forecast figures have decreased and that the College will have a better idea of its position with this income line at the end of March 2023.

The Resources Committee:

- Noted the management accounts for the period 1 August 2022 – 31 January 2023.
- 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.

Governors were informed that the College’s cash levels are high and that the balance on the existing loans as of January 2023 is £4,171k. The breaks costs for two of the loans are producing a positive figure as they were fixed at a low interest rate.

A detailed and lengthy discussion was held by the Committee and management about how to make the most of the money the College has.

A Governor highlighted that the ONS reclassification and new rules around borrowing is presenting an issue for a number of colleges, based on what is being said at webinars they have attended. Paul Whitehead reported that the process of approving new

borrowing and what comes with this is not yet clear.

Ruth Lucas reported that there is still a lot of unknowns and uncertainties with the ONS reclassification and that the ONS reclassification will be a standing agenda item at the Resources and Audit Committee meetings so that Governors will be provided with information in a timely manner once it has been released from the ESFA.

Following the detailed discussion held around the options available, the Resources Committee agreed to recommend to the Corporation the investing cash in fixed-term investments, subject to the interest rates secured being above the interest rate on the current account.

The Resources Committee discussed the recommendation to close the College's Natwest account. The College has moved to more cashless transactions and is reducing the cash it handles on site. A Governor asked if students could still use cash at College and Deanne Morgan confirmed that they can. Deanne Morgan reported that the Natwest account is used if the College requires cash however Clydesdale Bank can do same day transfers which is quicker than going to Natwest bank to withdraw the cash. Governors were informed that all bursary and free school meals payments are made online therefore closing the Natwest account will not have any impact on these groups of learners.

The Resources Committee agreed to recommend to the Corporation the closure of the Natwest bank account.

A discussion was held around payment cards which cash be loaded on and the benefits these would bring to the College. These are not credit cards and are cheaper than using credit cards. An account will need to be opened to facilitate this.

The Resources Committee agreed to recommend to the Corporation the opening of a new bank account to facilitate payment cards.

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

<b>Facility</b>	<b>Previous Limit</b>	<b>New Limit</b>	<b>Frequency</b>
Overdraft	£0	£0	-
BACS (salaries)	£850,000	£870,000	per month
BACS (non salaries)	£1,100,000	£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 the account is closed – please see paragraph 22.)	per week

Governors noted that it is proposed to increase the BACS salaries limit and decrease the BACS non-salaries limit. A Governor asked if the reduction would have an impact and Deanne Morgan confirmed that this would not be the case as the limit is a weekly limit.

The Resources Committee agreed to recommend to the Corporation the approval of the

annual banking facility with Clydesdale Bank / Virgin Money from 1 April 2023, as detailed above.

Deanne Morgan reported that the bank requires the College to update its mandate and as part of Anti Money Laundering regulations the bank requires details of those who “own and run” (e.g. Directors/Trustees) the business/organisation and are “Key Persons”. It was agreed the Executive Team would be appointed to operate the banking arrangements on a day to day basis, however the bank requires a minimum of four trustees on the mandate, although these will not be signatories on the bank account.

The Resources Committee agreed to recommend to the Corporation the resolution for an updated bank mandate with the Chair of Governors, the two Vice-Chair of Governors and the Chair of Resources to be the four named Governors and the Executive Team be appointed to operate the banking arrangements on a day to day basis.

In summary, the Resources Committee agreed to recommend to the Corporation the following:

- the investing of cash in fixed-term investments, subject to the interest rates secured being above the interest rate on the current account.
- the closure of the Natwest bank account.
- the opening of a new bank account to facilitate payment cards.
- the approval of the annual banking facility with Clydesdale Bank / Virgin Money from 1 April 2023, as detailed above.
- the resolution for an updated bank mandate with the Chair of Governors, the two Vice-Chair of Governors and the Chair of Resources to be the four named Governors and the Executive Team be appointed to operate the banking arrangements on a day to day basis.

## **7 Future Funding**

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

Paul Whitehead informed Governors that the 16-18 funding allocation statement has been received and it is as predicted. The College is working towards a growth in learner numbers however the College would need more than 100 learners to be recruited for the ESFA to consider in-year growth.

Apprenticeship funding is predicted to stay stable however there is some uncertainty with the adult funding as plans for further devolution are unclear. If this is the case, the College would have to adapt to management more contracts and this could pose a risk to the College.

A Governor highlighted that devolution could be an opportunity for the College. Will Allanson reported that devolution could also pose potential risks as the College would have to navigate through individual area systems and work with the fund holder directly. The College may also be restricted from engaging with adult learners from a particular area if the College does not hold a contract for that area.

Governors were informed that the Community Renewal Fund programme was successful, with adult learners being issued with training vouchers however this did impact on the number of adult learners accessing AEB provision.

Governors were informed that all the funding is being reformed and some qualifications will no longer be funded for adults, therefore these learners will no longer be able to infill in the College's 16-18 cohorts.

The College's Advanced Learner Loans funding target has been reduced this year due to it being impacted by the funding vouchers from the Community Renewal Fund. This project ended in December 2022 therefore this is expected to recover next academic year.

Governors were informed that the Higher Education income target has been set low due to low numbers of applications. A Governor asked if higher apprentices come under Higher Education income. Paul Whitehead confirmed that they do for regulation but not for funding.

The College has been successful in securing significant amounts of funding for project work which adds significant value to the College.

High Needs Funding has been reformed and funding bands have been introduced which will impact on the amount of funding the College receives. The College is continuing to work through the detail of this and is anticipating a higher number of high needs learners next year. A Governor asked if the banding system is based on need. Paul Whitehead confirmed that this was the case. Currently support is based on need stated in the Education and Health Care Plan (EHCP). The EHCPs will now be graded into bands and not designed around learners' individual needs. Colleges have different cost bases to other 16+ providers and there will be a lot for the College to work through in relation to the bands and funding. There is a significant amount of work being done and the College focuses on how to best support these learners.

Paul Whitehead reported that the income figures in this report will be used as a starting point for the financial planning process and the College is trying to build consistency as much as it can for the delivery teams.

A Governor asked if the College is anticipating an overall increase or decrease in funding for 2023-2024, compared to 2022-2023. Paul Whitehead confirmed at present a small decrease is anticipated however opportunities for other funding will be sourced and the College will plan prudently. There is also still some uncertainty around some pots of funding, such as the 16-18 catch up funding.

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 reported that all the current capital projects are on budget with the exception of the electric car charging points. The current budget for the charging points is £67k however it is anticipated that the final spend will be approximately £70k due to

additional unforeseen works identified by UK Power Networks. The College is disputing these additional costs. Over time, the College will however recoup its costs.

The internal refurbishment work for the ground floor of J Building as part of the Institute of Technology has gone out to tender and four tenders have been received. Will Allanson reported that there is a pre-VAT budget of £1.4m for the work and quotes received range from £1m to £1.45m. All of the tenders are being scrutinised by external quantity surveyors and the project manager and two companies will be invited in for interview. The interviews are scheduled for 7 March 2023 and the College want to appoint the contractor by 10 March 2023 in order to facilitate the start on site on 17 March 2023. A Governor asked what criteria would be used to evaluate the tenders and interviews. Will Allanson reported that the following criteria would be used: cost, logistics plan, operational plan, how disruption on site will be minimised, sustainability and ability to deliver to the agreed timeline.

The Resources Committee agreed that approval to award the contract be sought by Corporation written resolution due to the timescales involved.

The Strategic Development Fund is funding the Sustainable Energy Centre which is being delivered in partnership with Mitsubishi Electrical.

The Gas Centre is being installed on I Building and is needed as employers still require employees to be skilled in gas.

An application for £4.29m has been submitted to the Post-16 Capacity Fund for improvements to the campus in relation to increased capacity needs, the outcome of which is expected in Spring 2023. The work will focus on the refurbishment of the rest of J Building and extending the link between J and K Buildings.

A Governor asked how long the work would take and Will Allanson confirmed that completion of the works would take two years, however the projected requirement for the extra space with the increase in forecast learner numbers is not needed until two to three years' time.

The College has been awarded an additional £265k capital funding for improving the College estate's energy efficiency and £663k for the condition improvement of the estate. The funding will be used to either add value to the Post-16 Capacity Fund work or for external works on J Building.

The Resources Committee noted the Harlow College Capital Projects and Estates Update and agreed that approval to award the Institute of Technology contract for the construction works refurbishment be sought by Corporation written resolution due to the timescales involved.

## **9 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 is still a lot of unknowns and uncertainty with the reclassification. Management are attending webinars where appropriate to ensure they have the most up-to-date information.



The College is in a fortunate position at present with its borrowings and there is nothing that presents an immediate risk for the College at this stage.

Governors were informed that a new financial handbook will be published in Autumn 2023 for use from 2024-2025 onwards.

The Resources Committee noted the update on ONS reclassification.

## **10 Any Other Business**

There were no items of any other business.

## **13 Dates of Future Meetings**

Summer Term 2023	Tuesday 09 May 2023	9.30am
	Thursday 27 June 2023	9.30am

### **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 2023-2024.