HARLOW COLLEGE FURTHER EDUCATION CORPORATION

RESOURCES COMMITTEE

Minutes of the meeting held virtually on Zoom on Thursday 03 March 2022

Membership: *Eddie Johnson (Chair)
*Julia Fillary
*Liz Laycock
*Brian Spencer
*Karen Spencer
*Paul Taylor

** 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

There were no apologies for absence.

The Committee was informed that Julian Bedford has resigned as a member of the Corporation therefore his membership of the Resources Committee has terminated.

2 Declarations of Interest

Eddie Johnson declared that he is an Essex County Councillor.

3 Minutes of the Previous Meeting

The minutes of the Resources Committee meeting and the joint Audit and Resources Committee meetings, both held on 14 December 2021, were agreed as an accurate record and were signed remotely by the Chair.

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

4.1 Management Accounts for the Period 1 August 2021 – 31 October 2021 (minute 6 refers)

Paul Taylor asked for an update on the carbon management audit. Governors were informed that the audit has been undertaken and will be presented to the Audit Committee at its meeting on 8 March 2022. The report will form part of the Audit Committee's reports to the Corporation at its meeting on 24 March 2022. Governors were informed that Steve Frampton from the AoC will be attending the March Corporation meeting to deliver a session on the carbon reduction roadmap. Will Allanson is producing a three-year plan carbon reduction plan for the College which will be presented to Governors.

5 Management Accounts for the period 1 August 2021 – 31 January 2022

The Resources Committee received and considered the management accounts for the period 1 August 2021 – 31 January 2022, presented by Deanne Morgan, Executive Director – Finance.

The Committee noted that the forecast surplus is an accounting deficit however on the balance sheet, the year-end cash position is healthy. The College is accumulating cash to pay the ESFA back for income which will not be earnt. The number of cash days in hand is good and indicates that the College can pay its suppliers and its debts. The payment performance indicator was highlighted and Governors noted that the College has cash to pay the suppliers however there is an administrative delay in invoices being approved and sent back to the Finance department. Individuals are being chased to improve the position.

Governors noted that the year-end forecast indicates that the bank covenants will be met this year and next year however there will be some challenges within the year 2022-2023 to meet them.

The College generated over £800k cash last year and there is plan to spend some of the accumulated cash which will be covered in subsequent papers.

Governors were informed that the predicted deficit is largely due to the Adult Education Budget (AEB) and the challenges in earning the income. The College has however been prudent with its forecasts for AEB delivery. Karen Spencer reported that colleges are in a similar position to last year. The ESFA has said that there will be clawback for under-delivery and no adjustments will be made. The Association of Colleges is pushing the ESFA to allow for a business case process as per last academic year. The message from Government is that everything has recovered however colleges are reporting that this is not the case, with significant issues in adult learner recruitment and job centre referrals.

Liz Laycock asked that is happening with the job centres. Will Allanson reported that job centres are pushing people straight into work due to the number of vacancies without addressing skills needs. Karen Spencer reported that the labour market has a shortage of people, job centres are by-passing training and people are going straight into work. The Government is wanting more people to be qualified to Level 4 and 5 however a mechanism for those who are lower qualified to achieve higher qualifications is required and the funding pots do not follow the rhetoric. Will Allanson highlighted the White Paper which details progression onto higher technical skills however individuals are accessing jobs rather than training.

Liz Laycock asked if this could be the complete wind down of adult education. Karen Spencer reported that this is not the intention. Brexit has impacted on the labour market and vacancies need to be filled in roles previously undertaken by Eastern Europeans. The central strategy is to get individuals into jobs as quickly as possible without any longer-term vision at aligning to higher technical skills. Karen Spencer highlighted the government response to the Post-18 Augar Report which is out for consultation, it includes proposals to change repayments for student loans and a rebalancing of the system away from degrees to higher technical courses. Karen Spencer also highlighted that some adults at Harlow College are choosing to take out a loan rather than access free training as they are entitled to maintenance payments with the loan.

Deanne Morgan highlighted that the increase in national insurance and the LGPS pension costs have been included in the financial forecasts.

Governors' attention was brought to treasury and capital investment. Governors were informed that the banking facilities are due for renewal in April 2022. No overdraft is required and it is proposed that the limits in the banking facilities remain the same, as follows:

Facility	Limit	Frequency
Overdraft	£0	-
BACS (salaries)	£850,000	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

Deanne Morgan highlighted that the non-salaries BACS limit is high due to the capital work the College has undertaken. There is a possibility that Clydesdale would want to reduce the limit however the College is not concerned by this if it is requested by the bank.

Governors were informed that a benchmarking exercise on the day-to-day banking costs is being undertaken and the College continues to ensure value for money is secured.

Paul Taylor asked what 09 – additional costs refers to. Paul Whitehead reported that an additional £1m of project income was secured by the College however there are additional costs to deliver on these contracts so the figures balance out. Karen Spencer reported that for projects which are already known to the College, the income is integrated into existing budgets and other costs often relate to paying for partner delivery or are a straight in and out, with the College retaining a top slice of the funding. Paul Whitehead highlighted that for projects that have been running for a number of years, such as the Maths Centre for Excellence, the associated staff costs are integrated into the existing budget however when a new project is approved, the income and expenditure is not in existing budgets.

Julia Fillary asked about the year-end income which is stated as £24,514k on one page and as £26,727k on another. Deanne Morgan reported that this is adjusted income and the ESFA will look at the College's income overall. Deanne Morgan also reported that the release of capital grants is accounting income and not cash. The reduced figure is therefore just cash and not the accounting income.

Julia Fillary asked about the project income, Deanne Morgan reported that this is income from projects that the College bids for throughout the year. Karen Spencer reported that it is not easy to predict project income going forward and it is often not announced until the start of the academic year. Paul Whitehead highlighted the Community Renewal Fund which the College bid to last academic year. The project was due to start in November 2021 however the successful applicants were not informed until January 2022 however delivery still needs to be completed within the original timescale and by June 2022. This adds a level of uncertainty to this funding. Karen Spencer reported that the Community Renewal Fund allows Harlow residents to access a grant of £1,000 to spend on training, predominantly aimed at Level 3. The College is struggling to get residents to access this and the publicity is currently not working. Paul Whitehead reported that the College is looking to speed up activity and delivery in a short space of time and Will Allanson highlighted that no allowances are made for delays in announcing the contracts.

Julia Fillary asked what the long-term deferred capital grant was. Deanne Morgan reported that the College can defer the release of the grant and a proportion of it is classed as short-term for one year, The College releases a small amount of the grant each year and the rest is left under long-term deferred capital grant.

Julia Fillary asked if it was correct that the bank loan was being paid. Deanne Morgan confirmed that this is case and that the College's debt position is good, especially when it is benchmarked against other colleges.

Paul Taylor asked if the College has too much cash in the bank and Deanne Morgan reported that this will be covered in subsequent papers on the agenda.

The Resources Committee:

- Noted the management accounts for the period 1 August 2021 – 31 January 2022.
- Noted the forecast position in terms of financial health and bank covenants.
- Recommended to the Corporation the approval of the banking facilities with Clydesdale Bank from 1 April 2022, as detailed above.

6 Future Funding

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

Paul Whitehead shared the College's funding statement from the ESFA which provided Governors with further context to the report. Governors noted the direct comparison for 2021/202 2 and 2022/2023.

There has been an increase in the national funding rate for 16 – 18 learner responsive however there is a requirement for an additional 40 hours to be delivered for every student. The increase to the funding rate is being classed as an inflationary increase however it actually equates to less than a 1% increase which is much lower than inflation.

Student recruitment has declined by 258 learners however due to the increase in the funding rate per student, the income has remained relatively static. There will however be less students but more teaching hours.

Governors were informed that there is programme weighting for certain courses which are expensive to deliver.

There was an error in the ILR return which has led to the condition of funding adjustment of £617,718 however a business case is being submitted to the ESFA and the College expects this to be £0.

There was a commitment from Government that the additional TPS costs would be covered for 2022-2023 however the figure in the funding statement is incorrect. The contribution values used are different to the College's values – the College's values were confirmed by the recent TPS audit. A business case is being submitted to the ESFA and the College is expecting an additional £500k in income.

The 16 – 19 tuition fund has additional hours in it this academic year and is now brought into the main funding and will ease in 2022-2023.

Governors were informed that total funding, once the corrected, will be adjusted by approximately £1m however this is not enough to secure additional staff for the delivery of the extra hours required.

If student recruitment recovers, an additional business case could be submitted to the ESFA.

Karen Spencer reported that student numbers at STAC are lower than predicted however the College is ahead of where it was this time last year. The College is expecting this to recover and this accounts for half the number of students down this year. Other areas experiencing lower student recruitment are Visual Arts and Performing Arts. When looking at the profile of student numbers and which schools they attended, lower recruitment appears to be from schools in surrounding areas, not from Harlow. This is due to COVID and students deciding the stay at school. The College is starting up its outreach work again and revisiting its school engagement processes.

Karen Spencer reported that the way the funding and student numbers have worked provides the College with an opportunity to grow in a more planned way and if we regain any student numbers in-year, a business case will be submitted to the ESFA.

Liz Laycock highlighted that the additional 40 hours delivery could be a big issue for the College however Karen Spencer reported that the College does not see this as a challenge. Liz Laycock reported that staff costs seem quite high this year and Paul Whitehead confirmed that this was the case. The College is looking at its staffing and its provision in relation to the additional 40 hours delivery, resources will have to be used but in a potentially different way and the College needs to be more prudent to balance the staff cost and income. Karen Spencer reported that this is no different from the last seven to eight years with the funding mechanisms changing all the time and there being no stability in funding.

Liz Laycock asked when the College is likely to receive details of the adult funding. Paul Whitehead reported that the funding allocation are expected between March and April.

Karen Spencer reported that the AEB and changes in the nature of how adults want to study are the biggest risks to the College. There is a shift in focus from lower level qualifications and the College's curriculum plan for adult provision will be presented to the Standards and Curriculum Committee.

Paul Whitehead reported that the budget for AEB funding has reduced to £3.5m which allows the College to take a purposeful approach. The adult funding is extremely complex with many different avenues. There is a hope there be will some simplification in the funding reforms that are due.

Governors were informed that apprenticeship income is relatively stable at around £2m. The College is slightly above the forecast therefore this figure could increase. Karen Spencer reported that the biggest risk with apprenticeships is the quality issues which have previously been raised with Governors. Performance levels and minimum levels of performance could be introduced and if this is the case, if organisations do not meet the levels, they could be subject to monitoring and intervention.

Governors noted that there has been a significant increase in the uptake of Advanced Learner Loans this year and this is anticipated to continue next year.

Governors were informed that higher education application numbers are low therefore the College is not expecting any increase in funding.

Project work has been forecast at £1.2m however this is difficult to predict.

High Needs Funding has settled however reviews are taking place within county councils to look at how the funding is allocated. High Needs Funding could grow as part of the additional funding against the 40 hours extra delivery could include support costs in this area. This needs to be followed up with the county councils.

Eddie Johnson highlighted that funding is a fluid picture that can change.

Governors were informed that the next stage is to present the business plan and budget to the Resources Committee and then to the Corporation.

The Resources Committee noted the report on future funding.

7 Bank Covenants

The Resources Committee received and considered the report on bank covenants, presented by Deanne Morgan, Executive Director – Finance.

Deanne Morgan reminded the Committee that the bank covenants are tested yearly and look at cash generated in year.

Deanne Morgan reported that due to the AEB funding and income being awarded after the year-end, the College has not spend cash on investments in line with the bank covenants. However a discussion has been held with the bank to release cash this year to be spent on investment. The campus is in need of investment and whilst the College's financial health rating is outstanding, the College is unable to invest its cash in the campus due to the nature of the bank covenants.

The bank provisionally approved a change to the bank covenant wording and this has approval has now been confirmed by the bank. The test remains at 1.4 however the College can spend £800k in addition as part of this test.

The bank has not requested Corporation approval of the change however Deanne Morgan recommended that the change is approved by the Corporation.

The Resources Committee noted the report on bank covenants and agreed to recommend the change to the bank covenant to the Corporation at its meeting on 24 March 2022.

8 Harlow College Capital and Projects Update

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

Will Allanson reported that the report provides Governors with an update on projects taking place on campus and that the majority of the capital investment has been on the refurbishment of buildings A, K and N, funded by the FE Capital Allocation, the T-Level Capital Fund and the SELEP Get Building Fund, with some match funding from the College. Building K has had new cladding and the work has been completed. Internal refurbishment of Buildings A and N has been completed however there is some snagging which is outstanding although the buildings are in use. The project has been challenging, particularly around access to resources, materials and labour.

Will Allanson highlighted the income and expenditure table contained within the report and explained that the overspend of the SELEP funding is due to £35k being wrongly coded as it should have been coded to the T-Level funding. 5% of the T-Level funding is being held back until the final submission is submitted next week and the final outturn for the T-Level funding is approximately £2m.

Governors' attention was brought to the priorities for capital investment in 2022-2023.

Governors were informed that the Stage 2 Institute of Technology (IoT) application was successful and the project is now in the pre-award stage to agree and sign off the licence agreement. The DfE want to sign off the capital work therefore the College needs RIBA stage 2 designs for the works. This will cost £27k however it will be reimbursed by the IoT funding. The College will receive £1.8m from the IoT funding and has been successful in securing an additional £500k from the Towns Fund.

Paul Taylor asked if there is a need for a gas training and assessment centre and whether there will be more a demand for training electricians in relation to electric charging points. Will Allanson reported that the refurbishment work already undertaken includes a sustainable energy centre and that the College is involved in a research project as part of the Strategic Development Fund which is looking at low carbon skills needs and the funding that is required to deliver what is needed. Will Allanson further reported that the gas centre is required as the College is delivering apprenticeships in plumbing and it is forecast that there will be a high demand for people with gas skills over the next five to seven years. Karen Spencer reported that the College is in discussions with local authorities as there is a general assumption that people can be trained to retrofit in six months however in order to undertake such work a full electrical installation qualification is required which takes four years to achieve. The plumbing skills needs around the house are broadly the same with the boiler replacement being the only thing that will need new skills. Eddie Johnson highlighted that air service heat pumps are costly and Karen Spencer highlighted that the Government needs to push this agenda.

Eddie Johnson asked how many electric charging points can be installed for £20k. Will Allanson reported that it should fund eight however the infrastructure is the issue rather than the quantity.

Karen Spencer reported that the College is scoping out a masterplan for the campus and getting "shovel ready" projects so that it can respond quickly to any capital funding announcements.

Deanne Morgan reported that the College is in a fixed contract with its energy suppliers, is protected until 2024 and the suppliers are UK based. Will Allanson highlighted that the Carbon Reduction Plan will contain an in-depth study of where the College gets its energy from.

The Resources Committee noted the Harlow College Capital and Project Update.

9 Any Other Business

There were no items of any other business.

10 Dates of Future Meetings

Summer Term 2022	Tuesday 10 May 2022	8.30am / 9.30am
	Thursday 21 June 2022	8.30am / 9.30am

Key Points From The Meeting For Corporation:

1. **Management Accounts**
   To note the current position.

2. **Future Funding**
   To note the current position in terms of funding for 2022-2023.

3. **Bank Covenants**
   To approve the amendment to one of the bank covenants.