

HARLOW COLLEGE FURTHER EDUCATION CORPORATION

RESOURCES COMMITTEE

Minutes of the meeting held on Tuesday 6 July 2010

Membership: *B Spencer (Chair)
 *M Coleman
 *C Hindmarch
 M Jackson
 E Johnson
 S Modaley
 *M Prodger

**Denotes Present*

In attendance: Richard Allanach, Deputy Principal
 Nick Spenceley, Deputy Principal
 Sue Young, Deputy Principal
 Deborah Sheridan, Clerk to the Corporation

321 Apologies for absence

Apologies for absence were received from Marie Jackson and Eddie Johnson. Marie Jackson had sent in a number of questions which Richard Allanach agreed to answer during the course of the meeting.

Brian Spencer agreed to chair the meeting.

322 Minutes of the previous meeting

The minutes of the meeting held on 4 May 2010 were approved as a correct record.

323 Matters arising from the minutes

There were no matters arising.

324 Harlow College and the United Kingdom's Fiscal Crisis

The Resources Committee received and considered the report of Richard Allanach, which alerted Governors to the financial future of the College.

The Deputy Principal informed Governors that predications by the Institute for Fiscal Studies are for the expenditure on schools to fall in real terms by 10%. For the purpose of the paper, the schools budget can be assumed to include the budget of the Young Persons' Learning Agency, the unprotected budget of the Department of Business, Innovation & Skills, which contains the Skills Funding Agency, is predicted to fall by 33%.

The Resources Committee noted the public sector pay freeze from April 2011.

Governors considered Table 1, which explained the impact of the fiscal crisis on Harlow College. This demonstrated that by 2012-13, the College would require to attract new funded work or reduce the number of staff it employed and, consequently, the amount of training offered.

In discussion, Governors indicated their preference for making internal savings and seeking additional sources of funding rather than making staff redundant and dropping training opportunities. The meeting discussed the issues concerning alternative sources of funding. These included the need to write successful applications, and the roles attached to recruiting learners who would be classified as 'hard to reach' and the likelihood of delivering developmental activities that were not the College's strengths.

Governors agreed that the Corporation would need to develop strategies that would position the College to be strong enough to meet the challenges it faced. It was agreed that issues would become clearer after the spending review in the Autumn of 2010.

The Corporation noted the Deputy Principal's paper and the challenges ahead.

325 Solvency

The Resources Committee received and considered the report of the Deputy Principal on the solvency of the College. Governors noted that this would become a standing item on the Resources Committee Agenda.

The Deputy Principal reminded Governors of the Corporation's responsibility in ensuring the solvency of their corporation. As part of the financial action plan, Governors will receive regular cash flow forecasts to enable the assessment of solvency.

In presenting the cash flow forecast for 2010-2012, Richard Allanach reminded Governors of the adjustment to the college funding profile by the Skills Funding Agency of £1,000,000. The repayment of this will take place in June and July 2010 in two payments of £500,000 to Essex County Council.

The Committee noted that the cash flow projections assume that the college borrows £500,000 (not £750,000 as previously discussed, Governors discussed the loan and noted that borrowing more than that required would expose the college to higher levels of repayment.

The Committee discussed the profile of funding received from the YPLA via Essex County Council and the Skills Funding Agency. The funding from Essex County Council reflected the historic funding profile for learners aged 16-18. The funding profile from the Skills Funding Agency, however was not known and had therefore been included as a smooth profile over the year.

The Deputy Principal (Finance) confirmed that the projections show that Harlow College is solvent and the Committee agreed to advise the Corporation accordingly.

326 Management Accounts for the ten month period ending 31 May 2010

The Resources Committee received and considered the Management Accounts for the

period 1 August 2009 – 31 May 2010.

The Deputy Principal (Finance) reminded Governors that the last set of management accounts that the Committee had considered projected a breakeven position. The College was now predicting a surplus of £57,000 which arose from adjustment in the College and not increased levels of income. Governors noted that the College was not performing in key areas such as full-cost recovery programmes and in generating fee income.

Governors discussed FRS17 and the local Government Pension Scheme. The Deputy Principal reported that the current volatility in the stock market and collapse in equity prices, in which the Essex County Council Scheme is invested is causing additional risk to the College.

The Principal reminded Governors that Officers of the Learning and Skills Council had questioned whether the College's teaching and learning strategy was affordable. If the College delivered this outturn then the strategy is affordable.

327 Draft Budget 2010-11

The Resources Committee received and considered the report of the Deputy Principal on the draft budget for 2010-11.

In his presentation to Governors, the Deputy Principal stated that there were three key assumptions:

- a. That the College would receive a contract worth £1.4M to deliver training to unemployed young people
- b. That support staff would agree redeployment in the direct delivery teams and that they would not be replaced
- c. That the College recruits 100 higher education students

The Resources Committee discussed a range of issues including the growth in the contingency fund from £250K to £400K and the assumption that each delivery team should spend no more than 44% of the income it generates on staff costs. Governors noted those teams with staff costs that currently exceed 44% of income and the Principal and Deputy Principal identified for the Committee the reasons for this.

The Committee noted that a pay award of 1.5% for 2009/10, agreed nationally by the Association of Colleges and the recognised unions, had not yet been implemented. The Deputy Principal reminded Governors that whilst the awards are made nationally, it is for individual Corporations to agree to implement the award. The budget for 2010/11 contained an award of 1% and beyond that it was assumed that the College would have a pay freeze for two years in line with Government expectations.

Governors welcomed the news that the ringfence for funding for 19 years+ Apprentices, Adult Learner Responsive and Train to Gain had been removed.

The Deputy Principal informed the Committee that the College had been offered capital expenditure of £225,000 if matched with expenditure of £450,000, to be spent by March 2011. The meeting discussed the affordability of this and noted a range of refurbishment requirements. The Committee identified the need to develop a medium

to long term estates strategy that would refurbish the college incrementally as sums of capital expenditure were released.

The Committee noted the assumption in the draft budget that the College would borrow a further £500,000 and discussed the issues arising from this.

After discussion, the Resources Committee agreed to recommend to the Corporation

- i) that the pay awards contained within the budget for 2009/10 and 2010/11 be paid only if the Corporation concluded that the College could afford to do so and thereafter for 2011/12 and 2012/13 to freeze pay;
- ii) to include within the budget capital expenditure of £450,000 provided a plan for expenditure is developed for the Corporation's consideration (nb via a Committee of the Corporation);
- iii) to take out the additional borrowing of £500,000 given the uncertainty over the contract for training unemployed young people that is worth £1.4M (whilst noting that if the contract does not materialise, the budget would require substantial revision).

The Resources Committee agreed to recommend the draft budget 2010-11 to the Corporation.

328 Three Year Financial Forecast

The Resources Committee received and considered the report of the Deputy Principal on the Three Year Financial Forecast.

After consideration the Resources Committee agreed to instruct the Deputy Principal that a three year cash flow forecast be presented to the Corporation for approval, constructed according to the following principles:

- (a) That the College cannot afford capital building works (following a £675k spend in 2010-11);
- (b) That the College must afford a significant replacement of the computing facilities used by our students;
- (c) That there will be no disposals of land during the planning period;
- (d) That following the pay award built into this year's budget the college will conform to public sector practice and institute a two year pay freeze;
- (e) That funding from the Secretary of State for Education and from the Secretary of State for Business, Innovation and Skills will follow the pattern shown in the paper on "Harlow College and the UK fiscal crisis";
- (f) That any reduction in funding from Dr Cable will be passed onto our partners within APEX;
- (g) That governors will not tolerate the college making a loss in either of the last two years of the forecast period and will expect our solvency to improve over this period;
- (h) That cash payments to the Essex Local Government Superannuation Scheme will match the calculated cost of the pension scheme (in solvency terms a significant worsening of the current position); and
- (i) That half of the resulting pain for the college will be taken by reducing staff

costs and half by assuming that we will become increasingly successful at winning project contracts during this period.

The Committee thanked the Deputy Principal for his presentations to the meeting.

329 Predicted success rates and value added 2009/10

The Resources Committee received and considered the report of the Principal on the predicted success rates for 2009/10. Governors noted the likely increase in success rates for learners across the College and the decrease in students transferring to other programmes in-year.

330 Recruitment of students 2010/11

The Resources Committee received and considered the report of the Principal on the recruitment of learners aged 16-18 for programmes to run in 2010-11.

The Principal reported that the College is currently 144 full-time students down on the number of enrolments at the corresponding point last year. Governors noted that students seeking to progress from one College programme to another next year were still in the process in enrolling. To ensure that learners were put on the right programme and to reduce transfers next year, staff were requiring students to complete their final work before enrolling.

A further report would be made to the Corporation on 15 July 2010.

331 Higher Education Issues

The Resources Committee received and considered the report of the Deputy Principal on the approval of five degrees to be delivered in the College alongside the existing degree in Journalism. The degrees, validated by Anglia Ruskin University are:

FdA Sports Journalism
FdA Graphic Design
FdA Public Services
FdA Early Years, Playwork and Education
FdA Business Information Systems

The Committee noted that the College was working hard to recruit learners to the programmes and discussed a range of issues arising from this.

The Resources Committee congratulated Nick Spenceley and his team and thanked them for their hard work in getting the programmes approved.

332 Any other business

There was no other business

333 Dates of future meetings

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| Autumn Term 2010 | Tuesday 28 September 2010 | 8.30am |
| | Tuesday 7 December 2010 | 8.30am |
| Spring Term 2011 | Tuesday 1 March 2011 | 8.30am |
| Summer Term 2011 | Tuesday 3 May 2011 | 8.30am |
| | Tuesday 5 July 2011 | 8.30am |