

# HARLOW COLLEGE FURTHER EDUCATION CORPORATION

## RESOURCES COMMITTEE

### Minutes of the meeting held at Harlow College on Tuesday 09 May 2023

Membership

- \*Paul Taylor (Chair)
- \*Julia Fillary
- \*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 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 held on 2 March 2023 were agreed as an accurate record of the meeting and were signed by the Chair.

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

There were no matters arising.

#### **5 ESFA Financial Health Rating Letter and Governing Body Finance Dashboard**

The Resources Committee received and considered the ESFA financial health rating letter and the Governing Body financial dashboard, presented by Karen Spencer, Principal.

Karen Spencer reported that this is a standard letter which colleges receive annually based on the financial statements' submission to the ESFA.

A conversation was held around the merit of having College email addresses for Governors and it was agreed that at the present time this is not something that will be pursued.

The Resources Committee noted the ESFA Financial Health Rating Letter and Governing Body Financial Dashboard.

## 6 Management Accounts for the period 1 August 2022 – 31 March 2023

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

Deanne Morgan informed Governors that the current year-end forecast is a deficit of £800k, which is higher than originally budgeted. This is due to income not being realised in relation to an increase in student numbers, particularly at STAC, a clawback in T-Levels funding and the apprenticeship legacy issues, where quality rather than quantity is being focused on.

Governors were informed that bank covenants are still on target to be met however the financial health rating has fallen into requires improvement due to the increase in deficit which equates to less net cash.

Project income is performing well however there is an increase in associated staffing costs. A Governor asked if the College works towards a set contribution on projects. Paul Whitehead reported that all projects are different however income projections have been based on a 40% rate of cost against contribution. Governors were informed that project income is often part of bigger projects where the College is project managing partners, with the income shared across partners therefore the costs are straight in and out. Paul Whitehead reported that this income is difficult to predict and plan for however the College looks to effectively build in the associated costs and income into financial planning.

Governors were informed that the more income the College receives effects the College's financial health rating as one of the metrics is borrowing against income.

Non-pay costs are still challenging. Deanne Morgan however reported that the utilities market has seen a fall in prices. The College's electricity contract comes to an end in October 2023 (to be confirmed by September 2023) and it is now advised that the lead in time to enter into a new contract is two weeks rather than three / four months as it was earlier in the year. Karen Spencer reported that all the latest advice indicates that organisations should withhold entering into a new contract until at least June / July 2023 because of falling prices. A proposal seeking an agreement in principle to secure a new contract in August will be brought to the June Resources Committee meeting.

A Governor asked what the length of a new electricity contract would be. Deanne Morgan reported it could be flexible, capped, one year fixed or up to seven years fixed. For example, the College currently pays 2.2p for gas. This will rise to 7p when the College is out of contact. A seven year fixed rate is currently available at 2.9p. Deanne Morgan reported that it is unlikely that the College would enter into a long term contract as it is exploring other sources of sustainable energy.

Governors noted that adult income is on target to achieve its income target by the year-end. Karen Spencer reported that the College has over-delivered on its GLA contract however would not necessarily get paid for the over-delivery. The tolerance is 3%. A Governor asked if the College could put in a case for an increased allocation for next academic year. Paul Whitehead reported that the College's allocation for next year is slightly less than this year's allocation however the College has asked the GLA to review this and the College's performance. There is now an increased tolerance on the ESFA contact of 10% rather than 3%.

Governors were informed that cash levels remain good and that the College has not yet invested in any fixed-term investments as discussed and agreed at the Resources Committee meeting held on 2 March 2023 as the College's current account interest rate currently remains as high as the rates being offered for fixed term investments.

A Governor asked if cash levels are good, why the cash days are showing as red in the management accounts. Paul Whitehead reported that the College's target is 58 days and the current number of cash days is 56 therefore it is showing as red. Governors were informed that the sector average is 25 days. The College is therefore still in a strong position and it was agreed that the colour coding would be reviewed to allow more tolerance on the cash days.

Karen Spencer reported that following on from the ONS reclassification of colleges, there appears to be a drive to smooth funding colleges receive across the financial year. Historically colleges saw dips in their cash levels in March and had to store cash to undertake capital works. The Government has now provided colleges with capital funding and is smoothing out the payment profiles. It is believed that there is a move for colleges not to sit on high cash levels, however this is not stated anywhere. The financial model for the sector however does not currently match being on the public balance sheet. There is a change in the system with a new financial handbook being produced in the Autumn of 2023 however a lot remains unclear as the new rules have not yet been published.

The Resources Committee:

- Noted the management accounts for the period 1 August 2022 – 31 March 2023.
- Noted the forecast position in terms of financial health and bank covenants.

## **7 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.

Governors were informed that there are currently four major projects taking place on campus at present.

The contractors for the Institute of Technology works are onsite and work is progressing well. They are currently four days behind schedule and there have been some uncertainties with drainage, asbestos and air handling units. The project however is on track to be completed by the end of August 2023 and is on budget.

The Sustainable Energy Centre, funded through the Strategic Development Fund, has been completed and officially opened. The final outturn was slightly over budget however the benefits outweigh the overspend.

The College is having ongoing discussions with the UK Power Networks for the electric car charging points however it is anticipated that they will be onsite next week to undertake the work.

The Gas Centre is on track however the number of gas boiler bays installed this year might be reduced to four, with an additional two being installed next academic year.

The College is waiting on the outcome of its £4.29m application to the Post 16 Capacity

Fund. The announcement is due to be made in Spring 2023. A Governor asked if there had been any update on how the College's application is progressing. Karen Spencer reported that the DfE usually just announces the outcome and this does cause problems with financial and estates planning. Will Allanson reported that this is regularly fed back to the DfE as an issue for colleges and Paul Whitehead confirmed that in the College's Annual Strategic Conversation, the ESFA recognised the need for the system to change.

The College has received three additional capital allocations from the Government, £265,046 additional FE capital funding, £663,500 FE Reclassification Fund and £678,455 FE Capital Transformation Fund. This funding will be used for the cladding of J Building as it is crucial that the fabric of buildings is right before renewable technology is installed.

Karen Spencer reported that the sector is hoping that the Government will move towards a more planned model for funding. For example, universities receive a regular and planned capital allocation. The system will take time to stabilise as the sector is brought back onto the public sector balance sheet, integrating the last thirty years.

The Resources Committee noted the Harlow College Capital Projects and Estates Update.

## **8 Carbon Reduction Update**

The Resources Committee received and considered the Carbon Reduction Update, presented by Will Allanson, Deputy Principal.

Will Allanson reported that this year has focused on measuring where the College is at and putting a structure in place to move forward, with a whole-College approach to carbon reduction.

15 Carbon Literacy Champions across the College have been trained and carbon literacy training has been rolled out staff. An online programme has been developed for staff who have yet to complete the training. The training will be rolled out to students and will be available for Governors to undertake.

The targets for 2023-2024 were highlighted and the associated costs to meet the targets are being established and measured this year. The majority of the work will be funded from the College's capital funding allocations.

Karen Spencer reported that dealing with the insulation on J Building is critical before looking at installing renewable technologies. Will Allanson reported that the insulation and cladding on J Building is the College's priority and then there will be a focus on how to generate, conserve and store energy. The College's Estates Strategy is to ensure that the fabric of the College's buildings is as efficient as it can be.

Will Allanson reported that solar panels could be installed across the campus however there is also a need to reduce the College's carbon consumption across all areas.

Will Allanson reported that a complete review of the College's waste management processes has been undertaken, with 100% of food waste recycled, 100% of paper/card recycled and 100% of general waste sorted at supplier's plant in order to maximise recycling. In addition, the number of printers on site has been reduced, therefore paper wastage has been reduced.

Governors were informed that carbon literacy will be added into all curriculum areas and the Quality Team will undertake an audit on this and how to decarbonise the curriculum where possible. Projects will be undertaken with students on Sustainable Development Goals, 17 areas set by the UN. Projects in the curriculum will be looked into to raise awareness and develop students.

Will Allanson highlighted scope 1, scope 2 and scope 3 emissions. Scope 1 are emissions directly under the College's control, scope 2 are indirect emissions which the College does not directly control and scope 3 are all other indirect emissions from activities of the College. Governors were informed there is overlap between scope 2 and scope 3 and that they can be difficult to measure and report on.

A Governor asked about the annual carbon reduction targets and if 2022 refers to the current academic year and if progress is expected to be seen against this target next academic year. Will Allanson confirmed that this is the case and that the red blocks are the milestones against which the College needs to report to. The 2021-2022 figure was higher than the previous year due to coming back onto campus post-COVID and the College becoming better at measuring its carbon emissions.

A Governor asked if the targets include scope 2 and scope 3 emissions and Will Allanson confirmed that they did.

A Governor asked if the targets are accurate, realistic and achievable. Will Allanson reported that the 3 milestones were just a starting point and then the targets were straight-lined between each milestone. Will Allanson reported that he is confident the College will meet the 2030 target. The Sustainable Energy Centre is all running without electricity from the grid and this can be scaled up across College. Achieving the targets is a key focus of the campus team and the capital projects being developed and delivered.

A Governor asked about the College's approach to using cars. Will Allanson reported that the College is reviewing its Travel Policy and offers a car leasing and a cycle to work scheme. A car sharing scheme is being explored. Karen Spencer highlighted that there is a challenge with public transport in and around Harlow therefore it is sensible for the College to look at ways at reducing emissions related to cars.

The Resources Committee noted the Carbon Reduction Update.

## **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 a new financial handbook is being developed and until this is published, it is not clear what the financial planning environment will look like. A DfE focus group has been established to look at the new handbook and a draft version is due to be published in the Autumn. The implications of the reclassification will be clearer once it is published. Colleges are now undertaking financial planning for the next two years without the handbook, against a backdrop of escalating costs and instability of income. The Schools Financial Handbook and system have been looked at to try to ascertain what the new handbook might contain and it is assumed that a new set of indicators will be set for the sector. There is discussion about changing the adult contract

to a lagged funding mechanism however this has not yet been confirmed.

A Governor asked if the College is aware of any colleges involved in the focus group for the new handbook. Karen Spencer reported that they were not aware of any however the AoC is involved.

It is reported that Treasury believe there is cash in the FE system as colleges have accumulated cash for use, for example, as match funding on capital programmes.

Payment profiles are being smoothed out to avoid dips in cash levels.

The scheme of applying to the DfE for loans has been released however this has not yet been fully embedded. Loans need to be purposeful, for example for projects or refinancing existing loans, and not to help colleges with their cash levels. There is a varied position with colleges and their cash position and Deanne Morgan reported that the average cash balance for the sector is £7m. Deanne Morgan highlighted the need to manage and navigate bank covenants as well as cash levels.

A Governor asked if the DfE or Treasury could request colleges cash reserves. Karen Spencer reported that there is not an easy mechanism to release cash into the system.

Governors were informed that the next one to two years will be a very difficult period for the sector and the majority of colleges current have requires improvement financial health. Ministers are arguing for more money in the sector however there is a need for the sector to strengthen its argument on what FE colleges add to the wider system.

The Resources Committee noted the update on ONS reclassification.

## **10 Any Other Business**

There were no items of any other business.

## **11 Dates of Future Meetings**

Summer Term 2023	Thursday 27 June 2023	9.30am
	<i>Joint meeting with the Audit Committee</i>	

### **Key Points From The Meeting For Corporation:**

#### **1. Management Accounts**

To note the current position.