

HARLOW COLLEGE FURTHER EDUCATION CORPORATION

RESOURCES COMMITTEE

Minutes of the meeting held virtually on Zoom at 9.30am on Tuesday 10 May 2022

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

* *Denotes Present*

In attendance: Will Allanson, Deputy Principal
Deanne Morgan Executive Director – Finance
Ruth Lucas, Head of Governance

1 Apologies for Absence

Apologies for absence were received from Eddie Johnson, due to an Essex County Council commitment, and Paul Whitehead, Harlow College.

2 Declarations of Interest

Paul Taylor declared that his employer, Titan Airways, has received two government T-Level incentive payments through the College for hosting T-Level work placements.

3 Minutes of the Previous Meeting

The minutes of the Resources Committee meeting held on 03 March 2022 were agreed as an accurate record, subject to one small amendment which was agreed by the Committee, and were signed remotely 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 Financial 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.

Governors noted that the out-turn forecast for 2020-2021 was good and following a review of the College's audited financial statements, the financial health rating for 2020-2021 has been assessed as outstanding. Governors were reminded that the background to the

outstanding financial health has been previously discussed in detail by the Resources Committee and the Corporation.

Governors noted that the financial dashboard has been revised following a series of consultation events, in which some of the College's Governors took part.

Paul Taylor highlighted the fact that the information relates to 2020-2021 and questioned how much use the information is. Karen Spencer reported that it is not possible for the ESFA to collect this information for colleges on an on-going basis unless all colleges were subject to ESFA financial monitoring. Paul Taylor reported that it is reassuring going forward that what the College is predicting is matching the actual position.

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

6 Management Accounts for the period 1 August 2021 – 31 March 2022

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

Deanne Morgan reported that the predicted year-end position is a £500k deficit however the College is still generating cash and has saved the cash required to repay the AEB funding which has not been earned. Project income is however higher than expected.

Governors noted that £800k of cash generated last year is being used this year and this is permitted to be spent due to the bank waiver being in place.

Governors were informed that pay costs are higher than originally forecast due to the national insurance increase which was announced after the budget had been set.

Non-pay costs are high however Governors noted that the College has a fixed utility rate until 2024.

Apprenticeship income is doing well however the current levels of AEB delivery are having an adverse impact on the accounts, as previously reported. Karen Spencer reported that this is being replicated across the country and that all colleges are facing the same issue. The College is therefore looking to diversify its adult offer and move away from the unemployed market. Adult work is taking place in small groups therefore the resource base is the same however the income level is lower.

Governors were informed that there are signs that delivery at Stansted Academy is recovering. These are adult courses linked to the airport and student numbers are increasing.

There is a feeling nationally that unemployed adult provision will not significantly grow in the next few years because of low unemployment. There was also a plan for simplification across government funding lines, however this is envisaged to be some way off yet.

The College continues to monitor cash on a daily and weekly basis and looks at the affordability of capital projects before they commence.

Governors noted that the forecast is for the College to be solvent, to meet the bank covenants and have good financial health.

Julia Fillary asked if the predicted £500k deficit was due to the dip in adult numbers and an increase in pension and national insurance costs. Karen Spencer reported that the biggest issue is the adult income along with an increase in the cost base for staff, part of which is covered by Government but not all. The College is still delivering adult courses however there is not the same pre-Covid buoyancy in the referrals and adults are generally not wanting to access training. The College has historically had a £4.6m contract for adult work however it is predicting that the actual delivery will be around £3.5m. Will Allanson reported that as adult eligibility is opening up, the College is reshaping its provision and adult evening classes are now opening up.

Julia Fillary asked if the College is tracking what adults want in terms of training. Karen Spencer reported that there is software which gives labour market and skills needs information. The Government has removed the ability for adults to study at Level 3 and loans were put in place and this is where the issues arose from. There will be a long process to build this back and the current demand for training is in areas where it is difficult to recruit staff. Will Allanson reported that the College is looking at ways to build capacity in the short-term and engaging with expertise in a different way. Karen Spencer reported that the College has retained staff during Covid therefore they feel a commitment to the College and there is more stability being created from working in a different way.

Paul Taylor asked about the tangible fixed assets figure being lower than originally forecast however the note is stating an increase. Deanne Morgan reported that this is an increase compared to previous monthly management accounts and agreed to amend the wording to make this clearer.

The Resources Committee noted the management accounts for the period 1 August 2021 – 31 March 2022 and noted the forecast position in terms of financial health and bank covenants.

7 Financial Planning 2022 - 2023

The Resources Committee received and considered the report on financial planning 2022 – 2023, presented by Karen Spencer, Principal and Deanne Morgan, Executive Director – Finance.

Karen Spencer reported that the report is part of the College's normal financial planning process and presents the Committee with draft assumptions. This is then presented to the Corporation in May and then the proposed budget is scrutinised further by the Resources and Audit Committees in June and the final budget discussed and approved by the Corporation in July. Karen Spencer reminded the Committee that part of the financial planning assumptions had already been discussed by the Corporation in March 2022.

Governors noted that approximately a £500k deficit budget is being planned for 2022-2023, with recovery to make a small surplus in the following year and full recovery the year after. Governors were informed that the deficit is due to the decrease in adult income and the income is not enough to cover the increase in costs. Governors agreed at the March 2022 Corporation meeting to set a deficit budget with planned recovery in the following years and agreed to pay staff a fair wage. Governors were informed that the bank covenants are

forecast to be met in both 2022-2023 and 2023-2024 and the College will still be able to undertake capital investment work. Borrowing levels are decreasing over the two years and financial health remains good, with it tipping into outstanding in 2024.

Paul Taylor asked about the deferred capital grant and Deanne Morgan reported that this funding is accrued and put into the College's accounts. Each year the College releases a bit of this income and the balance reduces over time. No assumptions have been made on this for future years. Karen Spencer reported that the plan assumes no capital grants however it is likely that there will be some available. Details have not yet been announced and therefore have not been included in the plans. Deanne Morgan reported that once further information is known, the cashflow will be amended accordingly.

Deanne Morgan reported that no assumptions have been included for the LGPS as this is not yet known. There will be an impact on the balance sheet and on the cost of servicing the scheme however these are outside of the Corporation's control.

Julia Fillary asked about the rationale behind the in-year growth of 150 learners. Karen Spencer reported that this was shared at the Corporation meeting in March 2022, and that reductions in this year were based largely on learner numbers at STAC and the impact of reduced school liaison work outside of Harlow being possible during Covid. The College believes an additional 150 learners is achievable based on the current application numbers for STAC and Harlow, the larger demographic groups of year 11 students and the College being able to attend events at schools.

The Resources Committee noted the report on financial planning 2022-2023, which will also be shared and discussed at Corporation.

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 refurbishment work in buildings A, K and N has been completed and the buildings are now fully occupied. It has been a challenging project to manage due to Covid, supply chains, material costs and labour costs. The bid for the funding was submitted a significantly long time ago and required RIBA Stage 2 designs and cost plans. By the time the outcome of the bid was announced, costs had increased and the College has had to absorb this.

Will Allanson reported that the Institute of Technology (IoT) application is at the post-application, pre-award stage and will provide the College with funding for the refurbishment of building J. The IoT partnership is working with the DfE to agree the licence agreement for the whole of the partnership and it is hoped that this will be signed off by June 2022. The College has spent £28k to develop the designs to RIBA Stage 2 and is expecting to claim this back through the IoT funding. The cost plan is currently over budget and discussions are being held with the DfE around this.

The Resources Committee was informed that the College is leading on a Greater Essex Strategic Development Fund (SDF) application which will provide £1.5m capital and £1.2m revenue funding. Governors approved the College to act as the lead partner last year when the first round of funding was announced however the College's application was unsuccessful as a full bid and the College was awarded £50k to run a preparatory bid. The

Resources Committee endorsed the continuation of the College as a lead partner in Greater Essex and the College's new round for an SDF application.

Governors' attention was brought to the future capital spending priorities, some of which has been rescheduled to later in the year and other funding is being explored for the electric charging points.

Paul Taylor asked about the increase in costs for the electric charging points as at the last Resources Committee the cost was £20k for 8 points. Will Allanson explained that the scope has been changed, as has the position of where they will be installed and the number to be installed. The £60k figure is based on three quotes that have been received. There will be a cost for using the charging points and this has increased the cost to install them. The way in which people will be charged will be similar to the car parking apps however Paul Taylor reported that this is different to what the Government is saying in terms of how to charge for their use. Deanne Morgan reported that there will be tax implications however not a lot of guidance on this has been published. Vehicle charging could potentially be a taxable benefit however it is a complex picture and there is lots the College needs to consider in charging to use the charging points.

The Resources Committee noted the Harlow College Capital and Project Update and approved the College to submit the Strategic Development Fund application and act as lead partner for the application.

9 Any Other Business

There were no items of any other business.

10 Dates of Future Meetings

Summer Term 2022 Thursday 21 June 2022 9.30am

Key Points From The Meeting For Corporation:

- 1. ESFA Financial Health Rating and Governing Body Financial Dashboard**
To note the contents of the letter of dashboard.
- 2. Management Accounts**
To note the current position.
- 3. Financial Planning 2022-2023**
To note the current position in terms of financial planning for 2022-2023.