

# HARLOW COLLEGE FURTHER EDUCATION CORPORATION

## RESOURCES COMMITTEE

### Minutes of the meeting held on Thursday 13 February 2020

Membership: \*E Johnson (Chair)  
\*J Bedford  
\*J Breen  
\*B Spencer  
\*K Spencer  
\*P Taylor

\* Denotes Present

In attendance: R Levy, Governor - Audit Committee Member  
L Lin, Governor - Audit Committee Member  
C Chatt, Governor - Audit Committee Member  
W Allanson, Deputy Principal  
P Whitehead, Vice-Principal  
D Morgan, Executive Director – Finance & Facilities  
R Lucas, Head of Governance

#### **811 Apologies for Absence**

There were no apologies for absence from Resources Committee members.

Audit Committee members were invited to attend the meeting to discuss and scrutinise the ESFA's new Integrated Financial Model for Colleges (IFMC) from a regularity point of view. Apologies for absence were received from P Bartlett, Chair of the Audit Committee.

#### **812 Declaration of Interest**

E Johnson declared that he is an Essex County Councillor and C Chatt declared that his is a staff governor.

#### **813 Minutes of the Previous Meeting**

The minutes of the joint Audit and Resources Committee meeting and the Resources Committee meeting both held on 05 December 2019 were agreed as an accurate record and signed by the Chair.

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

There were no matters arising.

#### **815 Management Accounts for the period 1 August 2019 – 31 December 2019**

The Resources Committee received and considered the Management Accounts for the period 1 August 2019 – 31 December 2019, presented by D Morgan, Executive Director – Finance and Facilities.

Governors were informed that the forecast surplus has declined slightly in comparison to the original budgeted surplus due to a fall in expected income. Governors were reminded that the surplus includes the donation of the university building to the College from Anglia Ruskin University. W Allanson reported that Anglia Ruskin University have issued a deed of transfer and are waiting to hear from the Office for Students confirming that all conditions of funding have been met. If a response has not be provided by the Office for Students by the end of February 2020, the College will indemnify Anglia Ruskin University against clawback.

P Taylor asked what the College's exposure and risk of clawback would be. W Allanson confirmed that the Higher Education Funding Council, the Office for Students predecessor, provided £5m of funding for the building however W Allanson confirmed that all outputs associated with the funding have been achieved therefore the risk to the College is low.

D Morgan highlighted that 16 – 18 apprenticeship and adult learner student numbers are under review to clarify performance against targets and action will be taken if required.

Staff costs are on target however there is an ongoing risk with the pension valuation. The three year LGPS valuation is in progress which will confirm the employer contributions and the deficit repayments for the next three years. Essex LGPS are proposing an increase in employer contributions to 19.3% with an annual average deficit repayment of £139k, both of which will have an impact on the budget. D Morgan highlighted to Governors that the pension costs in the next set of management accounts presented might look different to those presented today once the contributions and deficit payments have been confirmed by Essex LGPS.

P Taylor highlighted that pension cost increases have been an ongoing problem for the College over a number of years and asked if the Corporation could write to someone and whether Essex is unique in its position.

K Spencer confirmed that this is a national issue and that the Government has committed to review all public sector pension schemes by mid 2021. K Spencer also reported that there is nothing that the College or Corporation could do to help solve the problem. J Breen confirmed that the issues are not exclusive to the public sector and that an ageing demographic has led to increases in all pension costs.

D Morgan confirmed that the pension scheme is improving although it is costing the organisation more.

K Spencer reported that as an organisation the College has a legal obligation to offer the TPS and LGPS rather than offering a lower cost scheme.

D Morgan reported that the College has a number of funded projects which are generating additional income for the College.

D Morgan highlighted the balance sheet and reported that it contains creditors that are due this year due to one of the loans maturing in 2021 so it has been brought onto the balance sheet.

Capital expenditure is up to date as of the end of December 2019 and that the programme

of capital expenditure is constantly under review and is based on actual cash available to undertake the work.

Cash flow continues to be monitored weekly and is reconciled against the bank statements.

D Morgan confirmed that the College has no new loans however there is a new lease for the iPads in place and that the College is leasing a van.

Governors were informed that the College's financial health remains good and both bank covenants are forecast to be met.

E Johnson asked why there is a peak in staff costs in July 2020 that then reduces in August 2020 and is back in line with previous months. D Morgan reported that August 2020 figures have been included in the graph to demonstrate to Governors that the peak does not continue. The rise in staff costs in July annually is due to the end of year adjustments made due to fixed term contract staff, annual leave adjustments etc.

B Spencer asked in the actual cash will spike in January 2020 in line with the cash forecast. K Spencer reported that it is likely to come back into line with the forecast and that the ESFA have changed their payment profile. The College is aware of the percentage of growth that will be funded however the ESFA have not yet provided the confirmed amount of funding that will be provided.

D Morgan highlighted the annual banking facility which is due to expire in April 2020 and Governors reviewed the facility. The current arrangement is as follows:

- No overdraft facility;
- Facility to pay salaries by BACS up to £800k per month;
- Facility to pay suppliers by BACS up to £1,100k per week;
- Credit card with a £40k per month limit;
- Open cash facility with NatWest for £10k per week.

The Resources Committee approved the management accounts for the period 1 August 2019 to 31 December 2019 and recommended to the Corporation the approval of the annual banking facility with Clydesdale as detailed above and the authorisation of the Principalship to sign the required documentation for this facility.

## **816 Integrated Financial Model for College (IFMC)**

The Resources Committee received and considered the Integrated Financial Model for College (IFMC), presented by D Morgan, Executive Director – Finance and Facilities.

K Spencer provided Governors with some background to the IFMC. The ESFA have put in place a mid-year measure with the intention that it will identify colleges which are falling into poor financial health. Colleges were consulted on what the process should look like and suggested that December management accounts be submitted however the ESFA chose to introduce the IFMC. The IFMC includes the business planning process which previously took place later in the academic year when there was more certainty over levels of funding. At this point in the academic year it is hard to predict what funding colleges will have for the next academic year.

The ESFA launched the IFMC at the end of November 2019 and to date six versions of the template to be completed have been issued. Version 6 was issued on 7 February 2020, three weeks before the ESFA's deadline and had to be reissued the same day due to errors in the template.

K Spencer reported that concerns have been raised by the Association of Colleges, college principals and financial directors however the ESFA is not changing its position. In future years the IFMC will need to be submitted by 31 January.

D Morgan presented the IFMC paper and reported that the final version which will be sent off is currently constantly changing. A summarised version of the figures were reported and will be submitted however pension rates from April 2020 have not yet been confirmed, as discussed under the previous agenda item.

D Morgan confirmed that commentary will be submitted to the ESFA along with the IFMC to provide more context to the figures.

D Morgan highlighted Appendix 2 and Appendix 3 which contain a summary of expenditure and the balance sheet.

Annex 1 is the financial planning checklist for Governors and Governors noted the mapping exercise which had been undertaken against each point in the checklist.

D Morgan also highlighted the strategic and financial objectives set out in page seven of the report.

Governors were informed that the main changes to this financial plan compared to the plan which was approved by the Corporation in July 2019 is that figures have been revised to reflect the increase in STAC student numbers and funding and to reflect the expenditure proposed by the Property and Investment Strategy.

D Morgan confirmed that the financial plan indicates that both bank covenants will be met and the College will have a financial health rating of good. D Morgan highlighted that the IFMC calculates financial health differently to how it is calculated in the financial record which is submitted to the ESFA in December annually. D Morgan also confirmed that the IFMC template does not account for the revaluation reserve therefore it will not balance.

K Spencer reported that the plan has been prepared based on top level principles and that growth in STAC has been scoped in, along with some assumptions based on the Property and Investment Strategy. K Spencer reported that the College had been conservative with its growth assumptions and income forecasts.

At this point at the meeting, the Resources Committee agreed to consider the next agenda item, Harlow College Property and Investment Strategy, and then revisit this agenda item.

## **817 Harlow College Property and Investment Strategy**

The Resources Committee received and considered the Harlow College Property and Investment Strategy, presented by W Allanson, Deputy Principal.

W Allanson informed Governors that since the report was produced and circulated, the Government has launched a programme of T-Level capital funding. The College has the opportunity to apply for up to £3m however 50:50 match funding is required from the College. A project development fee support grant application needs to be submitted by 19 February 2020 for up to £20k project development support funding, with a full capital grant application deadline of April 2020. The College will be notified of the outcome of the application in September 2020 and all funding must be spent by September 2021.

W Allanson reported that the Harlow College Property and Investment Strategy has been realigned to fit with the College's new Strategic Plan and the final version of the Strategy will be produced by summer 2020. W Allanson informed Governors that the Government has committed to £1.8b for further education capital investment however this funding is not expected to be released in the near future and some of the College's buildings are in urgent need of attention.

W Allanson presented a summary of the elements within the Strategy as follows:

- Growing Stansted Airport College:

STAC will be oversubscribed for next academic year therefore an interim model is being explored for September 2020 with a view to have an increased amount of space over the next three years whilst plans are being developed for STAC Phase 2.

- Buildings J and K:

The College had previously submitted an application to the Local Growth Fund for these buildings however withdrew the application due to timing restraints

Investment in these buildings is still required and it is estimated that full remodelling of the buildings would cost in the region of £9m. K Spencer reported that in the short-term the College is looking to focus on the redevelopment of Building K to facilitate the delivery of T-Levels. This would allow the College to bid to the Government's £1.8b funding for Building J once the funding is released.

P Whitehead reported that vacating both Buildings J and K at the same time would prove challenging and therefore it is proposed to decant from Building K into Building J whilst the works are carried out with some cosmetics work being undertaken in the short term in Building J.

E Johnson asked if the College would be resubmitting its application for Local Growth Funding and K Spencer confirmed that the application would be used to help support the T-Levels capital fund application.

- Extending the rear of the campus:

The College is looking to open up its footprint as there is a potential to expand the College site. This is particularly important as car parking is an issue for the College with the potential loss of the use of U-Park. Extending the College footprint to the rear of the campus also provides future scope for further development in the event of growth resulting from Harlow's significant increase in housing projected over the next 5-10 years.

- Security Improvements:

W Allanson reported that The Hides entrance of the College has been closed to students to enhance security.

The College is looking to reshape the front of the campus and install speed gates in reception and is also looking to improve the CCTV system.

- Future-proofing IT infrastructure:

The College is reviewing its IT infrastructure and use of fixed based terminals and laptops with a view to move to a thin client, which will provide a better way of utilising storage and reducing costs. The level of access to WiFi and WiFi speeds are also being reviewed.

- Remodelling of Building N:

Investment is needed in Building N to fully utilise the space available for a range of learners studying at different levels.

A sustainable energy centre linked to the T-Level curriculum is being explored along with a gas facility which would allow the College to increase its curriculum offer.

W Allanson highlighted the indicative investment profile and that expenditure from 2022/2023 onwards assumes a significant capital investment.

P Taylor asked if the £17.5m for STAC was correct. W Allanson confirmed that it was and informed Governors that the figure is taken from the masterplan which encompasses creating a full campus including elements of the airport's provision and includes the value of the land.

The Resources Committee was informed that in order to enable the required work to be undertaken in 2019/2020 and 2020/2021, a loan facility would be required. Furthermore if T-Level capital funding is being applied for, capital match funding from the College is required. W Allanson informed Governors that the College is working with Fusion Project Management Ltd, who have previously worked on HAMEC and STAC, to work up a fully costed plan for the T-Level application. The £20k T-Level development grant would give the College the resources to fully work up the plans and W Allanson's time would be used as the College's match funding element.

Governors were reminded that the College has been approved to deliver T-Levels in construction, digital, education and childcare and health and social care.

The Local Growth Funding proposal was for a Healthcare and Technology Centre and part of this proposal would be instated for the T-Levels funding. £200k would be applied for to spend in 2019/2020 and £400k for 2020/2021. With the College's match funding requirement, a total investment of £1.2m would be available if the application was successful.

Governors were informed that £100k had been scoped into the Property and Investment Strategy for the remodelling of Building N however the minimum project threshold for the

T-Level funding is £200k therefore the College would need to secure an additional £100k in match funding.

It was highlighted that under this round none of the T-Level funding is for specialist equipment however colleges have been asked to identify what equipment they will need and all colleges will receive funding for digital infrastructure.

K Spencer reported that the T-Level funding is an opportunity which the College should not miss and work undertaken between now and April will allow the College to shape what work needs to be done internally in Building K and allow for some remedial work to be undertaken in Building J.

P Taylor highlighted that the College cannot afford to miss the opportunity to grow STAC. W Allanson confirmed that £23k had been allocated for 2020/2021 and £135k for 2021/2022 which would allow for planning works for STAC. K Spencer reported that there is the possibility of putting a third shift into STAC however remodelling of the building

The Resources Committee were informed that the College would be unable to access the T-Level funding or undertaken the vast majority of the capital work set out in the Strategy without a loan and the Committee were asked to discuss the College looking at accessing a loan facility of up to £1m.

P Whitehead informed Governors that the College would look to shape the facility so that the loan would be used when it is required.

Governors were asked to endorse the College exploring the possibility of a loan with the bank and that with existing loans ending in May 2031 there could potentially be some realignment and an opportunity to look at rates overall. The College has a new contract manager and a meeting is scheduled for 11 March 2020 with him and the College.

The Resources Committee noted the Harlow College Property and Investment Strategy and approved for the College to explore the possibility of securing a £1m loan with the bank however the final decision making process by the Corporation will need to be identified and agreed by the Corporation.

## **816 Integrated Financial Model for College (IFMC) – continued**

The Resources Committee continued to consider and discuss the Integrated Financial Model for College (IFMC) in light of the discussions held as part of the previous agenda item.

Governors were informed that the IFMC had not yet scoped in securing the T-Levels capital funding.

E Johnson asked why the College has to submit the IFMC and K Spencer reported that it is a contractual requirement with the ESFA.

The Resources Committee was informed the IFMC incorporates growth at STAC and the loan assumptions. Otherwise the IFMC is the same as the model with the Corporation approved in July 2019. The College will also submit its December management accounts alongside the IFMC and that everything is aligned with the information that the College currently has.

D Morgan confirmed that all figures presented in the paper are correct however when they are transferred to the IFMC template, some figures may change and look different. The ESFA are aware of this.

Governors were informed that the ESFA's process is not a good process which has not been properly tested or thought out, and it is generally thought that ESFA is not likely to get the information they intended to get from the process.

The Resources Committee agreed to recommend the three year plan and IFMC for approval by the Corporation at its meeting on 27 February 2020. The Resources Committee also agreed to recommend a discussion at the Corporation meeting on 27 February 2020 on how the Corporation would approve a loan facility.

**818 Any other business**

There were no items of any other business.

**819 Dates of future meetings**

Summer Term 2019	Thursday 07 May 2020	8.30am
	Thursday 23 June 2020	8.30am