

**HARROW COLLEGE FURTHER EDUCATION CORPORATION
MINUTES OF THE MEETING OF THE
RESOURCES COMMITTEE
WEDNESDAY 2 DECEMBER 2009**

1 PRELIMINARY PROCEDURAL MATTERS

1.1 Attendance, apologies for absence

Membership: Nick Davies
Sandra Ernstoff (Chair)
Phil Harding
Anna Kyprianou
Tony Medhurst (Principal)
Steve Marsden

In Attendance: Jayne Chaplin (Clerk)
John Cudmore
Kelly Dunn (KPMG)
Andrew Mead (KPMG)
Rena Prindiville
Matthew Westmore

1.2 Declarations Of Interest

There were no declarations of interest.

1.3 Minutes of Previous Meeting

The minutes and confidential minutes of the meeting held on 7 October 2009, were confirmed as a correct record, and were signed by the Chair, subject to the amendment of Minute 2.1 to read "including the impact of FRS17".

1.4 Matters Arising

There was no Matters Arising.

2 FINANCIAL MATTERS

2.1 Draft Financial Statements & Management Letter for the year-end 2008/09

The Draft Financial Statements & Management Letter for the year-end 2008/09 were presented.

A report was received on the requirement for the College to undertake a going concern review in respect of the 2008/09 year-end Financial Statements, which was a fundamental accounting concept for the preparation of financial statements. It was noted that all colleges should prepare their financial statements on a going concern

basis unless the college was being liquidated or had ceased trading; or there was an intention to be liquidated or cease trading.

It was reported that the College External Auditors had requested that Governors carry out a review to satisfy themselves that it was reasonable to prepare the College's financial statements on a going concern basis. It was noted however, that these requirements were not intended to, and did not, guarantee that the College would remain a going concern until the next annual financial statements are issued.

Members were advised that:

- 2.1.1 This request had resulted from the impact of the aborted property costs on the Profit & Loss Account for 2008-2009, the Balance Sheet and the College Cash Flow.
- 2.1.2 Costs incurred had amounted to £10.588m, offset by £920k grant funding from the LSC.
- 2.1.3 The costs had been met by College reserves of £4.1m, a short term loan of £2.5m, from Barclays Bank and an advance in funding of £4.1m from the LSC.
- 2.1.4 In addition, the College's FRS 17 liability in terms of pension costs had increased by 330% from £1.450m to £4.812m, resulting in deficit net assets of £1.218m. It was noted that at 31 July 2008 these were a positive £14.329m.
- 2.1.5 Consideration should be given to the position at least 12 months from the date of the approval of the financial statements, taking into account an overview of the College's financial position, a more detailed monthly cash flow forecasts for the next 12 months and any anticipated crunch periods.

It was reported that:

- 2.1.6 College Managers had met with LSC London Regional Finance Director to discuss the current situation and that the College had been advised that the public statement made earlier in the year that no college would become insolvent still stood.
- 2.1.7 A 'pot of money' was available to support Colleges driven into financial and cash difficulties as a result of aborted property costs. It was noted that a case had been submitted by the Regional Office for Harrow College but until all College Financial Statements had been submitted, the deadline for which was 31 December 2009, there would be no formal notification of the amount of support granted.
- 2.1.8 It was agreed at the meeting that the Director would write formally to the Principal of Harrow College advising that in the meantime the current advance of £4.1m would remain and would not at any time be recovered if it meant that the College would become insolvent.
- 2.1.9 The College had approached Barclays Bank requesting that the existing loan be increased to £3m and that this would be rolled forward on a six monthly basis pending permanent financial support from the LSC, which would ensure that the

College would not exceed its approved overdraft facility of £1m throughout the 12 month period under review.

Consideration was given to:

- 2.1.10 The degree to which the advance in funding from the LSC would remain certain.
- 2.1.11 The loan from Barclays Bank due for recovery in December 2009; and the likelihood that the Bank would consent to extend the loan.
- 2.1.12 The College 12 month cash flow forecast indicating that from December 2009 until July 2010 the College would be forced to implement its overdraft facility and that for two months the overdraft facility would be exceeded; and the feasibility of seeking an extension on the period of the overdraft facility.
- 2.1.13 College breach of covenants due to writing off property costs meant that current long term loan with RBS potentially could be recovered immediately.
- 2.1.14 The cash flow forecasts for 2009/10 and 2010/11 and the key risks to which the College would be exposed during that period.
- 2.1.15 The conclusions and the effects of the identification of material uncertainties in respect of the type of report to be issued.

After consideration of the information regarding the appropriateness of the going concern presumption for inclusion in the Statement of Corporate Governance and Internal Control, it was **RESOLVED** to:

- 2.1.16 **APPROVE** a statement in the Financial Statement about going concern along with a conclusion that the going concern basis remained appropriate.
- 2.1.17 Recommend to the Corporation the **APPROVAL** of the Audit Committee Pack Management Letter & Statutory Accounts 2008/09.

2.2 Management Accounts

The Management Accounts for the period 1 August to 31 October 2009 were received.

It was reported that the position at the end of October 2009 showed a surplus of £1.459m compared to a planned surplus of "1.253m, a positive variance of "296k. It was noted that this was attributed to increased income of £138k and a decrease in expenditure £68k compared to plan.

Members were advised however, that although the College appeared in a much stronger position than the previous year, in relation to the recruitment of 16-18 and 19+ adult funding, it remained important that recruitment continued and learner numbers and income generation continued to be monitored to ensure achievement of target.

After discussion, it was **RESOLVED** to:

- 2.2.1 **NOTE** the Management Accounts.

2.3 Franchise & Partnership Provision: Update Report

A report was received updating members on performance in franchise and partnership activity for 2009/10.

It was reported that in respect of 16-18 learners:

- 2.3.1 The College planned to continue working with Nisai for the provision of on-line learning for medically ill learners and receives additional funding for this from the LSC. It was noted that targets and funding were currently being finalised with the current assumption being 100 learners with associated gross funding of £186k.
- 2.3.2 Beyond this currently there were no plans for further franchise contracts for 16-18 year old learners. It was noted however, that should the College not reach its target for 16-18 learners, then it would seek authorisation from the Corporation to explore the possibility of further franchise contracts in order to mitigate any potential shortfall in learners.

With regard to:

- 2.3.3 ESOL Provision it was noted that the contract with North London ITeC had worked extremely well last year with high success rates. It was reported that it was proposed to continue working with this provider. It was noted that a initial contract generating a total of £170k and that should the need arise for additional contracts , the College would seek further authorisation from the Corporation.
- 2.3.4 The Shaw Trust , it was reported that the College would be continuing its franchise contract with the local provider, The Shaw Trust, for the delivery of a 'Skills for Working Life' qualification to students with learning difficulties looking to enter the Horticultural labour force. It was noted that the contract released 65% of the funding to be drawn down, had a value of approximately 66k and would support up to 32 students.
- 2.3.5 Sub-contracted Train to Gain activity, the College had worked very successfully last year with SAFE in delivery training to the security industry and planned to do so again during 2009-2010. It was noted however that the budget for 2009-2010 had been severely cut by nearly £200k, and that currently there was no further provision that could be offered. Members were advised that planned carry-over provision for SAFE from 2008-2009 amounted to approximately £100k, of which 87.5% will go the provider; and that no provision for this had been made in the 2009-2010 budget and these potential costs would be reflected in the reforecast budget accordingly..

After discussion it was **RESOLVED** to:

- 2.2.8 **NOTE** the franchise and partnerships activity proposed for 2009/10

2.4 Fees Policy

A report on the proposed Fees Policy for 2010/11 was received .

It was reported that:

- 2.4.1 It was the LSC expectation that by 2010 adult learners would contribute at least 50% of the base rate funding for full-time courses; and that the College had been phasing this in by annual increases over a number of years.
- 2.4.2 The rate charged for the 2009-2010 academic year is £1,050, which is approximately 22.5% below the required rate of 47.5%.
- 2.4.3 For 2010-2011 the assumed contribution required by LSC had increased to 50%, which equated to an assumed fee element of £1,444. It was noted that application of this rate represented a year on year increase to students of approximately 37.5%.
- 2.4.4 In the current financial climate to increase fees by 37.5% might well have a significant negative impact on the ability of the College to recruit 19+ full time students. Members were advised that reducing the gap between LSC required contribution and actual College charges to 13% would represent a full-time fee charge of £1,250, which would mean a year on year increase to students of 19%. It was noted that the benefit of charging this rate is that it was likely to attract more students than the higher rate and continued to work towards achieving LSC required contribution by 2010.

The other charges for full-time and part-time home and overseas students were outlined and considered and after discussion it was **RESOLVED** to recommend to the Corporation the **APPROVAL** of:

- 2.4.5 The Tuition Fee Policy for 2010/11.

2.5 Going Concern Review

See Minute 2.1

3 HR MATTERS

3.1 Pay Update

A verbal update was received reminding members that in respect of the National Pay Negotiations for 2009/10, the Aoc had recommended a 1.5% increase, which had been accepted by all unions except the UCU, but that the College had at this stage budgeted for a 1% pay rise for all staff for 2009 /2010.

It was noted colleges remained responsible for their own pay policies and any national agreement that might be reached by the AoC with the trade unions served as a recommendation only. It was noted that it had been agreed at the last meeting that until clarity had been obtained from the LSC about the College's position in respect of the abortive costs of One Harrow, no decision should be made in respect of a pay award.

It was **RESOLVED**:

3.1.1 To **NOTE** the update

3.2 HR Update & Annual Report on Staffing

The HR Update Report was received advising members on current developments in Human Resources, the highlights of which included:

3.2.1 A summary of the current staffing establishment

3.2.2 The College diversity profile, which it was noted did not yet fully reflect the learner profile but that there had been some movement towards it.

There was a discussion of the report and after consideration it was **RESOLVED** to

3.2.3 **NOTE** the report.

4 ESTATES & PROPERTY MATTERS

4.1 One Harrow Update

A report was received updating members on the financial position with regard to the One Harrow Project.

It was reported that the project remains suspended pending further information from the LSC. And that all work on the project had ceased.

Members were advised that:

4.1.1 Since the LSC's announcement in April concerning colleges' capital projects, the College had continued to meet with the LSC to discuss its project and the impact of the postponement. It was noted that the LSC continued to support the College but advised that there will be no new capital funds for at least two years.

4.1.2 The delay to the capital project meant that the College would have to continue using the existing buildings for several years longer than originally planned. It was noted that the College had been managing its estate accordingly based on that assumption and that a new planned maintenance programme had now been prepared; along with the preparations for a new property strategy, which would be presented to members in due course.

After further discussion it was **RESOLVED** to:

4.1.3 **NOTE** the Report.

5 MONITORING & OTHER REPORTS

5.1 Monitoring Report: Progress against Targets

An update on progress against targets was received.

It was reported that:

- 5.1.1 Recruitment to College programmes for 16-18 year old students was just over 100 learners below target. It was noted however, that enrolment was continuing and plans were in place with further programmes starting in November and January; and that it was anticipated that that the College would achieve its targets
- 5.1.2 There was a gap of just over 600 19+ students, which was lower than at the same time last year. It was noted however, that there were a number of full-time and part-time programmes commencing later in the year that would significantly improve the position.
- 5.1.3 The College had experienced a year on year reduction of £150k in Employer Responsive funding. Members were advised that due to re-profiling of payments and cuts in funding there would be no recruitment of new learners until after 1 April 2010;and that alongside this and due to the cuts in funding, it would not be possible to offer a new contract to SAFE for the provision of training to the security industry.
- 5.1.4 Additional learner support was still being recorded and activity to date had generated £1.211m.
- 5.1.5 The College had lower targets for both numbers and funding in relation to apprenticeship programmes. It was noted that initial recruitment had given cause for concern and careful monitoring processes would be carried out to ensure targets were achieved.

After discussion it was **RESOLVED** to:

- 5.1.6 **NOTE** the report.

5.2 Sustainability Report

A report was received updating members on the College's Sustainable Development Policy.

It was reported that:

- 5.2.1 The College had signed the AoC FE Sustainable Development Declaration as part the AoC Green College campaign.
- 5.2.2 The College's energy management group continued to meet every term to implement the money-saving recommendations from the Green Energy Survey by the Carbon Trust.
- 5.2.3 It was noted that the range of opportunities in the survey had been limited to a three year payback period as a result of the expectation to relocate to One Harrow. Members were advised however that as the College would be remaining in its present location for a further period, a new energy/carbon saving survey from the Carbon Trust had been commissioned, which will be carried out in November.

The College's energy saving measures were summarised below and noted; along with the future possibilities under consideration and members were advised of the College's carbon footprint report for 2008/9. It was noted that the College had not qualified for the Carbon Trust Carbon Reduction Label this year as its carbon output increased. It was noted however, that it was hoped qualify next year as the improvements outlined had been implemented in year so the full benefit had not yet been realised.

After discussion it was **RESOLVED** to:

5.2.4 **NOTE** the report.

5.3 Carbon Footprint Report
See Minute 5.2

6 OTHER BUSINESS & MEETING EVALUATION

6.1 Other Business

There was none.

6.2 Date of Next Meeting
Wednesday 27 January 2010

6.3 Meeting Evaluation

Members completed the meeting evaluation forms and the meeting closed.