

**HARROW COLLEGE FURTHER EDUCATION CORPORATION
MINUTES OF THE MEETING OF THE
RESOURCES COMMITTEE
WEDNESDAY 3 DECEMBER 2008**

1 PRELIMINARY PROCEDURAL MATTERS

1.1 Attendance, apologies for absence, Chair & Agenda Order

Membership:	Sandra Ernstoff		
	Phil Harding	(Chair)	(From item 2.1)
	Anna Kyprianou		
	Tony Medhurst	(Principal)	
In Attendance:	Jayne Chaplin	(Clerk)	
	John Cudmore		
	Rena Prindiville		
Apologies:	John Steady		
	Leslie Wilson		

It was agreed that Sandra Ernstoff would Chair the meeting until the arrival of Philip Harding, the Chair.

It was **RESOLVED** to take item 4.2 after item 2.1.

1.2 Declarations Of Interest

There were no declarations of interest declared.

1.3 Minutes of Previous Meeting

The Minutes of the Meeting held on 8 October 2008 were confirmed as a correct record, and were signed by the Chair.

1.4 Matters Arising

There were no matters arising.

2 FINANCIAL MATTERS

2.1 Draft Financial Statements & Management Letter for the year-ended 31 July 2008

The Financial Statements, Audit Committee Pack Management Letter & Statutory Accounts 2007/08 were received.

Members were advised of the key activities that had taken place over the year in the implementation of the strategic and financial objectives and the main issues arising from the audit process including:

2.1.1 The financial statements, commentary and key performance indicators, which had been considered at the last Resources Committee. It was reported that for 2007-2008 the Corporation had approved a budget which showed an operating surplus of £56k, excluding the impact of FRS17. It was noted that achievement of learner numbers had been difficult and that whilst there would be no claw-back in-year, there would be in 2009/10. It was further noted that an operating surplus had been achieved of £294k, excluding the impact of FRS17, which increased staff pension costs by £91k and increased investment income by £179k. Members were advised that the net effect of these activities amounted to a positive adjustment of £88k, resulting in an operating surplus of £382k. It was noted that the impact of FRS17 on the College Balance Sheet was less positive with an increased deficit of £1.450m compared with a deficit of £213k in 2006-2007. With regard to the Key Performance Indicators it was reported that:

- Financially the College had had a successful year with a surplus of £382k against a planned surplus of £56k.
- Actual cash days in hand were 12.6 compared to a target of 0 days.
- The actual current ratio for 2007-2008 was 0.3:1 compared to a target of 0.

2.1.1 The Audit Management Letter for 2007/08, about which it was noted that its purpose was to record the overall results of the audit work and to assist the Corporation and College management by commenting on those significant matters that came to the attention of the auditors during the course of the audit. Members were advised of the significant matters discussed with management during the course of the audit, including:

- The recommendation regarding loan covenants in place, for the College to perform regular calculations on actual and forecast financial performance in order to see whether or not covenants have or are likely to be breached. It was noted that whilst no breaches had occurred to date, management had accepted the recommendation.

There was consideration of the financial highlights and the key issues raised in the Financial Statements and members commended management on such a positive report.

After discussion it was **RESOLVED** to:

2.1.3 Recommend to the Corporation the **APPROVAL** of Financial Statements, Audit Committee Pack Management Letter & Statutory Accounts 2007/08.

Mr Harding joined the meeting at this point and resumed the Chair.

4.2 Sustainability Report

A report was received setting out the College's Sustainable Development Policy.

Members were advised that the College had signed the AoC FE Sustainable Development Declaration as part of the Green College campaign following which it had set up an energy management group and had introduced energy saving measures where possible, albeit of a limited range in view of the planned relocation to One Harrow.

It was noted that advice had been taken from the Green consultancy under the government sponsored carbon reduction initiative and that their advice had been implemented where viable.

The recycling and energy saving measures were summarised and there was consideration of:

4.2.1 The statistics and increases and decreases in consumption and the underlying reasons.

4.2.2 The initiatives used to gain the support of staff and students.

4.2.3 The use of targets, albeit modest, for further reductions for the period leading up to the relocation and the use of sector comparisons where possible. It was agreed that it would be useful to include in future reports some preliminary targets and performance indicators and to revisit the matter again in the light of changing circumstances.

After discussion it was **RESOLVED** to:

4.2.4 **NOTE** the report.

Mr M Westmore left the meeting at this point.

2.2 Management Accounts

The Management Accounts for the period 1 August to 31 October 2008 were received.

Members were reminded that for the year 2008/09 the Corporation approved a budget with a planned surplus of £80k (excluding the impact of FRS 17).

It was noted that the year to date position showed a surplus of £1.55 million, with income and expenditure marginally below plan, reflecting a positive position.

Members were advised of the key issues including that:

2.2.1 Recruitment to 16-18 year old programmes remained significantly below target with the counts at the end of October 2008 showing a shortfall of just over 400 learners.

- 2.2.2 Recruitment to 19+ adult programmes showed a shortfall of over 500, which it was noted was typical for the period in the year and that it was expected to achieve target by the year end.
- 2.2.3 Employer responsive numbers were just over 500 compared with a target of over 800, with associated funding of £837K. It was noted that many of the learner were carry over from 2007/08, with less funding as a consequence. It was noted that recruitment for additional students was well under way and that the College was confident that the targets and finding would be achieved.

Members were advised that measures were in place to mitigate the position with planned additional recruitment using a combination of franchise providers and continuing enrolment with local students, which it was anticipated would reduce the shortfall in 16-18 targets to approximately 100 learners.

There was a discussion of the implications of the shortfall in learner numbers and it was reported that:

- 2.2.4 If 97% of the 16-18 targets were achieved then the LSC would not reduce funding in future years. It was noted however, that a shortfall of 100 learners would result in 96% achievement of target and a strong possibility of further funding reductions in 2009/10.
- 2.2.5 Based on current predications, the increased costs of franchise provision without increased funding would result in an estimated deficit of at least £200 - £300k compared with the original £80k planned surplus.
- 2.2.6 The significant growth allocated for employer responsiveness would require further resources to meet the increased targets and that this would have to be achieved within existing resources.

It was noted that the new LSC software was not yet functional and that whilst the College had in place measures to count and monitor student numbers, it was not yet in a position to calculate the students and associated funding. It was further noted that the currently was also not in a position to forecast whether or not the funding generated was as expected.

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

- 2.2.7 **NOTE** the Management Accounts.

2.3 Franchise & Partnerships Update

The 2008/09 Franchise and Partnerships Update Report was received, the highlights of which included that:

- 2.3.1 With regard to franchise activity:

- The Shaw Trust contract had been signed and provision had commenced with a target of 20 learners. It was noted that to date 13 students were enrolled.
- The contract and schedule of activities with Construction Training London Ltd was currently in the process of being signed. It was noted that there was a target recruitment of 100 16-18 year old learners.
- The contract and schedule with Nisai had now been signed by both parties. It was noted that it was a franchise for the provision of on-line training, with a target recruitment of 50 learners, 40 of which had been recruited to date and continuing enrolment throughout the year.
- The Train to Gain contract with SAFE had had a slow start-up but that recruitment remained on-going.

2.3.2 Regarding partnership activity:

- Whilst all services and processes were up to date, the contract and schedule of services had yet to be signed by the Collegiate Director. It was noted that the College was pursuing this and that in the meantime reviewing the position and the services to be provided for 2009/10.

There was a discussion of the franchise and partnership activity and after further consideration it was resolved to:

2.3.3 NOTE the update report.

2.4 Fees Policy 2009/10

A report on the proposed tuition fee policy for 2009/10 was received.

Members were reminded that it was the expectation of the Learning & Skills Council 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.

It was reported that:

- 2.4.1 The rate currently charged was approximately 15% below the required rate of 42.5%
- 2.4.2 The results for 2007/08 had showed a 33% increase in tuition fee income on 2006/07, analysis of which highlighted that it was attributed to charging for ESOL provision rather than FE funded programmes.
- 2.4.3 To increase fees in line with LSC expectations the College would have to implement an increase of almost 22%. It was reported that in the current economic climate, such an increase could have a negative impact on the College's ability to recruit 19+ students and that a increase of 18%, £1,100 including a registration fee of £50, was therefore proposed. Members were

advised that it was considered that this was more likely to attract students and would continue to work towards meeting the LSC fee requirement.

The other charges for full-time and part-time home and overseas students were outlined and considered.

After discussion it was **RESOLVED** to:

2.4.4 **APPROVE** the Tuition Fee Policy.

3 HR MATTERS

3.1 Pay Update

An update on the outcome of the national pay recommendations for a cost of living increase and the cost of living award to be implemented for the College was received.

Members were advised that all FE unions had now agreed to accept the Association of Colleges (AoC) pay recommendation for 3.2% on all salaries and allowances from 1 October 2008 or the sum of £550, whichever was the greater, in the form of underpinning for all low paid staff. It was noted that this would equate to 2.66% cost in-year.

Members were reminded that college remained responsible for their own pay policies with national agreements serving as recommendations only. It was noted that the AoC had presented the recommendation as a considered and realistic recommendation based on affordability, the AoC's latest pay survey and indicative funding allocations received.

It was reported that:

3.1.1 For 2008/09 the College had budgeted for a 2.5% recommendation and that increasing the award to 2.66% would increase the cost to the College of the pay of £369K by a further £23k.

3.1.2 It was proposed to implement the pay recommendation as outlined.

After discussion it was **RESOLVED** to:

3.1.3 **NOTE** the update report.

3.2 HR Report

The HR Report was received updating members on current developments in Human Resources.

The topics of particular note were:

- 3.2.1 The new Vice Principal, Pat Carvahlo, would be joining the College full-time after a two week handover period.
- 3.2.2 The new sexual orientation policy that had been agreed in consultation with the trade unions.
- 3.2.3 The first staff awards ceremony to be held on 11 December.

After discussion it was **RESOLVED** to:

- 3.2.4 **NOTE** the report.

4 MONITORING & OTHER REPORTS

4.1 Monitoring Report: Progress against Targets

The progress against targets monitoring report was received.

It was noted that targets and recurrent funding for 2008/09 had been split into three strands 16-18, 19+ adult responsive and employer responsive.

The recruitment against target was noted and members were advised that:

- 4.1.1 Recruitment to 16-18 year programmes continued to be below target. It was noted that although enrolment continued and plans were in place for further programmes to start in January 2009, a shortfall of 200 learners remained likely.
- 4.1.2 The London West LSC Manager had been advised of the shortfall and had indicated that it was currently unlikely that there would be in-year clawback, although the impact would be reflected in learner numbers and targets for 2009/10.
- 4.1.3 The gap of 570 19+ students was typical for the time of year and that there were a number of programmes commencing later in the year that would address the shortfall.
- 4.1.4 Although employer responsive learners included a significant carry forward from 2007/08, the College was confident of achieving targets and numbers.

It was reported that the College had lower targets for both numbers and funding in relation to apprenticeship programmes and that careful monitoring processes would be carried out to ensure that targets were achieved.

After discussion it was **RESOLVED** to:

- 4.1.5 **NOTE** the report.

4.3 Harrow Skills Centre

A report was received updating members on the Harrow Skills Centre.

It was noted that the College acted as Managing Agent of Harrow Skills Centre and that following a request for an extension, was under contract until 31 July 2009.

Members were advised that the College was pursuing a further contract for the service and that:

4.3.1 In the meantime was reviewing the curriculum and management costs and the services to be provided for 2009/10.

4.3.2 Harrow Council had agreed to contribute capital costs for the Skills Centre

After discussion it was **RESOLVED** to:

4.3.3 **NOTE** the report.

5 ANY OTHER BUSINESS & MEETING EVALUATION

5.1 Any other business – One Harrow & Loan Facility Letter

5.1.1 One Harrow update

Members were updated on progress with the One Harrow Project.

It was noted that:

- There had been a meeting with the LSC following which revised designs for a smaller College had been produced.
- The Application in Detail (AiD) would be resubmitted in early February 2009.
- Whilst the Harrow on the Hill Sale was proceeding, the Harrow Weald was potentially in jeopardy but still under consideration.

The measures in place in the event that the sale did not proceed were noted.

There was a discussion of the project's progress and after consideration it was **RESOLVED** to:

- **NOTE** the update.

5.1.2 One Harrow Facilities Letter

A report was received on the One Harrow Facilities Letter and further action now required.

Members were advised that:

- The Corporation had approved short-term borrowing facilities of £2.5 million in July 2008. It was noted that the loan had now been fully drawn down and that interest was being charged at a current rate of 3.2%.
- The Approval in Detail was deferred from November 2008 to the spring of 2009 and that further borrowing was now required to support the pending receipt of AiD.

- In view of the current position with cash flow, the College was proposing to borrow a further £5million to take the College to AiD. It was reported that Barclays Bank were willing to provide the loan with interest rates of LIBOR plus 1.5% margin and an arrangement fee of .5% of the borrowing level.

There was a discussion of the loan facility, interest rates and arrangement fee and after consideration it was **RESOLVED** to:

- **RECOMMEND** to the Corporation the **APPROVAL** of the proposal as outlined.

5.2 Date of Next Meeting

Wednesday 28 January 2009.

5.3 Meeting Evaluation

Members completed the meeting evaluation forms and the meeting closed.