

**HARROW COLLEGE FURTHER EDUCATION CORPORATION
MINUTES OF THE MEETING OF THE
RESOURCES COMMITTEE
WEDNESDAY 8 OCTOBER 2008**

1 PRELIMINARY PROCEDURAL MATTERS

1.1 Attendance, Apologies For Absence & Chair

Membership: Sandra Ernstoff
Phil Harding (Chair)
Anna Kyprianou
Tony Medhurst (Principal)
John Steady (From item 2.1)

In Attendance: Jayne Chaplin (Clerk)
John Cudmore
Rena Prindiville

Apologies: Leslie Wilson

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 2 July 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 Annual Accounts 2007/08

The 2007/08 draft Annual Accounts were presented.

It was reported that for 2007/08 the Corporation had approved a budget that showed an operating surplus of £56k, excluding the impact of FRS 17. It was reported that:

2.2.1 The best estimate of the predicted out-turn was an operating surplus of £294k excluding the impact of FRS 17. It was noted that the impact of FRS 17 was an increase in staff pension costs of £91k and the increased investment income by

£179k. Members were advised that the net effect of these investments amounted to a positive adjustment of £88k, resulting in a predicted surplus of £382k.

- 2.2.2 It was a very positive surplus was after absorbing restructuring costs of £102k and additional SSAP24 provision of £30k.
- 2.2.3 The surplus was subject to the outcome of the financial statements audit that had taken place on 22 September.
- 2.2.4 Despite the difficulties in achieving learner numbers, financially the College had had a successful year.
- 2.2.5 The original budgeted surplus of £50k had been significantly exceeded, and with the impact of FRS17 adjustments, was forecast to be £382k.

The key sensitivities and variances were considered and in particular:

- 2.2.6 The difficulties in achieving the 16-18 year learner number target, the likely final out-turn for which was likely to show a short fall in numbers of 306, with the associated funding down by approximately £1.5million.
- 2.2.7 Finishing the year with significantly reduced income from Learndirect and Work based earning programmes. It was noted that measures were in place to ensure that the targets would be carefully monitored and the income achieved.
- 2.2.8 That investment income was significantly higher than planned and that the business development income had exceeded its target.
- 2.2.9 The investment in NWLCC, which it was reported had been written off in the profit and loss account.

It was noted that the only issue that remained outstanding concerned the One Harrow project the capitalisation of costs, which it was reported would be reflected post-balance sheet in the event of any changes.

The positive surplus and the successful financial year was welcomed, which members agreed reflected management control on costs and the strategies put into place. The Chair on behalf of the Committee congratulated the management team and commended their hard work during a difficult year.

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

- 2.2.10 **NOTE** the report.

2.2 Franchise & Partnerships Provision 2008/09

The 2008/09 Franchise and Partnerships Report was received.

It was reported that the contracts proposed for 2008/09 included:

- 2.2.1 The successful bid for the provision of services to the Collegiate schools amounting to approximately £297k and further funding of £275k associated with the provision of staff teaching hours and the delivery of programmes to students.

- 2.2.2 A further contract with South London ITeC, assuming that the exam and success rates were good.
- 2.2.3 A successful bid for direct Train to Gain contract work with sub-contractors as well as working and delivering programmes via the College for Business. It was noted that if this was successful there was a further potential contract opportunity.
- 2.2.4 A franchise with a local provider, agreed with the LSC, for the provision of on-line training for students, which would realise approximately one hundred 16-18 year old learners for 2008/09.
- 2.2.5 The continuation of the College's longstanding contract with the Shaw Trust, delivering the "Skills for Life" qualification.

Members were further advised that the College was also in negotiations with a private provider offering specific skills in training in the gas and related industries, which if successful would realise one hundred 16-18 year old learners.

The opportunities for growth from the provision of additional contracts providing 16-18 year old training was discussed and after consideration it was **RESOLVE** to:

- 2.2.6 **RECOMMEND** that the Corporation **APPROVE** the franchise and partnership proposals for 2008/09.

2.3 Enrolment Report 2008/09

A report was received providing the current position on enrolments for 2008/09.

With regard to the progress against targets, it was reported that:

- 2.3.1 The learner profile for September for 16-18 year old learner numbers showed that the College had a shortfall of approximately 400 learners, representing a shortfall in funding of around £1.6million over the year. Members were advised that, to mitigate the shortfall, there were a number of partnership projects that were in the process of being finalised, which would realise additional student numbers, and enrolments at all ages were continuing to establish additional programmes for commencement in January 2009.
- 2.3.2 There were challenges ahead in relation to the transition from 19+ Adult Responsive provision to increased Employer Responsive programmes, in particular full level 2 and level 3 provision. It was noted that whilst current recruitment to both programmes appeared to be on target, a careful overview would be required to ensure achievement of recruitment and associated funding.
- 2.3.3 The impact of the new 6 week rule for all long course learners remained untested and the LSC software that generated both cash value and SLN was not yet functional. It was reported that the position outlined was based on the information available to date.

Members were advised that if the College was unable to increase its recruitment of 16-18 student numbers within the next six weeks and achieve its 19+ learner number targets then significant savings would be made to protect future funding and activity. It was noted that management was already working towards a recovery plan for immediate implementation.

There was a discussion of the factors affecting the 16-18 learner numbers and the strategies to be put in place to reduce or eliminate any shortfall.

After consideration it was **RESOLVED** to **NOTE** the report.

3 HR MATTERS

3.1 HR Report

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

The topics of particular note were:

- 3.1.1 The recruitment of a new Vice Principal. Members were advised that following notification of the current Vice Principal's intention to retire at the end of the Spring Term 2009, that the recruitment process had commenced with the assistance of appointment consultants Veredus. It was noted that following advertisement the closing date for the post had been 29 September and that the final selection process would take place on 14 and 15 October.
- 3.1.2 The update on the latest developments in the pay discussions for 2008/09. Members were reminded that the pay claim submitted by the six joint Trade Unions for 2008/09 had been for an increase of 6% on all scales and that in response the Association of Colleges had made an initial recommendation of an increase of 2.5% based on affordability.

Following the trades unions rejection of the offer, it was reported that the AoC had made a subsequent, final recommendation of 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 low paid staff, which would equate to 2.66% cost in-year.

It was noted that the AoC had initially been informed that they would receive official notification of trade union intentions regarding the final pay recommendation on 5 October 2008; but that they were subsequently informed that they would not receive this information until 13 October.

Members were advised that colleges remained responsible for their own pay policies and that any national agreement that might be reached by the AoC with the trade unions served as a recommendation only to Colleges. It was noted that Harrow College had budgeted for a 2.5% pay rise for all staff for 2008 /2009.

- 3.1.3 The new Transgender Policy and a Travel to Work Loan Scheme that had been agreed in consultation with the trade unions and the new Vetting and Barring Scheme, under the Independent Safeguarding Authority (ISA), due to go live on 12 October 2009.
- 3.1.4 The potential significant implications for the College of the position regarding compulsory retirement ages under UK law as a result of a case now known as "*Heyday*" challenge, brought in the High Court.

It was noted that:

- The Heyday case had been referred by the High Court to the European Court of Justice (ECJ) in December 2006 to consider whether the UK Regulations had improperly implemented the EU Framework Directive on Equal Treatment because they allowed employers to retire people at the age of 65.
- This had created uncertainty for colleges as to whether or not they could operate a mandatory retirement policy, the consequence of which would mean that anyone dismissed by reason of retirement at age 65 or over could present a complaint to an employment tribunal and ask to have their case temporarily adjourned.
- In September the Advocate General had rejected the Heyday challenge concluding that the rules relating to retirement were capable of justification in relation to achieving a legitimate aim concerning employment policy and the labour market.
- The full European Court was not bound to follow the opinion but that usually it did so and that the final judgement was expected before the end of the year.
- Future claims made in relation to retirement at 65 were still to be stayed pending the final judgement.

There was a discussion of the College's policy regarding compulsory retirement and the number of applications received for staff to remain post compulsory retirement age.

After discussion it was **RESOLVED** to:

3.1.5 **NOTE** the report.

3.2 Annual Report on Staffing

The annual report on staffing was received.

The report was considered and in particular:

3.2.1 The College profile in terms of gender, ethnicity and disability was noted.

- 3.2.2 It was noted that In line with broad national recommendations the College had made considerable progress in modernising its pay structures. It was reported that the College's priority had been to establish pay arrangements that were financially advantageous to all staff, including those many long serving staff that had for many years been stuck at the top of their pay scale, while ensuring that salary progression was linked to assessment of professional effectiveness.
- 3.2.3 It was reported that the lecturer salary scale had this year been extended through the introduction of two merit grades as potential further progression for those lecturers who reached the top of the existing range. It was noted that this term the Merit Grade process was to be extended to include Managers. Members were advised how the merit grade process worked and it was reported that nineteen lecturers had been successful in their application this year.

There was a wide ranging discussion of the modernising of pay and the merit grade initiative, following which it was **RESOLVED** to **NOTE** the report.

4 PROJECT REPORTS

4.1 One Harrow Financial Update

A verbal update on the One Harrow Project's progress and the Financial Update Report were received.

Members were reminded that in July 2008 the Corporation had approved the College's application for loan support of up to £2.5m to support cash flow for the One Harrow project up to AiD consideration by LSC in November 2008.

It was noted that at that time the College had been in the process of negotiating loan support for the short-term revolving loan, estimated to be £30m as well as a full-term loan of £12m once the project was complete. It was reported that:

- 4.1.1 Barclays Bank had offered and the College accepted very preferential rates for set up costs as well as borrowing rates for both loans.
- 4.1.2 The facilities letter was subsequently following some amendments by the College solicitors drawn up and reviewed by the College and its Solicitors, Mills & Reeves.

Members were advised that:

- 4.1.3 The College had been advised subsequently by both its day-to-day bankers, Lloyds TSB, and Barclays Bank to sign the facilities letter immediately in order to protect the interest rates quoted in the letter as, in the current economic climate, Barclays would be unable to continue to offer such preferential rates unless the letter was signed immediately.
- 4.1.4 The letter was being presented to the Chair of Corporation at the Property Committee on Wednesday 8th October 2008 and that the Chair would be requested to grant approval for the letter to be signed immediately by the

Principal and Director of Finance, with retrospective approval to be sought by the full Corporation at its next meeting.

With regard to the Project's progress, it was noted that the accommodation issue involving Transport for London and London Underground Limited remained the biggest risk to the project and was on going. It was noted that the property & Accommodation Committee would be receiving a full report at its meeting, including details of other options available for further development.

After discussion it was **RESOLVED** to:

4.1.5 **NOTE** the reports.

5 COMMITTEE BUSINESS

5.1 Committee Annual Report 2007/08

The Annual Report for the Resources Committee was received outlining the work of the Committee during the period 1 August 2007 to 31 July 2008.

Members were advised that the format of the report had been revised to include a statement from the Chair giving an overview of the main sector issues relevant to the Committee's work, along with the highlights of the business considered, which included:

5.1.1 The College's shortfall in learner targets reported in October 2007 and the associated financial implications;

5.1.2 The changes to the funding methodology from 2008; and

5.1.3 The degree to which the College's remained dependent on LSC funding as its primary source of income.

The contents of the report were discussed and the Committee's attendance rate for the year was noted. After discussion it was **RESOLVED** to:

5.1.4 **NOTE** the report.

5.1.5 **RECOMMEND** to the Corporation the approval of the Committee's Annual Report for 2007/08.

5.2 Committee Terms of Reference

A report was received on proposed amendments to the Committee Terms of Reference.

Members were reminded that the Terms of Reference set out the remit and procedures to be followed by the Committee and that to ensure that the Terms of Reference remained in line with good practice it was necessary to periodically review them.

In reviewing the Committee's business and terms of reference, it was reported that amendments had been proposed to ensure that they continued to reflect the recent changes in the Instruments and Articles of Government relating to the publication of

agendas, papers, minutes and terms of reference on the College website for a minimum period of twelve months.

There was a discussion of the requirement for such publication and the practicalities and treatment of business that would be confidential in nature.

After consideration it was **RESOLVED** to:

5.2.1 **NOTE** the report.

5.2.2 **RECOMMEND** to the Corporation the approval of the Committee's Terms of Reference.

6 ANY OTHER BUSINESS & MEETING EVALUATION

6.1 Any other business

No other business was raised.

6.2 Date of Next Meeting

Wednesday 3 December 2008.

6.3 Meeting Evaluation

Members completed the meeting evaluation forms and the meeting closed.