HARLOW COLLEGE FURTHER EDUCATION CORPORATION

CORPORATION MEETING

Minutes of the meeting held on MS Teams –
Friday 20 September 2024 – 1pm

Membership:			
	Liz Laycock	*John Godley	*Paul Taylor (Chair)
	Caroline Betts	*Stephen Isherwood	*Michael Travers
	*Rod Bristow	*Ray Levy	Dawn Tuner
	*Julia Fillary	*Lily Lin	*Ed Whittle
	Vic Goddard	*Karen Spencer	*Heather Wilson

***** denotes present

In attendance: Paul Whitehead, Vice-Principal
Deanne Morgan, Executive Director – Finance
Ruth Lucas, Head of Governance

1 Apologies for Absence

Apologies for absence were received and accepted from Vic Goddard due to work commitments and from Liz Laycock, Caroline Betts and Dawn Turner due to personal reasons.

2 Declaration of Interests

There were no declaration of interests.

3 Loan Repayment

The Corporation received and considered the loan repayment report, presented by Deanne Morgan, Executive Director – Finance.

The Chair reminded the Corporation that they had given the Finance Team the authority to explore options for the College's two existing loans and that the paper presented is a result of this exploratory work. It was acknowledged that extra information was circulated to Governors in response to a question raised by a Governor before the meeting, after the papers were circulated.

Deanne Morgan reported that after exploring the options for the loans, the Corporation is asked to consider repaying the loan with a residual balance of £1.5m which expires in October 2026. As this loan currently has a break gain, the College can repay the loan without incurring costs.

The other loan is fixed for a longer period and has a break cost associated with repaying it early. The College would therefore need DfE approval to repay the loan and repayment of this loan is not being recommended to the Corporation.

Governors' attention was brought to the monthly loan cash balance, monthly loan balance and monthly loan interest. Governors were informed that if the College pays off the one loan, the College's £2m Reserves Policy would still be met.

The College's Financial Plan has further details of the College's financial position. The College's month by month cashflow is not brought to the Corporation however a snap shot of the working document which underpins the calculations has been shared with Governors in response to a question raised by a Governor before the meeting.

The approved Financial Plan remains the same and the presented paper assumes the same income and student levels as in the Financial Plan. The money the College saves from not paying the loan each month would be put as a contingency. There would be very little change in the ESFA health rating figures as the College already scores highly and the rating would remain "good". The College would have more cash in the bank as it would not be paying the interest on the loan. Currently the bank covenant is limiting the College's ability to spend cash therefore repaying the loan will allow the College to spend more cash in-year. Cash flow will be continued to be monitored on a monthly basis and the Financial Plan will be amended if required.

Governors were informed that this Corporation meeting was called ~~as~~ the College can save an extra month's interest if approval is granted to pay off the loan rather than waiting to bring the proposal to the 24 October 2024 Corporation meeting.

A Governor asked what the comparison of bank interest is on the cash in the bank compared to the interest paid on the loan. Deanne Morgan reported that the College currently earns approximately 5% interest on the cash in the bank which is high however this could change at any time. There is a break gain of approximately £130k from the swap cover which has protected the College so the College will benefit from this.

A Governor highlighted that the additional benefit of paying off the loan would be the College's ability to invest more capital.

A Governor asked if there were any risks on the horizon, such as funding, which would had further pressures on the College's financial position. Karen Spencer reported that the risks are no different to those faced by the College in the last ten years. Changes to Government funding policy has always been high on the College's risk register however the College has always been able to navigate through this in a difficult external climate. The College has very prudent financial planning processes and does not plan or commit to any spend for funding it has not earnt. The risk is therefore no bigger if the loan is paid off or not. Paul Whitehead reported that the College has a good track record with its financial planning processes and is continuously working to put the College in a stronger financial position. The external risk around Government funding is always there. Paying off the loan will give the College more control over capital investment going forward by strengthening and solidifying the College's capital investment programme.

Governors were informed that DfE approval would be needed if the College wanted to negotiate the terms of its loans and it is likely the DfE would instruct the College to use its cash to pay off the loan. A Governor asked if this helped to mitigate the risk and Karen Spencer confirmed that this was the case.

Deanne Morgan reported that it is inevitable that the College would have to repay the loan at some point therefore by paying it off now the College would gain from the interest saved and the break gain.

Deanne Morgan highlighted that the College has set aside £2m for capital investment in the Financial Plan. If the College was not earning income as planned, this investment would be scaled back to ensure a secure financial position for the College. This is a model that has been used by the College successfully over the years. If the College needs cash, it would now have to go to the DfE rather than the bank so effectively the risk has been eliminated.

A Governor asked about the increase in the value of the bank loans from July 2025 to July 2026 and Deanne Morgan confirmed that this is due from the loans being moved from a long-term creditor to a short-term creditor.

The Corporation approved the College repaying the loan due to expire October 2026 as soon as possible and approved the College's Executive to sign the required paperwork. Ruth Lucas confirmed that Dawn Turner had emailed her approval to the recommendations.