

Colchester Institute Corporation

*Minutes of a Meeting of the Resources Committee
held on 9th November 2015
at Sheepen Road*

Present:

Richard Wainwright, *in the Chair*
Alison Andreas
Brenda Baker
Christopher Bridge

David Kerridge
Karen Tarling
Sue Thompson-Arnold

In attendance:

Gary Horne
Hazel Paton
Mark Smith

Vice Principal: Finance and Operations
Clerk to the Governors
Scrutton Bland, Financial Statements Auditors

Apologies for absence were received from David Gronland.

1. Declarations of any conflicts of interest

None.

2. Report and Financial Statements 31 July 2015

2.1. Report and Financial Statements 31 July 2015

The Report and Financial Statements 31 July 2015 (CIC/RC/15/5/1) were received and presented by the Financial Statements Auditor.

Income and Expenditure Account

Overall total income was £41.9m, slightly down compared to 2014. Funding body income increased by £2.6m but was offset by a reduction in Additional Learning Support funding. Work Based Learning income was down by £450k due to the timing of enrolments. This income will be received in 2015-16. Bus pass income almost doubled compared to the previous year but with associated costs.

Staff costs increased to 63.9% of turnover compared to 60.6% in 2014. Factors contributing to the higher staff costs included overspend on the part time budget and a reduction in sub contracted provision with more delivery brought in house. Overall sickness levels have not changed but there is more long term absence than previously which is more expensive to cover than short term absence.

The cost of sub-contracted provision fell by £840k due to more provision being brought in house. Premises maintenance increased by £430k. Depreciation increased slightly, reflecting projects in progress last year coming into the fixed assets this year and being depreciated.

As in previous years an additional disclosure has been included showing an operational surplus pre FRS 17 and exceptional income and costs of £227k compared to £1160k for last year and a budget of £234k. This is the figure that the funding agency will use to assess the College's financial health. Governors reflected that this was a good outcome

in a year when a new £10m facility was under construction and about to open, offering an improved learner experience and opportunities for additional full cost provision.

Balance Sheet

The increase in fixed assets relates to the South Wing project and the ongoing refurbishment of B and D Block.

The most significant movement in the debtors compared to the previous year relates to the sale of land at Gainsford Avenue, which was completed in July with the proceeds remitted in September. After discussion it was agreed to separate this out in the accompanying notes to the accounts (Note 15).

The main movements in Creditors: amounts falling due within one year were discussed. These include:

- provision in full for funding clawback for funding drawn down by a sub-contractor for ineligible learners.
- an increase in accruals relating to a late invoice from ISG contractors received after 31 July for building works carried out before the year end.
- Non-payment (on the advice of the consultant that has been working with the College) of VAT repayments due under the Lennartz scheme. A decision on the College's claim should be made in spring 2016.
- An increase in net pension liabilities of £2m. The assumptions used for the latest actuarial valuation include a small increase in life expectancy and a change to the discount rate applied. Governors questioned the assumed rate of increase in salaries (4.4% at 31.7.15) and were advised that the College has challenged the assumptions in the past. The actuary believes the rates are correct over the lifetime of the liabilities.

Cash Flow Statement

Overall there was a healthy increase in cash during the year. Governors asked about the going concern statement and, in relation to the College's cash flow profile for the first quarter 2016, whether an overdraft facility or support from the funding body would be required. It was reported that the College has had an overdraft from the bank for the last two years and would seek support for short term finance in 2016

Notes to the Financial Statements

Governors' attention was drawn to the accounting policies. No changes have been made to the accounting policies, but an additional statement has been added under the basis of preparation because some comparatives have been restated to reflect updated guidance issued by the Association of Colleges. This is purely presentational and does not impact on the Income and Expenditure Account or the Balance Sheet.

Subject to the additional disclosure in the notes as above, and the approval of the Audit and Compliance Committee, it was AGREED to recommend the Report and Financial Statements 2015 to the Board for approval.

2.2. Management Letter

CIC/RC/15/5/2, draft Report to the Audit and Compliance Committee on the Financial Statements and Regularity Audit for the Year Ended 31 July 2015, was received for information.

The increase in staff costs as a percentage of revenue was discussed. There are a number of contributory factors to the increase in staff costs including:

- the increases in pension and national insurance costs.
- the additional cost of delivering the English and maths requirement. The £400 premium which the College receives for every student that is required to study English and maths does not cover the cost of the extra classes (32 last year).
- car parking and security is no longer outsourced and these staff are now employed by the College. Similarly print design work has been brought in house, increasing the staffing in Marketing. Savings have been made overall.

It was noted that the College met the requirements of all bank loan covenants in the year..

In the past the College has found it difficult to achieve its Apprenticeships and Work Based Learning budgets but in 2014-15 apprenticeships starts exceeded budget.

The changes to United Kingdom Reporting Standards (UK GAAP) were noted, in particular the need to accrue for holiday pay which will impact on the Income and Expenditure account, and the change to the accounting treatment for deferred capital grants which will be shown as a liability within creditors.

Governors thanked the College's Finance Staff on a satisfactory year end position.

3. Minutes

The minutes of the meeting held on 21st September 2015 (CIC/RC/15/5/3) were received and confirmed. The Chair signed the minute book.

4. Matters arising from the minutes

None, other than on the agenda.

5. Chairman's Action since the last meeting

The Chair approved (28.10.15) the award of the cleaning contract to Enterprise Support Services UK Ltd, who were judged to be the best following a competitive tender exercise through the Crescent Purchasing Consortium framework. CIC/RC/15/5/4, Cleaning Contract Procurement Exercise Position Paper and Recommendation to Award, was received and noted. The contract, which is for the Sheepen Road campus and the College at Braintree, represents a saving on the current contract, and includes additional floor space for the South Wing building.

6. Financial Monitoring

CIC/RC/15/5/5, September 2015 Management Report [Period 2], was received and presented by the Vice Principal: Finance and Operations. It was noted that Work Based Learning (WBL) income is currently below budget; this may be due to the timing of the enrolments. Year to date FE loan income is also below budget and could be an early risk. FE tuition is higher than budget, suggesting that there might be more funded adult learners than learners accessing loans. It is hoped that these two budget lines will offset each other by the end of the year.

Salaries are currently lower than budget. The part time hourly paid budget, which has been cut for this year, is the biggest risk for the full year. The hours previously associated with withdrawn provision (ESOL and Trades Union Studies) have been removed and the College is looking to engage more core staff rather than part time hourly paid staff this year.

Governors asked if the College was adequately promoting the availability of FE loans to potential learners and were advised that information is available on the website and every course at Level 3 and above which is eligible for a loan includes a link to more information about the availability of loans. Most Course Leaders and Area Heads with level 3 provision are also aware of the availability of loans. The difficulty is that FE Loans are only available to learners aged 24+ on a Level 3 course or above; students studying a level 2 course, or aged 22/23 on a Level 3 course can't access them.

The cash flow forecast was discussed. It was reported that the College is doing everything it can to mitigate the FE funding adjustment in November and January and a range of initiatives are underway to recover the situation, including deferring non-essential spend and minimising the expenditure on equipment in the South Wing.

7. Property Issues

7.1. South Wing

It was reported that for various reasons the South Wing, which had an original completion date of 4 September, is three months late in delivery and is estimated to be £200k over budget. The 43 week build programme was an optimistic timeframe with very little room for contingency. Work on site started a month later than planned, and over the summer materials were held up by the French ferry worker strike. The professional team were under pressure to provide information to allow the contractors to meet these deadlines and were not always able to provide a quick turnaround of information. The College incurred additional cost when it was decided to consolidate science provision in that block and put two science labs in the South Wing. The contractor is making a claim against the College for extensions of time; but the College is entitled to claim liquidated damages. The Vice Principal: Finance and Operations is in negotiation with the ISG Regional Director over what is fair and reasonable, and it is hoped to reach agreement on where the costs should lie by 4th December. Governors asked if the College was claiming against the professional team for not dealing with issues in a timely manner and was advised that this was not necessarily the main driver for delay.

The professional team have suggested that the College should not take over the building until it is 100% complete, which could be February 2016. The College would like to reach an agreement on or before 4th December which will allow the College access to bring across the library and start fitting out whilst the external work is being completed in order to be operational for January 2016. The Skills Funding Agency require the building to be operational as soon as possible and the Vice Principal: Finance and Operations is in regular dialogue with the Head of Capital projects.

7.2. Braintree Campus Developments

The planning application for the STEM building has been registered by Braintree District Council. The 12 week determination period ends on 4th February 2016; the College needs to receive planning by 31 January to comply with the grant of funding. The Council is aware that if planning is not received the grant becomes null and void. The College will tender for the project prior to planning and make the appointment once planning has been agreed.

The public consultation resulted in 12 positive responses. Two negative responses were subsequently received, one around the look and design of the building; the other about parking availability. The parking situation has since been alleviated by removing the

student car parking charge at the College at Braintree and currently there is generally 50% spare capacity on a daily basis.

8. Principal's Report November 2015

CIC/RC/15/5/6, Principal's Report 2015, was received and noted. It is too early to say whether the high level performance targets will be achieved, but at this stage there are no areas of concern.

Governors were delighted to learn that Media Lecturer Reg Thompson had won the Teacher of the Year Award in the North Essex Education Awards.

The national context and the implications for vocational further education were discussed. It was reported that the end of two year programmes had been announced the previous week and earlier that day the Prime Minister announced at the CBI Conference that his vision for the future was for students to be enrolled on an apprenticeships or higher education. It has also been rumoured that the EFA (Education Funding Agency) is thinking of limiting the number of years that a student is funded to two.

9. Update on Employee Relations

It was noted that the national office of UCU have called for strike action on 10th November. The College has communicated with staff and students. The College has a good record of most classes going ahead during national strikes but there may be one or two areas where it is necessary to cancel some classes on the day. The College has heard from the local branch that they have voted not to set up a picket line.

10. Annual Report to the Board 2014-15

CIC/RC/15/45/7, Resources Committee Annual Report to the Board 2014-15, was received, considered and approved for submission to the Board, subject to correcting the membership section to include Sue Thompson-Arnold.

11. Date of next meeting

Tuesday, 26th January 2016 at 4.30 pm.

12. Any other Urgent Business

12.1. James Cleverly MP

Brenda Baker reported that she had met with Braintree MP James Cleverly the previous week and had raised with him her concerns over the Government's education policy.