

Colchester Institute Corporation

*Minutes of a Meeting of the Resources Committee  
held on 3<sup>rd</sup> October 2016  
at the Sheepen Road Campus*

**Present:**

Richard Wainwright, *in the Chair*  
Alison Andreas  
David Gronland

David Kerridge  
Karen Tarling  
Sue Thompson-Arnold

**In attendance:**

Gary Horne                      Executive Vice Principal: Finance and Corporate Development  
Hazel Paton                      Clerk to the Governors

Apologies for absence were received from Brenda Baker and Christopher Bridge.

**1. Declarations of any conflicts of interest**

None.

**2. Minutes**

The minutes of the meeting held on 19<sup>th</sup> July 2016 (CIC/RC/16/4/1) were received and confirmed. The Chair signed the minute book.

**3. Matters arising from the minutes**

**3.1. VAT and 'Brockenhurst College' Claim**

It was reported that the College had attended a pre-hearing for the Lennartz claim on 18<sup>th</sup> August 2016. During the pre-hearing the matter of the Brockenhurst claim came up and the Judge ruled that HMRC were acting unlawfully by not repaying colleges in respect of Brockenhurst claims. Colchester Institute submitted a claim for exempt supply activity in the salons and restaurants amounting to £99k and that claim has been confirmed as repayable. Payment is expected to be received shortly.

There are two elements to the Brockenhurst claim: (i) fee paying adult learners working in the salons and restaurants and (ii) 16-18 learners. The College's claim for £99k is only for the 16-18 learners where there is no dispute that they are fully grant funded and there is no VAT element. The Brockenhurst decision has been appealed once by HMRC and has now been referred to Europe. This could potentially give rise to a further £108k being refunded but it is not thought likely.

**3.2. VAT and Lennartz**

It was reported that a pre-hearing had taken place on 18<sup>th</sup> August 2016 and the three day hearing will be held in early 2017. The Executive Vice Principal: Finance and Corporate Development is working with the consultants to supply 180 different types of information ranging from funding allocations to ILR information in order to demonstrate how the College's funding is received. The consultants will be visiting the College during week commencing 10 October to help the Principal and Executive Vice Principal finalise their witness statements.

#### 4. Financial Monitoring

CIC/RC/16/4/2, July 2016 Management Report [Period 12], was received and considered. The Executive Vice Principal: Finance and Corporate Development outlined the main factors which had contributed to the yearend operating deficit of £887k, which will result in Inadequate financial health being reported the Skills Funding Agency (SFA). The further deterioration in period 12 was largely due to:

- (i) A shortfall in tuition fees due to further late student withdrawals
- (ii) Additional pay costs due to pay in lieu of notice costs triggered in the first week of July and higher enhanced pension costs.
- (iii) High needs student income (£336k) from Essex Country Council, which was forecast within the FE Funding line, had already been received and recognised within the Other Income line.

Some immediate actions were taken including reviewing and revising the budget 2016-17 and three year financial plan and a greater focus on finances across the organisation. A range of initiatives have been taken to reduce costs and a 26 point action plan put together. The Executive Vice Principal: Finance and Corporate Development has given presentations to every member of staff with budgetary responsibility on what went wrong last year and how to put it right going forward. Governors asked if the actions in the 26 point action plan had been costed and were advised that at this stage savings of £376k, in addition to the savings made in the revised budget, have been identified.

Governors were concerned at the forecast miscoding of the high needs income and asked how this had occurred and what actions were being taken to prevent this happening again in the future. It was reported that the high needs student income is a top up to the FE grant income. When the budget was put together it was included on the FE funding line and it was included in the forecast position on this budget line. When the funding was received the Finance Department coded it against Other Income rather than Funding Income so it was recognised in two places in the income and expenditure account in period 11. It is proposed that over time the planning for the budget process will be much more detailed and the Finance Department will be involved much more in the budget setting process. Curriculum planning will start much earlier and the Executive has already made some decisions regarding the curriculum for 2017-18.

Governors questioned the underperformance on the Other Income line and were advised that this was due to underperformance on the Special Projects Income line. This has been an issue over a number of years and the budget has been reduced to a more realistic £120k in the revised budget 2016-17. The Faculty of Health and Education has almost doubled its Special Project income target for 2016-17 already; the other two Faculties have more work to do in this area.

Governors asked about the position of the Bank and the Financial Statements Auditors. It was reported that the College meets regularly with the Relationship Director and the Bank was alerted at an early stage to the year-end position. The Bank recognises the actions that have already been taken and are keen to be as supportive as possible. The Relationship Director has indicated that they will be recommending that a letter of waiver is agreed. There is also a risk that they will seek to increase the interest rate (currently fixed at 4.59%). The Auditors are understanding of the situation.

Governors asked if the College needed more resources within the Finance Team. It was reported that action had already been taken to reduce the workload of the Executive Vice Principal: Finance and Corporate Development. A Capital Projects Manager has been recruited, funded through the capital work, to deal with the £6m Sports Centre development

programme on a day to day basis and oversee the withdrawal from Coopers Drive, Braintree. The post has been filled by moving the Facilities Manager to Braintree until the end of April 2017 and backfilling the Facilities Manager role with an interim secondment. There have also been changes to line management responsibilities. The Health and Safety Manager now reports to the Capital Project Manager; the Director of Funding Information now reports to the Executive Vice Principal: Curriculum, Planning and Quality; and apprenticeships and sub-contracted work are now the responsibility of the Head of Apprenticeships.

It was reported that the Financial Statements Auditors had just completed their fieldwork on the data and there should be no further changes to the preliminary results. There are some added complications around FRS102 reporting and the additional work around holiday pay accrual and disclosure of senior leadership team salaries.

Referring to the write off of professional fees (£218k) on the aborted capital project at The College at Braintree Governors asked if there were learning points for future capital projects. It was reported that the concerns at The College at Braintree were around the conservation zone and for future schemes the College needs to bear in mind the risks around planning, particularly at the Sheepen Road site which is an ancient monument.

Governors asked what action was being taken to address the high withdrawal rate on apprenticeships. It was reported that the previous monthly monitoring meeting have been replaced with weekly meetings involving the Directors of Faculty, Business Development Manager, and Head of Apprenticeships, to run through success rates against apprenticeship framework; starts against profile and commercial income. The biggest risk to apprenticeship income is the funding reforms. From 1 May 2017 all employers (unless they have less than 50 staff) will have to make a contribution towards 16-18 apprenticeship framework funding. Apprenticeship funding is being cut by as much as 70% for some frameworks and it may not be cost effective to run some frameworks after 1 May 2017. It is in the interests of the College and employers to start new apprentices as soon as possible.

## 5. **Financial Targets 2016-17**

CIC/RC/16/4/5, All Targets 2016-17, was received and the targets for Financial Health were considered and accepted. The targets represent the figures in the revised budget and progress will be tracked through the Principal's monthly report and the Monthly Management Reports. The Committee supported a proposal that some indicators for human resources should be included this year. Appropriate targets are being considered and will be presented to the November Resources Committee meeting.

## 6. **Local Government Pension Fund**

The Committee received and considered:

- CIC/RC/16/4/6, Essex Pension Fund Pension accounting disclosure as at 31 July 2016, and
- CIC/RC/16/4/7, Request from Essex Pension Fund to provide a form of security over the on-going deficit.

The Executive Vice Principal: Finance and Corporate Development reported that the Financial Statements Auditors had felt that there was a need to challenge the assumptions in the accounting disclosure issued in August 2016. The College had therefore joined with Chelmsford College and South Essex College to put a proposal to Essex Pension Fund to revise the assumptions. Version 2 of the accounting disclosure is based on CPI (Consumer Price Index) and the impact has been to reduce the long term deficit position by £4m. The Financial Statements Auditors have confirmed that they would accept the revised position in the year end accounts.

The request to provide a form of security over the on-going deficit was discussed. It was reported that the Bank had suggested that when the valuation report for Sheepen Road is available that the College offers Essex Pension Fund a second legal charge on the Sheepen Road campus. This was supported by the Committee as the preferred way forward. A formal proposal will be brought to this Committee once the valuation of the Sheepen Road campus is available.

## **7. Student Enrolments 2016**

Governors noted the current position with regard to student enrolments 2016.

It was reported that the College has enrolled 4277 16-18 FT FE learners against a funded target of 4105 with future additional planned enrolments of up to 40 by the end of 2016. The number of adults enrolling on full time courses is higher than anticipated (502 against a target of 250). The level of funding generated by these adult students will not be known until the ILR is run in late November.

The College has signed up 308 apprentices against a target of 910 with another 100 in the process of being signed up. Two of the three Faculties are at or above profile for apprenticeship enrolments.

HE recruitment started better than last year against a lower target of 755 FT students on all years. The College has recruited 736 HE students with a further 15-20 planned enrolments on a teacher training course due to start in February 2017. Part time enrolments are ahead of target.

It is too early in the year to report on full cost and special project income although one Faculty is already on target to achieve.

## **8. Property Issues**

### **8.1. STEM Centre, The College at Braintree**

It was reported that planning permission has been received for the conversion of the Sports Hall and the College is working with officers to agree a Deed of Variation on the original scheme allowing the cash to be drawn down. The target completion is end of March 2017.

### **8.2. Sale of B Block, The College at Braintree**

It was reported that following protracted legal dialogue the College received confirmation on 30 September that the solicitors acting for both parties are happy that everything is in place in order to exchange contracts and complete the sale.

## **9. Sub-Contracting**

The Committee received, considered and accepted CIC/RC/16/4/8, report on sub-contracting activities, and CIC/RC/16/4/9, Contract Contingency Arrangements. The Planned Funding Profile 2016-17 was approved by the Committee and signed by the Committee Chair.

**10. Rental Charges 2016-17**

CIC/RC/16/4/10, rental charges 2016-17, was received, considered and APPROVED. The rental charges are being held at 2015-16 levels as the College tries to remain competitive in the current market place.

**11. HE Tuition Fees 2017**

CIC/RC/16/4/11, Undergraduate and Postgraduate Fee 2017 to 2018, was received and considered. The proposal to increase the fees for undergraduate provision to the maximum permissible level of £9250 for the academic year 2017-18 was discussed. It was reported that the market is no longer price sensitive for learners and the College will be offering bursaries. Up to 400 further education students go on to an HE programme each year and it is hoped that the proposed bursaries will encourage more students to progress at Colchester Institute rather than go elsewhere.

It was AGREED to recommend the Undergraduate and Postgraduate Fee 2017-18 to the Board for approval.

**12. Financial Regulations and Associated Procedures 2016-17**

CIC/RC/16/4/12, Financial Regulations and Associations Procedures (FRAP) 2016-17, was received, considered and APPROVED. It was noted that the Financial Regulations had been reduced substantially as a result of a project looking at the Data Protection Act and realigning policies, which found duplication. A number of policies incorporated within FRAP have also been removed and are now standalone. A programme of training on FRAP is planned for budget holders.

**13. Date of next meeting**

The meeting scheduled for Tuesday, 8<sup>th</sup> November had been moved to 4.30pm on Monday, 28<sup>th</sup> November 2016. The Financial Statements Auditors will present the Annual Accounts 2015-16.

**14. Any other Urgent Business**

None.