

Colchester Institute Corporation

*Minutes of a Meeting of the Resources Committee  
held on 19<sup>th</sup> July 2016  
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 Vice Principal: Finance and Operations  
Hazel Paton Clerk to the Governors

Apologies for absence were received from David Gronland.

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

None.

**2. Minutes**

The minutes of the meeting held on 21<sup>st</sup> March 2016 (CIC/RC/16/3/1) were received and confirmed. The Chair signed the minute book.

**3. Matters arising from the minutes**

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

CIC/RC/16/3/2, copy of a 'Brockenhurst College' claim made to HMRC on 23<sup>rd</sup> June 2016, was received and noted. Brockenhurst College took their claim based on what should be exempt supply activity from salons, restaurants, etc through an appeals process and HMRC lost the argument. The Consultants acting on behalf of the College have submitted their invoice for a percentage of the value of the claim.

**3.2. VAT and Lennartz**

CIC/RC/16/3/3, copy of a letter to HMRC relating to the College's Lennartz claim, was received and noted. The claim will be heard in the Tax Tribunal and it was reported that a second pre-hearing had been arranged in Birmingham on 18<sup>th</sup> August which the Vice Principal: Finance and Operations would attend on behalf of the College. Both the Principal and Vice Principal: Finance and Operations will be asked to prepare witness statements for the first tier tribunal, which is expected to be held in October.

Governors sought clarification on how this is being treated in the accounts. It was reported that the College stopped making annual repayments to the Revenue two years ago and has a long term liability of £800k. The Lennartz claim is higher because the College is also able to reclaim payments previously made under the Scheme.

#### 4. **FRS102 Impact on Financial Covenants for Further Education Borrowers**

CIC/RC/16/3/4, briefing from Barclays Bank explaining the impact the Financial Reporting Standard 102 (FRS102) will have on financial covenants for FE borrowers, was received and noted. The Vice Principal: Finance and Operations reported that new covenants need to be agreed by 31<sup>st</sup> July and that he had been asked by the Bank to propose new covenants.

The College has two covenant calculations. The first (debt servicing cost) will not change. The other is an operating surplus calculation. The Vice Principal: Finance and Operations has looked at the new Statement of Comprehensive Income and within the Statement there is a way of getting back to our existing loan covenant calculations so there is no reason why the existing covenants need to change. A proposal to provide the Bank with the draft Financial Plan, showing that the existing covenants can continue to be used, was supported by the Committee. If this is not accepted by the Bank, the matter should be referred to the Committee Chair.

#### 5. **Financial Monitoring**

CIC/RC/16/3/5, May 2016 Management Report, was received and considered. It was noted that the year to date income was £2m short of budget and the College is projecting a year end deficit. The Vice Principal: Finance and Operations reported that the figures for Period 11 (June 2016) are slightly worse and any further deterioration could result in a breach of the terms of the loan covenant. The new financial health calculations under FRS102, which use earnings before depreciation and interest, benefit the College. The College has high depreciation and interest charges which mean it is able to generate more points on the performance ratio and current ratio and should retain a financial health rating of Satisfactory.

Governors asked the cause of the deterioration between Periods 10 and 11 and were advised that a number of budget lines had not improved as expected and expenditure exceeded budget. The HE line made a loss in the month of £25k and the College had to buy in more sub-contractor services (Learning Curve) to deliver FE adult work causing an overspend on the supplies and services line. Pay costs were also slightly above budget, largely due to a small number of redundancies and payments in lieu of notice. The College is working hard to further control expenditure in the last few weeks of the financial year to ensure it meets the terms of the bank loan covenants.

Governors questioned the withdrawal rate of in years starts (7.5%) in work based learning and were advised that the reasons for withdrawal varied. Some employers take the decision to make staff redundant. As an example it was reported that a local employer of apprentices in the hospitality sector had sacked all the staff rather than looking to redeploy them during a six month period of closure for refurbishment. The College needs to make sure that the apprentices are suited to the work place they are going into and that they stay on course in the same way as the 42 day initiative for mainstream learners. The Apprenticeships Quality Manager is looking at whether quality interventions are needed. Governors asked if the withdrawal rate was taken into account in the budget. It was reported that the budget is based on the numbers put forward by the curriculum areas. The intention is to over achieve on actual enrolment figures to compensate for drop outs. There is an achievement payment associated with apprentices and the College works to 80% achievement in calculating likely funding income.

The cash flow forecast was discussed. It was reported that the May Report included £1.2m income from the sale of B Block at The College at Braintree to Braintree District Council. This income was forecast to be received in July but will now not be received until September. Although the transaction has been approved by the Council's Cabinet it now has to go to a full council meeting in September. In response to a question it was reported that the overdraft

facility provided by Barclays earlier in the year was an interim arrangement for two months only and has now expired. However the bank has intimated that if the College needed a similar facility in the future they would be supportive. It was reported that Metro Bank has agreed a £500k loan facility, subject to an arrangement fee, should the College need it in the future. The Bank would want to secure the loan on some property at The College at Braintree.

Governors noted a significant increase in the level of debt over six months (80%) compared to the same period last year (58%) and sought more information on the debt on hold and under query. It was reported that the debt on hold relates to a sub-contractor and is currently with the College's solicitors. The College has made a without prejudice offer and is currently waiting for a three month notice period to expire on 20 July. An update on the position should be available for the next Board meeting. Debt that is under query could be where the College is in discussion with the student over whether they intend to pay the invoice or the Student Loan Company, or between an employer and the student where the employer said they would pay and the student subsequently left the organisation. The Financial Controller has been asked to provide a report every two weeks which will be appended to the aged debtor schedule to show the progress that is being made.

Governors noted that staff sickness absence appeared to be rising, and highlighted Construction and Engineering Technologies which had the highest average days absent per absent employee (5) in May. It was confirmed that there are one or more cases of long term sickness in that department. The Director of Human Resources has been asked to focus on bringing cases of long term sickness to a conclusion and has had some success in this area. The Director of Human Resources has also been asked to prioritise the monitoring and reduction of sickness absence from the start of the new academic year, and ensure that there is no under-reporting of sickness absence. Staff were made aware of this initiative at the end of year staff address in July, and it has been emphasised to managers in their annual update that they need to be more proactive about return to work processes. Arising from the discussion it was confirmed that from August the core staff sickness analysis would include comparator information. Governors also asked to receive a breakdown of the reasons for absence. Governors asked if the HR Team had the capacity to undertake this work and were advised an HR Manager, funded through savings in other posts, would join the Team in September and would be able to take on some of this project work.

Karen Tarling left the meeting

## **6. Budget 2016-17**

CIC/RC/16/3/6, Corporate Budget 2016-17, was received and considered. The Vice Principal: Finance and Resources reported that it had been a difficult budget setting process as the College tried to balance reduced income against some key funding lines and increasing costs of employment (additional national insurance contribution costs and the apprenticeship levy). Consultation with the unions over teachers' pay and conditions started in March and it has been agreed that lecturers will deliver an extra hour of contact time per week and the contact time for students on Level 3 programmes will be reduced. These actions were necessary to achieve a standstill budget on the salary line. In addition the College Executive has looked at the structures in every department and in many areas there will be fewer staff going forward as a result of posts not being replaced or a minor restructure. As an example, the retirement of the Director of Faculty: Creative Arts has provided the opportunity to merge two faculties to create the Faculty of Creative Arts and Health and Education, achieving a considerable saving in salary costs. The increase in teachers' contact hours has enabled a £500k reduction in the part time hourly paid budget line.

The under recruitment of HE full time learners this year (78) has had a knock on effect on the budget as there is less opportunity for progression. Further reductions on the HE fees line and funding line are believed to be prudent as lower student numbers result in less Central Government grant funding for widening participation, capital funding and additional learning support. The College is budgeting for 755 full time HE students compared to 854 currently enrolled. Initiatives to promote HE include the new University Centre Colchester brand and an action plan for HE which will be taken forward as part of the new marketing strategy. Not all HE courses have an FE feeder course and longer term changes to the curriculum offer need to be made. FE tutors need to do more to promote the HE programmes and encourage learners to stay at Colchester Institute rather than progress elsewhere.

Governors questioned the increase in apprenticeship starts at a time when there is uncertainty over the impact of the introduction of the apprenticeship levy. It was reported that those who do not qualify for the levy will be required to pay 10% of the framework value. This is currently free for 16-18 learners and could be an incentive for employers to get apprentices enrolled before the introduction of the levy on 1<sup>st</sup> April 2017 (current timeframe for its introduction - although it may be delayed given recent government and ministerial changes).

Governors questioned the savings on the Supplies and Services line and were advised that this related to a reduction in sub-contracting charges. Looking at the curriculum plan and application numbers (28% higher than last year) the decision was taken not to work as much with VLUK to deliver adult FE and 16-18. A greater percentage of our Apprenticeship work will also be delivered in-house.

Governors noted the budget predicts significant growth on current year income levels and asked if this was achievable. It was reported that this was driven by a new employer engagement strategy developed in conjunction with FE Business (consultants) and by agreed curriculum plans for each faculty. It is supported by a fully detailed and profiled plan and examples of the courses by faculty that support the full cost plan were made available to the Committee. There will be weekly meetings between the faculties and the dedicated sales team that work with employers. The level of detail in the plans will enable the College to quickly identify any slippage and take corrective action.

Arising from the discussion it was reported that the budget holders and those responsible for income and expenditure would be required to attend regular meetings to monitor how successful they were in earning income and controlling expenditure and to take prompt corrective action where performance was not as expected.

It was agreed to recommend the Budget 2016-7 to the Board for approval.

## **7. Financial Plan**

The Committee received and considered:

- CIC/RC/16/3/7, Financial Planning Checklist,
- CIC/RC/16/3/8, Financial Plan 2016-18

The Vice Principal: Finance and Operations reported that following discussion by the College Executive earlier that day he would like to propose an updated and improved version of the Plan for the Board. He presented the revised Plan, drawing Governors attention to key points:

- Details of the planned preventative maintenance programme is awaited from Facilities, otherwise the checklist has been covered and we can respond positively to each question.

- The structure of the plan has changed significantly. The Income and Expenditure Account has been replaced with a Statement of Comprehensive Income which treats costs differently.
- 15% growth in apprenticeship numbers next year (1114 including sub-contracted numbers, of which 910 will be delivered by the College) and predicted 10% increase in adult and 15% increase in 16-18 learners going into 2017-18. There is a risk around trailblazer apprenticeships and the Apprenticeship Levy.
- In the current budget there is no provision for a cost of living increase but there will be an opportunity for a 1% pay increase in 2017-18 on top of the 1% for increments and an allowance for 12 additional lecturing staff to deal with additional learner numbers.
- The College will return to Good Financial Health at the end of 2017-18.
- The cash position will continue to improve despite ongoing capital investment.

Governors asked what the main difference was between years 1 (current year) and 3 (2017-18) and were advised that it was an increase in 16-18 learner numbers. This year the College was funded for 4114 learners (actually enrolled 4010). Applications are up 24% for next year. If the College over recruits in September, under the lagged learner numbers funding methodology it will have a beneficial impact on funded learner numbers for 2017-18. If the College enrolls 4170 16-18 learners it will receive another £700k in 2017-18. Governors asked if the population profile supported this increase and was advised that in Essex, all districts except for Braintree are showing considerable growth in 16-24 year olds over the next decade. It is also about competition. The College is in a strong position with a good Ofsted report, new buildings and good progression rates.

Governors noted the ratio of teaching to support staff will move from 70%:30% in 2016 to 60%:40% and asked whether this was achievable with more learners. It was reported that class sizes would be larger, but the main reason for larger numbers of support staff is to do with the nature of the learners – more apprentices mean more assessors and these are business support rather than teaching posts.

Arising from the discussion it was noted that the Braintree Local Plan includes a new small town between Braintree and Colchester of 3000 homes and a substantial number of new employers. This will provide new opportunities for the College.

The Committee reviewed the three year financial plan and checked it aligned to the College's strategic plan.

It was agreed to recommend the Financial Plan 2016-18 to the Board for approval.

## 8. Property Issues

### 8.1. Phase 1 STEM Innovation Centre

It was reported that the planning application was submitted at the start of the July and is two weeks from determination. Cadman Construction has been appointed and they are working with the previous design team to deliver the scheme. Work is due to start in the first week of September and should be finished by March 2017. The work is self-contained and will run alongside the work on B Block to convert it into a surgery. There will be no disruption to the operational part of the College in the middle of the campus. Hair and Beauty will continue to be delivered in a segregated area of the building.

**9. Fees Policies 2016-17**

**9.1. FE Fee Policy 2016-17**

CIC/RC/16/3/10, FE Fees Policy 2016-17 was received, considered and accepted for recommendation to the Board. Most of the changes reflect changes to Government funding policy. The most fundamental change is that learners aged 19+ will no longer be eligible for funding at Level 3 unless it is their first full Level 3 programme.

**9.2. HE Fees Policy 2016-17**

CIC/RC/16/3/11, HE Fees Policy 2016-17, was received and noted. The Policy had been approved by the Corporation Chair on 23.06.16 as it had to be submitted to the Office of Fair Access.

**9.3. International Fees Policy 2016-17**

CIC/RC/16/3/12, International Fees Policy 2016-17, was received, considered and accepted for recommendation to the Board. It was noted that a small increase had been applied to the fees for 2016-17.

**9.4. Employer Contribution Fees and Charges Policy 2016-17**

CIC/RC/16/3/13, Employer Contribution Fees and Charges Policy 2016-17, was received, considered and accepted for recommendation to the Board.

**10. CBC Local Plan 2017-2032**

It was noted that Colchester Borough Council was currently consulting on its Local Plan 2017-2032 and agreed that the Board should comment on the plan. The Principal agreed to draft a response.

**11. Date of next meeting**

Tuesday, 13<sup>th</sup> September 2016 at 4.30pm.

**12. Any other Urgent Business**

There were no items.

**Part II – these minutes are not confidential but the supporting papers are confidential**

**13. Part II Minutes**

The Part II minutes of the meeting held on 21<sup>st</sup> March 2016 (CIC/RC/16/3/14) were received and confirmed. The Chair signed the minute book.