

Colchester Institute Corporation

*Minutes of a Meeting of the Resources Committee
held on 3rd October 2017
at the Sheepen Road Campus*

Present:

Richard Wainwright, <i>in the Chair</i>	David Kerridge
Alison Andreas	Karen Tarling
Christopher Bridge	

In attendance:

Gary Horne	Executive Vice Principal: Finance and Corporate Development
Shaun McConnell	Executive Director: Human Resources
Hazel Paton	Clerk to the Governors
Jill Wognum	Executive Vice Principal: Curriculum, Planning and Quality

Apologies for absence were received from Brenda Baker and Mark Davies.

1. Declarations of any conflicts of interest

None.

2. Minutes

The minutes of the meeting held on 11th July 2017 (CIC/RC/17/4/1) were received and confirmed. The Chair signed the minute book.

3. Matters arising from the minutes**3.1. VAT and Lennartz**

It was reported that the decision was awaited. The judge had suggested that it would take some time to sift through all the information that was presented during the three day hearing. There has been some without prejudice dialogue between HMRC and the VAT consultants advising the College in terms of "what if" scenarios dependant on the outcome. These have largely been about the treatment of VAT going forward. Currently the College is able to reclaim only a very small proportion of VAT incurred on its expenditure through partial exemption methodology.

The College is informed that the FE sector is in a better position than before the tribunal in that HMRC had always suggested that further education was non business but now recognises that it is business activity. The secondary argument, which is for the judge to decide, is whether further education is deemed an economic activity or not. Given the case law supporting the College's position, senior staff remain confident of a favourable outcome. It is considered that there may be three possible outcomes:

- (i) Colchester Institute wins the case in full. It is thought that HMRC would appeal this outcome, subject to be given leave to appeal.
- (ii) Colchester Institute wins the main argument, but not the alternative argument put up by HMRC. Under such circumstances it could be that neither side would appeal this outcome.
- (iii) Colchester Institute loses both arguments and a decision would need to be considered on whether an appeal would be advantageous.

In response to questions from Governors it was reported that in terms of accounting treatment for the draft financial statements 2016-17, all existing liabilities have been included within the balance

sheet, subject to any final decision before sign off in December. Should the College win the case the balance sheet positioning will be vastly improved.

It was reported that because HMRC issued an assessment over five quarters from January 2015 to January 2016 the College has had to pay £584k in September in order to continue to appeal against that assessment. Governors will receive a revised cashflow forecast at their next meeting.

Governors thanked the Executive Vice Principal: Finance and Corporate Development for his appearance at the Tribunal as a witness on behalf of the College.

4. Financial Monitoring – July 2017 Management Report

CIC/RC/17/4/2, July 2017 Management Report and Accounts [Period 12], was received and considered. It was reported that the outturn position was a £485k surplus, £84k better than the budgeted outturn. This was achieved as a result of further expenditure savings during July. The financial health calculation reported in the forecast has also improved from 120 financial health points (based on a £402k surplus) to 140 financial health points.

It was noted that targets in the Financial Recovery Plan were all RAG rated green by the end of the year.

It was reported that the external audit field work was now complete. The College has received verbal feedback on the audit and there could be a further improvement on the balance sheet position in connection with calculations pertaining to the holiday pay accrual. It is not envisaged that there will be any change to the declared surplus, subject to auditors ongoing enquiries.

The cashflow forecast was discussed. Governors noted a potential pinch point if the £584k payment to HMRC is not repaid to the College before January 2018. It was reported that the advice of the consultants is that this sum should never have been assessed or paid over. The Executive Vice Principal: Finance and Corporate Development reassured the Committee that the actual cash flow figure for August 2017 was £200k better than the forecast position and the clawback on the FE funding line will be reduced by about £100k. The end of year ILR reconciliation statement received the previous day showed that the under-delivery on the adult apprenticeship line was much lower than projected at the time of the report and in the budget. As a further measure, the College is meeting with a company that provides short term credit facilities for FE colleges. Governors were reminded that the College has to wait until Period 10 (May) to receive half of its HE fee income (c£3m). This specialist company provides loans against Student Loan Company (HE) fees, which would enable the College to potentially bring forward that income should it need to if there is a shortfall in January-March 2018. The money would only be drawn down for the minimum amount of time possible, if at all required.

5. Essex Pension Fund

5.1. FRS107 Report

CIC/RC/17/4/3, FRS102 Report for Colchester Institute as at 31 July 2017, was received and noted. It was noted that the deficit on the balance sheet has reduced from £28.7m last year to £27.6m this year as a result of the factors that make up the FRS102 calculation. It was reported that the College has asked for the salary growth figure to be reduced to CPI rather than RPI, which is the standard procedure.

5.2. Advisory Report commissioned by Colchester Institute

CIC/RC/17/4/4, Advisory report commissioned by Colchester Institute, was received and noted. The report was commissioned to look at alternative calculations and opportunities to improve the liability position further, and will inform discussions with the Essex Pension Fund next year when they will again be asking the College to provide security against the deficit.

6. Updated Financial Recovery Plan

It was reported that the next meeting with the Education and Skills Funding Agency (ESFA) is scheduled for 3rd November. This year the ESFA want a smaller Financial Recover Plan which they can monitor and feedback to the DfE. The College will be pulling out some key targets (enrolments, apprenticeships and Full Cost) and looking at other risk areas such as the pay line.

7. Apprenticeship Monitoring Report September 2017

CIC/RC/17/4/5, Apprenticeship Monitoring Report – 25th September 2017, was received and presented by the Executive Vice Principal: Curriculum, Planning and Quality. It was reported that by 25th September the College had enrolled 248 apprentices with a further 150 in the sign up process, against a profiled figure of 399 enrolments by the end of September.

It was reported that:

- (i) The College signed up a lot of additional learners in Construction and Engineering in July who would traditionally have been enrolled in September. This could have resulted in a deficit in September, but does not appear to have been the case.
- (ii) Contracts have been sent out to 190 employers. The College has to wait for the contract to be returned before they enrol the students.
- (iii) There is a new requirement this year in respect of learners under 19, who now have to have a parent sign the enrolment form, which is time consuming.

Governors noted a slow start in UCC and were advised that the figures will improve, especially part time enrolment numbers. A number of higher apprentices, mainly in Engineering, will be signed up by the end of the first week in October.

Governors asked if the 20% off the job requirement was having an impact. It was reported that nationally many employers have said this will stop them taking apprentices, but in the case of Colchester Institute we have not seen a particular impact so far. There does not appear to be an impact in industries such as Engineering and Construction that are used to day release programmes, and a great majority of our sign ups in the early part of the year are in these industries.

8. Financial and HR Targets 2017-18

CIC/RC/17/4/6, Headline Targets 2017-18 – Finance and Human Resources, was received, considered and approved. The financial targets reflect those in the budget.

The HR targets were discussed. It was noted that the College achieved the target of 20 staff apprentices by July 2017. The intention is that as they leave they will be replaced somewhere within the College. The type of apprentice will determine how much of the levy funding is used.

Governors asked if there are any incentives for staff not to take sickness absence. There are no incentives, but under the College policy there are mandatory return to work discussions to support staff. The Bradford Factor is used to determine if a formal meeting is needed. For long term sickness, there are indicative timescales for moving through the policy.

It was noted that the target for staff turnover has been increased from 12% to 15% in 2017/18. This is thought to be realistic and in line with comparative data from the AoC (18%) and CIPD (16%).

9. Feedback from ESFA Financial Case Conference

CIC/RC/17/4/7, draft Minutes of the Colchester Institute Financial Health Case Conference held on 14th September 2017, was received and noted. The focus of the meeting was the Period 12 Management Report.

10. **Principal's Report October 2017**

CIC/RC/17/4/8, Principal's Report October 2017, was received and noted. It was noted that further information has been issued in respect of Institutes of Technology. Expressions of interest have to be submitted by the end of October. There will be an opportunity to discuss this at the Board meeting on 11th October.

11. **Student Enrolments 2017**

The Principal reported a positive start to the year, with enrolments just slightly below the same time last year. The Principal reported that very positive things were being said about cohorts of students this year. She had entered a number of classrooms earlier that day as part of a learning walk with the Vice Principal: Curriculum Delivery and Performance, and they were universally told by tutors that it was the best group they had had in a number of years.

12. **Property Issues**

12.1. **Braintree Campus Developments**

CIC/RC/17/4/9, Final Heads of Terms in respect of the land sale at The College at Braintree, was received, considered and approved. Braintree District Council needs to submit a residential planning application by 31/03/18 and to have it approved by the planned completion of 31/12/18. It was reported that an alternative site has been found for the mobile phone masts on land that the College will be retaining for the STEM Centre.

12.2. **Update on Local Growth Fund capital bid resubmission**

It was confirmed that the bids had been submitted on the basis of two £5m projects to run in tandem with the land sale at Braintree. The Braintree project is for a new £5m building adjacent to the STEM Centre with a £1.25m College contribution from the proceeds of the land sale. Due to timing issues there could be up to 12 months of operation on a split site as the College utilises the remaining part of B Block.

The second project at Sheepen Road is an extension to South Wing to support Health and Social Care, again with a £1.25m cash contribution from the College. Discussions with representatives from Essex County Council have confirmed that should there be savings on one particular project there would be flexibility on use of funds. The indicative construction programme is from January to December 2019, with 15 months to design and achieve planning permission.

Governors asked about the disruption to students during the period of a split site arrangement at Braintree and were advised that the College is looking at how to minimise this.

13. **Subcontracting 2017-18**

13.1. **Report on Subcontracting Activities**

CIC/RC/17/4/10, Colchester Institute 2016/17 Outcomes for Subcontracted Delivery, was received, considered and APPROVED. It was reported that this was a transition period for subcontractors. By the end of the last academic year they had all applied to be on the register of training providers for levy employers and have had to retender to get on the register to work with non-levy employers. If they are successful, they will have their own contracts after December, and only continuing learners will be with Colchester Institute. It was noted that the management levy charges were changed this year to reflect the risk.

It was reported that the contract with VLUK for apprenticeships was not renewed this year because of quality issues in 2016/17.

14. **Contract Contingency Arrangements**

CIC/RC/17/4/11, 2017-18 Contract Contingency Arrangements – WBL Subcontractors, was received and noted.

15. **Venue Hire Rates 2017-18**

CIC/RC/17/4/12, Venue and Facilities Hire rates 2017-18, was received, considered and approved. It was reported that lettings performed well last year. No changes were proposed to the day to day room charges other than an increase to the fees for the Conference Centre at Braintree to reflect the improved facilities.

16. **HE Tuition Fees 2018-19**

CIC/RC/17/4/13, Undergraduate and Postgraduate Fees for academic year 2018-2019, was received and considered. It was reported that the fees that came in last year were not seen as detrimental and no changes were proposed for 2018-19.

The Executive Vice Principal: Curriculum Planning and Quality outlined the proposed changes from the current policy:

- (i) The employer discount (20%) offered to employers sponsoring students on a HE programme has been removed. This should not have a particular impact on employers, as this was taken up by employers for Higher National programmes and those students will now be encouraged to do a higher apprenticeship and the employer will get a much better fee.
- (ii) Last year Colchester Institute students who progressed onto a higher education course were offered a £500 cash bursary which was paid for the three years of the course. It is proposed that for 2018-19 the bursary for progressing students is offered as a one off extra payment for the first year only, as it is felt that after the first year it is disadvantaging other students.
- (iii) Remove the previous Postgraduate discount and introduce a tiered system of discounts.

It was AGREED to recommend the HE Tuition Fees policy to the Board for approval.

17. **Financial Regulations and Associated Procedures (FRAP) 2017-18**

CIC/RC/17/4/14, FRAP amendments 2016/17, was received, considered and approved.

18. **HR Plan 2017-18**

CIC/RC/17/4/16, HR Plan 2017-18, was received and noted. The Executive Director: Human Resources outlined the main areas of work for 2017-18:

- the review of hourly paid “bank staff” to determine whether there is an employment relationship was due to take place in March but was delayed. This initiative will now be taken forward in 2017-18 by the HR Manager. The number of staff who are truly “bank” will go down and some staff could potentially move over to salaried contracts, reducing the number of zero hours contracts which has been a long standing issue with the trades unions.
- There is a need to review the notice periods in contract of employment and to include express clauses around health and safety and criminal convictions. This will probably be taken forward for new employees joining the College.
- A programme of learning and development is planned. Teaching and learning development activity and Management Development will be running throughout the year. There will be specific training on the General Data Protection Regulation (GDPR) and Modern Slavery. CI as a business, which was run as a pilot workshop in 2016-17, will be rolled out during 2017-18. The workshops get people to reflect on CI as a business and how they can support the customer experience and internal colleagues.

- The HR system software is being upgraded, which will enable much better reporting and allow for self-service declarations – e.g. in relation to Vetting Check policy.

Arising from the discussion Governors asked if the College was looking at an alternative pension scheme for the business support staff. It was reported that currently support staff are still being automatically enrolled in the Local Government Pension Scheme (LGPS). Given that wages have not increased for a number of years, the LGPS is a good selling point in attracting people to the College in business support roles. Once the College is able to make cost of living increases and wages are more aligned to market rates the pension provision will be reviewed. It was noted that a new pension scheme has just been introduced for CIE Limited and those employees who transferred to CIE are now in the alternative scheme.

It was AGREED to recommend the HR Plan 2017-18 to the Board for approval.

19. **Date of next meeting**

Thursday, 30th November 2017 at 4.30pm. The Financial Statements Auditors will present the Annual Accounts 2016-17.