Colchester Institute Corporation

Minutes of a Meeting of the Resources Committee
held on 11th July 2017
at the Sheepen Road Campus

Present:

Richard Wainwright, *in the Chair*	Christopher Bridge
Alison Andreas	David Kerridge
Brenda Baker	Karen Tarling

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 Mark Davies.

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

None.

2. **Minutes**

The minutes of the meeting held on 28th March 2017 (CIC/RC/17/3/1) were received and confirmed. The Chair signed the minute book.

3. **Matters arising from the minutes**

None, other than on the agenda.

4. **Chair's Action**

The Chair approved (02.06.17) the award of a three year contract for reprographics equipment to Canon. CIC/RC/17/3/2, Reprographics Print Tender Proposal May 2017, was received and noted. It was reported that the contract value is half that of the previous five year contract and the new machines are much better.

5. **Financial Monitoring – May 2017 Management Report**

CIC/RC/17/3/3, May 2017 Management Report and Accounts [Period 10], was received and considered. It was reported that in May 2017 the College made a profit of £9k, £50k down on the Period 10 budget forecast position. The impact on the full year forecast is a reduction from £492k to £423k, which is still £22k ahead of the budgeted surplus.

Governors noted that the two income areas with the biggest variance between budgeted and actual income were Work Based Learning and Full Cost Tuition Fees and asked the reasons for the underperformance. It was reported that these are the College's two highest risk areas which are being monitored. Unfortunately the apprenticeship reforms have not progressed in the manner anticipated. In the Financial Recovery Plan it was hoped that with the introduction of the Levy in May there would be a change in employer behaviour and immediate participation in the apprenticeship programme. This has not been the case and many employers are not willing to participate until they can see the employer levy in their digital account, which is on a lagged basis. There were no new apprenticeship starts in May. There were a number of reasons for this:

- The 20% off the job requirement – a number of employers are saying that they cannot afford to have current staff out of the office for one day a week.
- Mandatory co-investment – previously there was no charge to the employer for 16-18 apprentices. SME's now have to contribute 10% and given that the value of the new standards is much higher than the old frameworks, this contribution can be quite significant.
- Contractual framework – the contracts are different to those previously used and many employers are sending them to their legal advisers and questioning some of the clauses, although the contract is a standard template which has been agreed nationally through the AoC (Association of Colleges) and AELP (Association of Employment and Learning Providers).
- Employment Term and Conditions – there is a requirement to amend the terms and conditions of existing staff undertaking an apprenticeship programme.

It was reported that in addition to the above, a further barrier is emerging. Nationally, the number of levy-paying companies that have not yet registered for a digital account is quite high and they are not in a position to use the account until they have signed up.

Governors asked how many apprentices had been enrolled in June and were advised that seventeen had been formally registered by the end of the previous week. Governors noted that the recruitment target for June/July was 70 and asked whether this would be achieved. It was reported that by the end of July enrolments could hit 650, one ahead of last year. Governors responded that this was 150 less than the reduced target, and 60% of the original target of 968 and were advised that the funding realised for apprenticeship was probably better than 60%.

The Principal acknowledged that the performance was not good enough and outlined the actions that had been taken. Action plans had been generated and as many staff as possible were engaged in taking them forward. A meeting had been held earlier that day to go through the individual plans and numbers in the Business and Services Faculty. The College Executive was asked whether they thought the action plans had made a difference and to what extent they had added to the number of enrolments. The Principal felt that it had made a difference and the fact that the College had recruited the numbers it had was testament to the extra effort that had been put in. Everybody was aware of the imperative to sign up as many apprentices as possible.

Governors identified the following areas which need to be addressed:

1. A substantial number of contracts have been issued but only a handful have been returned. The College needs to be rigorously pursuing these.
2. There were difficulties during the year matching vacancies to available students. This was more evident in some faculties than others. The intelligence gained during the year needs to be used for forward planning.
3. The College does not appear to have contracts with big employers either within Colchester or with their headquarters in Colchester and better progress needs to be made is signing up major employers.

Governors asked if any variations had been agreed to the standard contract and were advised that no significant changes had been agreed at this stage. The contract is a forty page document, which employers are having checked legally and coming back with questions, which is time consuming. Employers who are not starting apprentices until September do not see the urgency in returning the contract now.

It was reported that the College was working with 93 levy paying organisations and that the top 14 of those would give the College 230 apprentices. Governors asked how many of those top 14 employers had returned their contracts. The Executive Vice Principal: Finance and Corporate Development did not have that information at the meeting but agreed to follow it up outside the meeting.

Governors asked about the progress in developing relationships with large employers, the public sector and local authorities. It was reported that:

- One of the largest engineering companies in the county, which currently uses up to six different training providers, has confirmed two starts for September and that number will grow.
- The response from the public sector has been mixed. The College has a very good relationship with Colchester Hospital. Ten Health and Care starts have been confirmed for August and the College is in discussion with the hospital about Facilities Management, Team Leaders and Engineering apprenticeships.
- Colchester Borough Council intends to use Colchester Institute for accounting and management CPD apprenticeships. They have made the decision to use other providers in Tendring for IT and Otley and Easton College for a Leisure Pool Attendance framework which the College is not interested in taking forward. The College has recovered the relationship with Braintree District Council and they have signed up to Customer Service, Engineering and AAT. Tendring District Council has its own training provider which it will use for business administration and customer services (currently one of our long-standing sub-contractors). The College has been in discussion with the Council about Property Maintenance and Construction apprentices. Talks with Ipswich Borough Council are ongoing. The College has worked with them on full cost provision in the past. Essex County Council is a provider in its own right. The College is looking to deliver a new bespoke Local Authority standard around commercial awareness within local authorities and operating within the public sector. The awarding body were due to visit the College the following day and once approved the College will be able to target other local authorities.

Governors asked about the likelihood of a further write down on income on the apprenticeship line and were advised that the College is on track to achieve the forecast position. Providing it does not experience a large number of withdrawals, the College will achieve £544k of the £588k forecast for the remainder of the year, even if it fails to recruit any more learners. Governors noted that the withdrawal rate last year was between 9% and 10% and asked what the rate was currently, and how that compared to the assumption in the budget. It was reported that the withdrawal rate was currently at 6% compared to the target of 5%. This is much better than last year but needs to come down further. One of the bids for capital expenditure which the College wants to take forward in the budget is the installation of a new Smart Assessor software package which will provide dashboard displays in real time for everyone involved in supporting apprentices. Similar to Pro-Monitor it will highlight apprentices at risk (for example those who have not had a 12 week review or have missed college days) so that interventions can be put in place. Employers and parents will be able to see this information as well.

The issue of employers not engaging with the setting up of a digital account was discussed. It was reported that the Executive Director: Human Resources, who has developed some good practice and documentation having gone through the process to set up the College's digital account, will be providing a consultancy service to large employers and share internal documents.

It was reported that apprenticeship recruitment is being steered by an apprenticeships action plan. This is a live document, with actions added and removed all the time and is shared with the Corporation Chair and the Link Governor for apprenticeships on a monthly basis. In addition to the apprenticeship action plan, other responsive actions have been implemented:

i. An agreement has been signed with a referral service which should bring in ten new apprenticeship starts in Health and Care by the end of this academic year.
ii. An additional apprenticeship event was held on Saturday, 8th July. The event was advertised through a poster campaign and the screens around the campus and all 2000 students who finished an FE programme this year received a written invitation; 60 students attended the event.
iii. A secondary action plan Solutions to Barriers has been formulated and a number of changes implemented.
iv. Target levy employers have been allocated to account managers who are working with the levy payers to see if they can bring starts forward into this academic year.

Governors questioned the underperformance on full cost fee income in the month. It was reported that when the Financial Recovery Plan was established full cost income was written down considerably, and the target of £65k income per month was based on what the faculties were forecasting in January. The College suffered a downturn in May but believes that it can now meet a revised target of £620k. This will require £52k income to be realised in the remaining two months of the year, which is achievable through what is planned by the Construction and Engineering faculty.

Governors asked if the tower was making money and were advised that the College was seeing renewed interest with a number of key employers wanting to access that facility. The College has also agreed a hire charge with a company accredited to deliver GWO accredited training.

It was noted that the cash flow position was much better than the forecast. This was due to a lag in capital expenditure. As previously reported the project at the College at Braintree will come in £200k under budget, which will be used on phase 2 of the scheme. Governors asked about the year-end position and were advised that the College will require £900k to meet the terms of the bank loan covenant. The very latest cash flow is forecasting over £1.3m at the end of July.

Aged debtors were discussed. It was noted that the IWA subcontracting debt had now been written off. Total debts reduced from £4.2m in April to £1.4m at the end of May and will reduce further.

It was noted that staff sickness (average days absent per employees) had increased slightly compared to the previous month but was 1.23 days better than the same period last year. Applying an average daily rate this represents a £150k salary cost saving at the end of the year. The College is aiming to reduce staff sickness to 5 days and is driving this through the new policy which has been communicated to all 120 staff with management responsibility, and through reports to the College Management Group. Governors asked how this compares to sector benchmarks and were advised that generally sickness is increasing in all sectors.

It was noted that the year to date operating position is £208k better than the budget positon and the College is forecast to return to Satisfactory financial health at the end of the year.

6. **Financial Recovery Plan**

6.1. **Financial Recovery Plan**

Progress against targets (included as an appendix in the Management Report) was discussed. The Committee had already discussed in detail apprenticeship and full cost income. It was noted that the College was on target to achieve savings on staff costs through recruitment drift and the non-replacement of posts. Savings on non-staff costs have been achieved through reductions in expenditure on printing, postage, travel and IT infrastructure.

6.2. **SFA Financial Case Conference**

CIC/RC/17/3/4, minutes of the ESFA financial case conference held on 15th June 2017, was received and noted. The Principal gave an oral report on a further meeting which had taken place on 6th July. Half of the meeting had focused on the monthly accounts and projections to the end of the year. There had been a lengthy discussion around apprenticeships and the local and national picture. Whilst ESFA officers were concerned, here was some degree of understanding of the position as the issues and barriers being experienced by Colchester Institute are being reported by some other colleges. Future plans and work towards the budget were discussed, and there were questions around the assumptions in the plan in relation to performance in year. ESFA officers highlighted that the FE Commissioner has spare resources now that the Area Based Reviews have concluded and they are keen to look at colleges in intervention where they think there is a need. The College's financial plan will be analysed carefully when it is submitted at the end of July.

7. **Budget 2017-18**

CIC/RC/17/3/5, Corporate Budget 2017-18, was received and considered. The Executive Vice Principal: Finance and Corporate Development gave an overview of how the budget had been put together and the assumptions. It was a zero based budget and budget holders had submitted their plans through the College Executive for incorporation into a budget master file. In terms of the main assumptions:

- The College will be funded for 4167 16-19 learners and that is the minimum the College is looking to achieve in order to protect £19m funding for the following year on a lagged learner number basis. Numbers in the internal curriculum plan exceed the funded position.
- It is intended that the Adult Education Budget will be achieved without reliance on the use of Learning Curve (who delivered £100k in the current year) as a sub-contractor. It is expected that this funding contract will be overachieved by £60k and this additional income has been allowed for in the funding line. The College will be relying on the Learning Shops to hit this high target.
- Internal targets for HE are 40 lower than the current year to date enrolment position for full time students and steady state for part time students. Where the College enrolled slightly fewer students last year this will have a knock on effect in years two and three.
- The HE tuition fees line includes £1.3m sub-contracted income which has £1m cost associated with it in the supplies and services expenditure line. Governors asked about the associated risks of the sub-contracting arrangement and whether it was profitable. It was confirmed that the sub-contracted arrangement is profitable. The students are taught in outreach locations. A lot of work has been done to put safeguards in place and mitigate the risks. These are hard to reach learners so there is a risk around retention and the achievement target is lower.
- Apprenticeship recruitment (new starts including levy payers, CPD apprentices and new starts within the organisation) will increase to 873. This will require considerable growth (the College believes it will achieve 650 new starts by the end of this year compared to the original budget of 968) and a breakdown on where this growth will emerge is included in the schedules. Business and Services has seen a reduction in apprenticeship numbers in recent year but is now starting to enrol significant numbers in Customer Services, Business Administration and Management. It is anticipated that this is where most of the levy opportunities will be and that apprenticeship numbers in this faculty will return to the level that they were at three years ago. Governors asked if these were the lower value standards and were advised that the new standards in IT and digital, which are in this faculty, are high value. In order to mitigate against the risk of non-achievement of 873 starts a 9% reduction has been applied to the expected income to make the income target more achievable.

Governors asked about the phasing in the budget and were advised that this was based on the current year profile. More detail will be provided in the Financial Plan. The College has to do the majority of its recruitment in the first six months of the year. In respect of apprenticeship starts the profile to April 2017 is based on the old system and there are a lot of unknowns going forward, for example will non levy paying employers want the same number of apprentices. A lot of work has been done to make the budget as realistic as possible given the available information. Monitoring on the numbers is becoming more and more difficult. The number is only an indication of the number of new starts the College needs to get to in order to achieve the financial target. Given that the College Executive is proposing an ambitious increase in apprenticeship recruit; that the 873 apprenticeship starts is only an indicative figures to be reflected in monetary terms; and that this income is critical to the achievement of the budget, Governors asked to receive the Apprenticeship Monitoring Report for September at the October meeting of the Resources Committee so they can monitor progress.

It was reported that apprenticeship standards earn more funding than the current frameworks, typically £5k to £6 more per start. The College is looking to move a number of planned September enrolments into July. Although they will not show in the recruitment numbers next year the majority of the income will be received during 2017-18.

Governors asked what adjustments had been made on the apprenticeships line for withdrawals and were advised that the calculation is based on the current withdrawal rate of 6% to 7%. There is a risk, because in the previous year the withdrawal rate was 10%, but it is believed that quality and retention will improve as a result of the new initiatives, including Smart Assessor.

The uncertainties associated with the end point assessment under the new apprenticeship regime were discussed. The Principal reported that Essex was in a strong position as the colleges were working collaboratively through FEDEC and City and Guilds to ensure that there are end point assessment opportunities available locally. City and Guilds is the largest provider of qualifications within the new standards and FEDEC signed a Memorandum of Understanding the previous day to say that they will continue to work with City and Guilds on a brokerage type approach to provide end point assessment in a wide range of subject areas.

The College Executive was asked to justify the 25% increase in the apprenticeship target. It was reported that the College's target area has increased considerably because of the levy and they are engaging with a range of employers that they have never engaged with previously. The Business Development Team has been asked to focus on key levy payer accounts, and there has been positive feedback in the last week, particularly in Construction and Engineering. The challenge will be continuing to develop facilities so there is sufficient space to service the market. Governors asked if the construction area will continue to grow and were advised that the Local Plans for all three of the College's main locations call for considerable house building up until 2030. Governors asked about staffing to deliver the programmes and were advised that this will be the challenge, particularly in the growth areas where work is plentiful and high salaries can be commanded.

The College Executive was asked which element of the budget gave them most concern. It was reported that the risks had been mitigated as far as possible such as through the 9% reduction on the full cost line. The College is looking to exploit the opportunities within Construction and Engineering and in areas such as Special Project income a number of the contracts have already been agreed with organisation such as Building Heroes so there is more certainty over that income line next year. The risk in the budget is around the staff costs line, which is currently 70% of total income, the highest ratio of all the General FE colleges in Essex, as evidenced in the Area Review. A 2% reduction is targeted this year with a further 2% in subsequent years to bring the ratio closer to the sector benchmark of 65%. The challenge for the next three years is to reshape the organisation and improve on the quality of output.

Governors asked if there would be any redundancies and were advised that if the changes needed could not be achieved through natural wastage then there will be selective redundancies within the next 12 months and provision has been made for this in the budget. It was reported that staff turnover is currently 12%, higher than normal for the College, which provides opportunities to reshape the staffing plan. This year a lot of posts were not replaced when they fell vacant. Colchester Institute's turnover is still low compared to national benchmarks of 18% in the FE sector (AoC data), and 16% reported by CIPD.

It was reported that cash would improve from £1.3m at the end of this year to £1.97m at the end of 2017-18. The assumptions supporting the cash forecast were noted. The impact of the decision by the Bank to increase the interest on the long term loan by 1% in 2017-18 and a further 1% the following year was noted.

It was reported that normally capital budget requests from departments within the College total around £400k. This year the capital requests total £1.4m, of which £298k has been initially sanctioned subject to further approvals. Some of the requests are for large replacement projects in Facilities and IT where the College has held off upgrading facilities for a number of years.

It was reported that the refectory services at Braintree would be delivered through the subsidiary company next year and the ISS staff will move across to CIE Limited under TUPE Regulations. The target for next year is to break even, as there will be fewer learners at the Braintree site, but in the longer term there should be opportunities to increase income through hospitality services associated with the new conference facility. The Executive Director: Human Resources reported that the ISS staff moving across to CIE Limited have been offered the opportunity to move to conditions of service substantially the same as those of Colchester Institute, but they are not obliged to and their employment terms are protected under TUPE. Governors expressed concern at the risk of increasing the liability on the Local Government Pension Scheme and were advised that transferring staff have not been offered access to the pension scheme. CIE Limited can put in place a defined contribution scheme.

Governors asked about the cost of supporting learners currently at Braintree who will be transferring to Colchester next year. It was reported that £35k has been included in the revenue budget to cover the cost of help with transport costs. This support will be time limited to one year, and the costs will be offset by the savings that will be made by not running small groups and operating in inefficient buildings.

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

8. **Financial Plan**

CIC/RC/17/3/6, College financial planning handbook 2017 Annex A: Financial planning checklist, was received and noted.

The Executive Vice Principal: Finance and Corporate Development reported that he was still working on the Financial Plan and would be meeting with the Chair of this Committee to go through the plan before it is submitted to the Board for approval on 26th July. He then outlined the key assumptions:

- FE 16-19 - there will be no major growth opportunities.
- 5% reduction in 16-19 Study Programme learners to support growth in apprenticeships
- HE – marginal increase over the next three years under the strategic direction of the new Dean of Higher Education.

9. **Property Issues**

The new STEM Centre at Braintree has been officially opened. A schools event in partnership with Essex County Council received lots of positive feedback from schools, employers and the pupils.

10. **Fee Policies 2017-18**

The Committee received, considered and approved for recommendation to the Board:

- CIC/RC/17/3/7, FE Fees Policy 2017-18 – the main change is an increase to the resources deposit for next year. Part of the deposit is refundable on request at the end of the year provided the student does not owe the College any money.
- CIC/RC/17/3/8, International Fees Policy 2017-18 – the updates reflect the changes to HE fees.
- CIC/RC/17/3/9, Supply Chain Management Fees and Charges Policy – the amendments reflect the changes in apprenticeships processes. The requirement to be registered on the Register of Apprenticeship Training Providers (ROATP) now applies to subcontractors delivering over £100k of funded services. Normally contracts are renewed annually but because of changes to the apprenticeships system existing contracts are going to be extended to December 2017. The management charges are being increased to reflect the additional risks and administrative burdens of the new system.
- CIC/RC/17/3/10, Employer Co-investment Policy – the main changes are around how payments are made and the percentage that non-levy payers are required to contribute.

11. **Date of next meeting -** Tuesday, 3rd October 2017 at 4.30pm.

12. **Any other Urgent Business -** None.