Approved minutes

Colchester Institute Corporation

Minutes of a Meeting of the Resources Committee
held on 30th November 2017
at the Sheepen Road Campus

Present:

Richard Wainwright, *in the Chair*
Christopher Bridge
Mark Davies
Ian Thurgood

In attendance:

Gary Horne	Executive Vice Principal: Finance and Corporate Development
Shaun McConnell	Executive Director: Human Resources
Hazel Paton	Clerk to the Governors
Mark Smith	Scrutton Bland, Financial Statements Auditor
Jill Wognum	Executive Vice Principal: Curriculum, Planning and Quality

Apologies for absence were received from Alison Andreas, Brenda Baker and Karen Tarling.

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

None.

2. **Report and Financial Statements 31 July 2017**

2.1. CIC/RC/17/5/1, Report and Financial Statements 31 July 2017, was received and presented by the Financial Statements Auditor. It was reported that the opinions in the Independent Auditor's Report to the Corporation and the Reporting Accountants Assurance Report on Regularity were both unqualified.

It was reported that the College's performance in 2016-17 was strong compared to 2015-16. Total income (£39.1m) was consistent with the previous year (39.2m). Over-recruitment of adult learners had largely been offset by a reduction in HE fees.

Significant savings were achieved in line with the budget:

- Staff costs were £870k lower than the previous year. Staff numbers were broadly similar to 2016. Teaching staff numbers reduced by 30; business support staff numbers increased by 22. The reduction in staff costs includes a reduction in the holiday pay accrual of £288k, reflecting a change in the basis for allocating staff between academic and business support staff. The change in holiday pay accrual is larger than would normally be expected due to this one off change.
- There were considerable savings on other operating expenses, primarily on IT equipment.
- HE validation fees were down in line with reduced income.
- Depreciation was in line with the previous year. The STEM Centre at Braintree has not been depreciated because it was not brought into use until after the year end.

There was an actuarial gain of c.£3m in respect of the pension scheme compared to an actuarial loss of £6m last year. The main contributory factors were better returns on assets this year and a decision to lower life expectancies.

Total comprehensive income for the year was £2.7m against a £8.6m deficit for the prior year. As in previous years an additional disclosure has been included in the accounts to demonstrate the underlying performance pre FRS102 and one off income and costs.

One significant change is the transfer of the revaluation reserve into the Income and Expenditure account, so there will be no revaluation reserve going forward. The decision to adopt this accounting treatment, which a number of colleges and universities have done this year, was taken after discussion at the clearance meeting. It does not impact on the net asset position or the balance sheet.

Turning to the balance sheet, it was reported that there had been a significant increase in the fixed asset position, largely due to the £5.3m capital expenditure on the new STEM Centre at The College at Braintree. There has been an overall improvement in net liabilities from £5.4m to £2.7m.

There was a net cash inflow from operating activities of £1.4m after adjustment for non-cash items and for investing or financial activities, and an increase in cash in the year of £428k compared to a decrease of £2.4m the previous year.

It was noted that the accounting policies were largely the same as the previous year. The only point of note was that the statement on going concern has been expanded. If a decision on the Lennartz VAT tribunal hearing is received before the accounts are signed off Note 22 (events after the reporting period) will need to be updated to reflect this. It was confirmed that in respect of Lennartz the accounts have been prepared on the basis of worst case scenario.

Governors noted a significant increase in trade receivables (note 13: amounts falling due within one year) compared to the previous year and asked if there was an underlying issue that the Board needed to be aware of. Governors were reassured that an analysis of the debt at year end found that £150k of the additional debt related to invoices issued in July but not yet due, and £165k was debt less than three months old.

Governors questioned the change in the number of teaching staff compared to business support staff. It was reported that this reflected the decision of the College Executive to introduce Progression and Destination Tutors, particularly in the STEM areas where it is difficult to recruit, to carry out pastoral work previously carried out by lecturing staff. This has led to an increase in the number of support staff working directly with students. It is also a positive outcome of the work undertaken earlier in the year to increase class sizes.

2.2. The Letter of Representation, confirming the facts discussed during the audit process, was considered. Governors' attention was drawn to the last two points relating to the bank loan covenants and the Lennartz VAT scheme. The schedule of adjusted and unadjusted errors was considered and accepted.

2.3. CIC/RC/17/5/2, Report to the Audit and Compliance Committee on the Audit of the Financial Statements and Assurance Report on Regularity for the Year Ending 31 July 2017, was received for information. The biggest area of expenditure is on staff costs, and Governors' attention was drawn to the section on review of staff costs. The College is budgeting to increase income and further reduce staff costs in 2017/18, bringing the percentage of income spent on staff costs down further.

It was noted that historically the College has found it difficult to achieve its work based learning income. The College has budgeted to increase apprenticeship starts in 2017/18. At the end of September 2017 there was a shortfall of 69 apprenticeship starts against budget. The Executive Vice Principal: Finance and Corporate Development updated Governors on the current position. It was reported that during the period May-July 2017 the College increased the number of new starts by 69% compared to the same period in 2016 and is bucking the national trend which has seen a reduction in apprenticeship starts. It was acknowledged that some new starts were brought forward from August into July to help with cash flow and overcome operational issues. Recruitment during the first four months of the 2017-18 academic year is not as high as the College would have liked and the forecast has been reduced by £100k. It is anticipated that the College will achieve 707 new starts against a budget of 873. The monetary impact will be less because the College is predominantly moving towards higher value standards. The College has not as yet received ITT notification of an allocation for non-levy paying employers from January 2018, which is an area of concern. There is a view that the Government will need to take action to address the decline in the number of employers taking on an apprentice. One of the barriers for employers is the systems that have been put in place. Governors asked if the College would be able to respond positively if a change in Government policy led to a surge in applications and were advised that the College continually reviews its resources and frameworks and is as flexible as possible.

It was noted that a five year programme of asbestos removal with an approximate cost of c£200k per annum was likely to be required. Governors asked if this work was included in the capital budget in the management accounts. The Executive Vice Principal reported that he was exploring with the auditors whether this could be capital as opposed to revenue expenditure. Encapsulation work has been budgeted as revenue but this needs to be explored further as there does not appear to be any definitive guidance on how this should be treated.

It was noted that procedural recommendations made in the 2016 report to the Audit and Compliance Committee had been implemented, and that the recommendations made this year had been accepted.

Looking to future developments it was noted that a new SORP is likely to be in place in 2022. The Auditors have discussed the new General Data Protection Regulation (GDPR) with management and are satisfied that a working party is in place to ensure the College achieves compliance. The Executive Vice Principal reported that an update on progress against the action plan would be provided to the Audit and Compliance Committee on 5th December. The College has identified 315 data flows within the organisation, of which 100 are deemed as sensitive and will require a data protection impact assessment to be completed.

Subject to any material changes between this meeting and date of the next meeting of the Corporation Board it was AGREED to recommend the Report and Financial Statements for the year ending 31 July 2017 to the Board for approval.

3. **Minutes**

The minutes of the meeting held on 3rd October 2017 (CIC/RC/17/5/3) were received and confirmed. The Chair signed the minute book.

4. **Matters arising from the minutes**

None, other than on the agenda.

5. **Students' Union Annual Accounts 2016-17**

CIC/RC/17/5/4, Colchester Institute Students' Union Financial Statements 31 July 2017, was received, considered and accepted. It was noted that the Union made a loss in the year but still have positive reserves.

6. **Management Report October 2017**

CIC/RC/17/5/5, October 2017 Management Report and Accounts [Period 3], was received and considered. The Executive Vice Principal: Finance and Corporate Development reported that it was a reasonable start to the year. The year to date income position (Period 3) was £53k better than budget contributing, alongside savings on expenditure lines, to a £300k improvement on the budgeted operating position. The College has been asked by the Funding Body to take on additional 16-19 FE learners via sub-contracting partner VLUK. The work based learning full year forecast has been reduced by £100k and the finance team has been made aware of a potential reduction in full cost income of £86k in the area of creative arts, health and education.

It was reported that in September the College was unexpectedly asked by HM Revenue and Customs (HMRC) to pay an assessment in respect of Lennartz. At the time the College was informed that this would probably be refunded once the Court made its decision and a refund was included in the cash flow forecast. Given the delay and uncertainty over the Lennartz case it was felt prudent to remove the £584k credit from the cash flow at this time, worsening the cash position during January-March 2018. Savings on the salary line are recognised in the cash forecast.

7. **Essex Pension Fund**

CIC/RC/17/5/5, letter from the Principal to the Essex Pension Fund regarding the request from the Pension Fund for security against LGPS (Local Government Pension Scheme) liabilities, was received and noted. Governors were reminded that the College had deferred a request for security last year on the basis that the College was going through the Area Review process. The College was now asking for a further transitional year on the grounds that the advisory board for LGPS is reviewing a standardised approach for dealing with deficit recovery. Similar letters have been written by other Essex colleges. No response has been received to date.

8. **ESFA Financial Case Conference**

8.1. **Feedback from Financial Case Conference**

CIC/RC/17/5/7, draft Minutes of the Colchester Institute Financial Health Case Conference held on 3rd November 2017, was received and noted. ESFA monitoring continues despite the return to Satisfactory financial health at the end of 2016-17. The College Executive welcome this ongoing support, and the encouraging start to the 2017-18 academic year with the achievement of key income lines such as HE income is providing assurance that financial recovery is being sustained.

8.2. **Apprenticeship Action Plan**

CIC/RC/17/5/8, Apprenticeship Action Plan September 2017 – July 2018 (monitoring date: 16/11/17) was received and presented by the Executive Vice Principal: Curriculum Planning and Quality. It was noted that current risks were around:

(i) staffing resource, particularly in key hard to fill areas. It was reported that the College has now managed to appoint assessors in some key areas. This is an ongoing challenge and the College is responding through a range of innovations and incentives.

(ii) Retention. A key part of ensuring the College retains a high percentage of apprentices is the monitoring and support given to individual learners. A reporting system is in place to ensure that these key discussions with learners are taking place, but due to staff and structural changes in some areas, the reporting is not as rigorous as it should be.

(iii) Higher apprenticeships. The process for developing and delivering higher apprenticeships is more challenging than anticipated. It needs to be made very clear in the College structure where responsibilities lie. Apprentices on an HE qualification are often recruited and looked after by FE assessors and the College needs to ensure that this is not a barrier to growth. There are currently 15 higher apprentices in Engineering and Construction but higher and degree level apprentices are not growing at the same rate as at Level 3. This is an issue nationally.

(iv) End point assessment – this is partly outside the control of the College. The College is working with FEDEC (Federation of Essex Colleges) as a consortium to make sure end point assessment centres are in place for the first cohort of students in June/July 2018.

The College is working to mitigate all risks RAG rated red. The apprenticeship action plan is monitored by David Gronland on behalf of the Board.

9. **Property Issues**

9.1. **Braintree Campus Developments**

It was reported that the Heads of Terms approved by the Board in respect of the land sale were still with the solicitors undergoing conversion into formal contract. The land sale is dependent on the purchaser submitting a planning application by the end of March 2018. The Executive Vice Principal:

Finance and Corporate Development reported that the mobile phone operators have been given a deadline of 31/07/18 to relocate their phone masts.

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

As reported in the October 2017 Management Report the College awaits final sign off the funding bids for the new build at the College at Braintree and the project for health and care at Colchester. The College does not believe that there are any remaining issues preventing sign off. The process for tendering for the architects will need to start ahead of the receipt of the final agreement.

9.3. **Site rationalisation**

It was reported that the withdrawal from Westside, Stanway is now complete. Issues relating to the withdrawal from Cooper Drive in Braintree are being dealt with by the College's solicitors.

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

CIC/RC/17/5/9, Principal's Report November 2017, was received and noted.

11. **Update on One Year Strategic Plan Action Plan**

CIC/RC/17/5/10, Progress against One Year Action Plan 2017-18 (sections 3-5) – updated November 2017, was received and considered. It was noted that at this stage of the year there was much still to do.

It was reported that the business process review exercise is intertwined with the GDPR preparations, part of which includes the identification and mapping of work flows. This work has started, supported by a consultant, and as part of this the College will be looking for opportunities to achieve efficiencies through the automation of current manual processes.

Governors asked for an update on staff engagement and the work of the Wellbeing Group. It was reported that HR staff had been heavily involved in the faculty structure review this term, delaying progress in this area. The Executive Director: Human Resources confirmed that he has researched a number of policies and was aiming to have a revised Wellbeing Policy drafted by February 2018.

Governors noted that there has been a lot of staff turnover in the Finance Team which may impact on the course costing activity. In response to a question it was reported that pay, and five years without a cost of living pay increase, was a factor in the high turnover of staff in Finance.

12. **Annual Report to the Board**

CIC/RC/17/5/11, Resources Committee Annual Report to the Board 2016-17, was received, considered and accepted for submission to the Board.

13. **Date of next meeting**

Tuesday, 6th February 2018 at 4.30.pm

14. **Any Other Urgent Business**

There were no items.