

**RESOURCES COMMITTEE  
Annual Report to the Board  
2016-17**

**1. Period of the Report**

This report outlines the main activities of the Resources Committee during and related to the financial year 2016-17 (1 August 2016 to 31 July 2017).

**2. Membership**

The Committee comprises a minimum membership of six, including ex officio the Chair of the Corporation Board and the Principal. Actual membership on 31 July 2017 was seven.

Membership during the period under review:

Richard Wainwright (Chair)  
Alison Andreas  
Brenda Baker  
Christopher Bridge  
Mark Davies (with effect from 01 January 2017)  
David Gronland (until 30 November 2016)  
David Kerridge  
Karen Tarling  
Sue Thompson-Arnold (until 30 November 2016)

**3. Attendance of Non-Members**

Committee meetings are normally attended by:

Executive Vice Principal: Finance and Corporate Development  
Executive Vice principal: Curriculum, Planning and Quality  
Clerk to the Governors

Other staff attend by invitation to present papers relating to their area of work.

The Financial Statements Auditor attended the November meeting to present the Report and Financial Statements.

**4. Quorum**

The quorum is three members, and must include the Committee Chair or his/her nominated deputy for the meeting or the Chair of the Corporation Board. All meetings were quorate.

**5. Clerking**

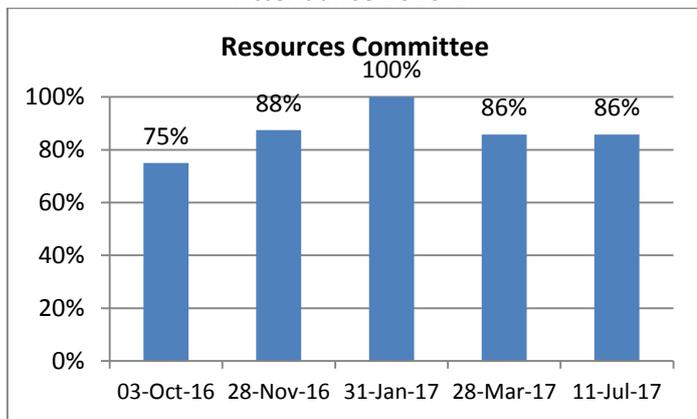
The Clerk to the Committee is the Clerk to the Governors, Hazel Paton.

**6. Meetings**

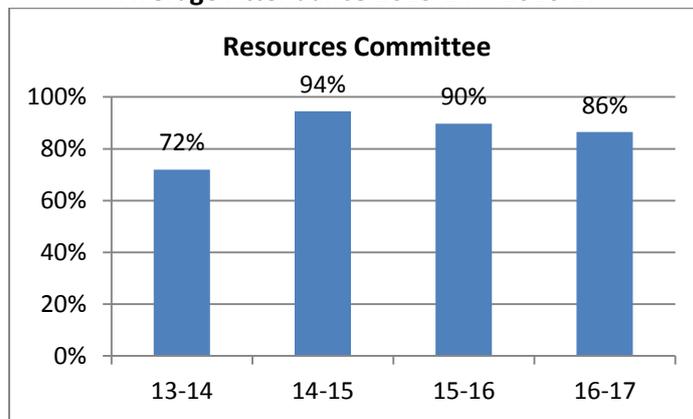
The Committee met on five occasions:

3 October 2016  
28 November 2016  
31 January 2017  
28 March 2017  
11 July 2017

### Attendance 2016-17



### Average Attendance 2013-14 – 2016-17



Note: The Search and Constitution Committee (25.11.11) agreed a Target of 70% attendance at Board and Committee meetings.

## 7. Terms of Reference

The Committee's terms of reference were last reviewed and approved by the Board 30/07/2013. In December 2016 the quorum for the Committees was reduced to three, bringing it in line with the quorum for the Audit and Compliance and Remuneration and Search Committees

The Committee has an annual cycle of work based on its terms of reference.

## 8. Main Items of Business during 2016-17

The Committee has fulfilled its terms of reference as follows.

### 8.1. Financial Monitoring

The Committee receives the Monthly Management Report and Accounts report (MMR) and considers the most recent report at Committee meetings. Management are questioned on significant variances from budget and measures to maximise income and control costs. Particular attention is paid to the cash flow; debt collection; ensuring that the College does not breach the terms of the bank loan covenant; and progress against the targets in the Financial Recovery Plan. The Financial Recovery Plan will be refreshed for 2017-18, with a focus on key targets (such as enrolments, apprenticeships and Full Cost). At the request of the Board more granular detail on how each department is performing is now included in the MMR.

The final outturn position was £84k better than budget, resulting in satisfactory finance health (140 financial health points predicted).

Cash flow continues to require careful monitoring. There is a potential pinch point in January-March 2018, and the College is investigating the possibility of a short term credit facility against its Student Loan Company (HE) fees (c£3m of which is not received until Period 10 each year) rather than use an overdraft facility.

The proportion of expenditure on staff costs is still too high and needs to be closer to the sector average of 66%.

### 8.2. Financial Recovery Plan

In November 2016 the College was issued with a Notice of Concern (Financial Health) because in 2015/16 it was rated inadequate according to Skills Funding Agency methodology. A Financial Recovery Plan, approved by the Board, was submitted to the ESFA by the end of

February 2017, and progress against the targets was monitored by this Committee. The Committee also reviews the minutes of the ESFA Financial Case Conference meetings. All targets in the Financial Recovery Plan were RAG rated green by the close of the financial year 31 July 2017.

### 8.3. Local Government Pension Fund

The Committee reviewed the FRS102 Report for Colchester Institute as at 31 July 2017 together with a College commissioned advisory report which suggested alternative calculations and opportunities to further improve the liability position. As a result of the factors that make up the FRS102 calculation the FRS102 deficit on the balance sheet has reduced from £28.7m in 2016 to £27.6m this year. Salary growth figures are normally based on RPI (Retail Prices Index), but the College has asked for these figures to be recalculated based on CPI (Consumer Prices Index). The advisory report will inform discussions with the Essex Pension Fund on any future requests to provide a form of security against the deficit.

### 8.4. Course Costings

The Committee received an overview of the College's course costing model. Work on a course costing model, which for the first time provides in-year information on the levels of contribution being made by courses, started in April 2016 (initial concept). Detailed work commenced in September 2016, and by January 2017 the College had 2016/17 course costing information for FE classroom based provision (representing c£23m of College funding), with plans to extend the model to HE and apprenticeships. The information was used to inform the decision making process at a curriculum planning day (FE). A summary of the data by area is now included in the Management Report.

### 8.5. VAT Claims

The Committee continued to monitor the progress of two VAT claims submitted by the College to HMRC.

#### 8.5.1. VAT and 'Brockenhurst College' Claim

The Brockenhurst claim relates to VAT treatment in two areas: (i) fee paying adult learners working in the salons and restaurants and (ii) 16-18 learners.

Colchester Institute submitted a claim for £99k for exempt supply activity in the salons and restaurants in respect of 16-18 learners. This claim was successful and has been duly paid by HMRC.

#### 8.5.2. VAT and Lennartz

The Lennartz VAT Appeal was heard in the First Tier Tribunal in July 2017. HMRC now recognises further education is a business activity. A decision on the remaining argument of whether further education is an economic activity is awaited. There are three possible outcomes to the claim:

- (i) Colchester Institute wins the case in full. It is thought that HRMC 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.

The Committee would like to record its thanks to the Executive Vice Principal: Finance and Corporate Development and Director of Funding and Information for their appearance at the Tribunal as witnesses on behalf of the College.

#### **8.6. Items approved on behalf of the Board**

The Committee reviewed in detail and approved:

- Rental Charges 2016-17 (charges were held at 2015-16 levels to remain competitive)
- Financial Regulations and Associated Procedures 2016-17
- 2016/17 Planned Funding Profile (Sub-Contracted Delivery)
- 2016/17 Outcomes for Subcontracted Delivery
- The award of framework agreements for tier 1 suppliers for the provision of agency staff
- Financial Recovery Plan
- 5 Year Financial Plan 2016-2020 and 5 Year 'model' Financial Plan 2016-2020 produced ahead of the Area Review.
- The award of the contract for the new finance system to Advance Business Solution
- The award of a three year contract for reprographics equipment to Canon

#### **8.7. Items Recommended to the Board**

The Committee reviewed in detail and recommended to the Board:

- Report and Financial Statements 31 July 2017 and Letter of Representation
- Financial Plan 2017-19
- HR Plan 2016-17
- The Budget 2017-18.
- Undergraduate and Postgraduate Fees 2017-18
- FE Fees Policy 2017-18
- UCC Fee Policy 2016-17
- International Fees Policy 2017-18
- Employer Co-investment Policy
- Supply Chain Management Fees and Charges Policy

#### **8.8. Property Issues**

The Committee continued to oversee property issues on behalf of the Board. The sale of part of B Block to Braintree District council was completed in the autumn 2016, and is now being used as a doctor's surgery. The new STEM Centre was officially opened in the summer term 2017 and further future plans for the site, as identified within a campus masterplan, have been supported.

#### **8.9. HR Matters**

8.9.1. For the first time, key performance indicators were established for Human Resources and approved by this Committee. The targets covered four aspects:

- Staff Sickness Absence (average days absent per employee)
- No of staff Apprentices by July 2017
- Staff Turnover
- PDR Completion

8.9.2. The Committee monitored progress against the HR Plan. The HR Plan 2016-17 focused on resourcing, absence, performance, learning and development, and efficiencies – use of HR system. There was limited progress during the year on management

development activities and greater efficiencies from the HR system; otherwise the HR plan was generally on track. Termly Learning and Teaching Development programmes were established and a programme for business support staff around how their role can make a difference commercially was piloted.

- 8.9.3. An outcome of a staff wellbeing survey carried out in 2014 was the establishment of a Wellbeing Working Group, chaired by the Principal and with union representation. An annual report on activity to promote Staff Wellbeing is received by the Committee. The Wellbeing Group has two strands of work: (i) promoting wellbeing through campaigns, wellbeing days and various initiatives, and (ii) trying to remove some of the stresses that can impact on wellbeing, such as improving systems. The Committee has had a positive impact but progress has not been as rapid as the Principal would like. A group of Workplace Health Champions have been trained and are rolling out monthly activities, such as free fruit in staff rooms. The work of the Group is informed by the results of a staff survey carried out in 2016.
- 8.9.4. The Committee monitors absence rates against benchmark data. The number of days sickness absence has been increasing year on year, although this may be due to better compliance in reporting. The highest category is absence due to stress, depression and mental health, which is being managed. Benchmark data from the CIPD and AoC shows that total absence is increasing across all sectors and in education. All sickness related policies were reviewed during the year and absence processes were reviewed by the Internal Auditors as part of the Internal Audit plan. 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.
- 8.9.5. The Committee considered summary results of a staff survey carried out in 2016. The overall results were disappointing but there was a strong sense coming through that the results were influenced by the timing of the survey, which was launched at a time when there had been no pay rise, and changes to the management structure were implemented.

Richard Wainwright  
Chair, Resources Committee

November 2017