

Colchester Institute Corporation

*Minutes of a Meeting of the Resources Committee
held on 4th December 2018
at the Sheepen Road Campus*

Present:

Richard Wainwright, <i>in the Chair</i>	Christopher Bridge
Alison Andreas	Mark Davies
Brenda Baker	Liz Goodall

In attendance:

Gary Horne	Executive Vice Principal: Finance and Corporate Development
Shaun McConnell	Executive Director: Human Resources
Hazel Paton	Clerk to the Governors

In attendance for Item 15 only

Tim O'Connor	Scrutton Bland, External Auditor
David Gronland	Member, Audit and Compliance Committee
Dan Harris	RSM, Internal Auditor
Kevin Prince	Chair, Audit and Compliance Committee

There were no apologies for absence.

1. Declarations of any conflicts of interest

None.

2. Minutes

The minutes of the meeting held on 2nd October 2018 (CIC/18/5/1) 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

It was reported that following a tender process to renew the College's insurance cover, the Chair approved (12/11/2018) the appointment of FE Protect to act as adviser and place insurance covers from 1st December 2018. FE Protect, a new entrant to the market working with Aviva, has already captured a good proportion of the FE market. The College will achieve significant compared to the previous provider. The Executive Vice Principal: Finance and Corporate Development reported that he had been able to arrange some additional cover and a range of benefits free of charge in the package, including free site surveys of the three main campuses to support the insurance covers. Governors questioned the size of the savings compared to the previous provider and were advised that the third party procurement specialist who helped with the assessment highlighted the potential for some cost creep in later years of the contract but at this time it was the most favourable option..

5. Students' Union Annual Accounts 2017-18

It was reported that due to external factors, the Independent Examiner had not been able to progress the SU accounts in time for them to be considered at this meeting. This item was carried forward to the next meeting.

6. Management Report October 2018

CIC/RC/18/5/3, Management Report and Accounts October 2018 [Period 3], was received and considered. The Executive Vice Principal: Finance and Corporate Development reported an improving year to date position. Although income is down £332k against the year to date budget,

significant savings have been made on expenditure lines, resulting in a £270k year to date surplus against the budget position.

Governors' attention was drawn to a risk on the Work Based Learning income line which is currently short of target because achievement payments from last year (c£200k) have still to be recognised. The Period 4 accounts are expected to reflect a position in line with the budget. Governors asked if Work Based Learner numbers were on target and were advised that the apprenticeship starts are 100 ahead of the same time last year. The College Executive is confident that target enrolments (100 higher than last year) will be achieved.

A deterioration on tuition fees was reported. This is due to the mix of how the College recruited on some lines, and has been offset by savings on staff costs and services.

The Committee Chairman asked about creditors. He reported that during his meeting the previous day with the FE Commissioner (part of the diagnostic assessment visit following the lifting of the financial health notice of concern) he had asked about the significant increase in creditors in the annual accounts compared to the previous year, and whether the College was paying its creditors on time. The Executive Vice Principal: Finance and Corporate Development confirmed that there are no issues and the College was paying its creditor on time. The reason for the increase in creditors in the 2017-18 accounts is due to a timing issue. The FE Commissioner had suggested including an aged creditor scheduled in the monthly management accounts. After discussion, it was agreed that an extra schedule was not necessary, but it would help if a comment were added to explain any movements up or down as a result of timing.

A Governor asked what the College policy was in respect of paying creditors and was advised it is 30 days, consistent with the requirements of the Late Payment of Commercial Debts and Interest Act. It was acknowledged that payments may be close to this deadline during February and March when the College's cash reserves are historically at their lowest.

Governors questioned the completion rates for PDRs (Performance Development Reviews) which is currently 62% against a target of 95%. It was reported that there is an element of under recording, in that the reviews will have taken place but the online system has not yet been updated. It was reported that certain elements of the PDR process are very time consuming and there is no clear evidence that it is having an impact. Discussions are therefore being held with the College leadership and management groups about whether to streamline the process.

Governors asked for an update on staff sickness absence rates. The Executive Director: Human Resources responded that reported sickness was currently 8.6 days compared to 8.74 in August. The College is taking a number of actions to try to reduce sickness absence. The Wellbeing Policy is currently being rolled out to Managers, and guidance is being produced to assist with the management of long term sickness cases aimed at supporting a managed return to work in line with the timeframe in the policy.

7. Education and Skills Funding Agency (ESFA)

7.1. Financial Health Case Conference

CIC/RC/18/5/2, notes of the Financial Health Case Conference held on 26th September 2018, was received and noted. The Vice Chair attended the meeting on behalf of the Board. This was the last meeting before the lifting of the Financial Health Notice of Concern.

At the time of the meeting, the draft Period 12 accounts were projecting a Good financial health outcome which was later confirmed to be Satisfactory. The College was on the cusp of Good financial health, but the post year calculation of holiday pay accrual was lower than expected, impacting the current ratio just enough to bring the College back to Satisfactory financial health. The

College wrote to the ESFA as soon as it became aware of this, and they were understanding of the position.

7.2. Colchester Institute Financial Plan 2018 to 2020

CIC/RC/18/5/5, ESFA Letter of 15th October 2018 setting out the Funding Body's comments on the College's latest financial plan for 2017/18 to 2019/20, was received and noted.

7.3. Finance Dashboard October 2018

CIC/RC/18/5/6, Finance Dashboard October 2018, was received and considered. Governors welcomed this high level overview of the College's financial performance compared to other colleges. Governors noted that in 2017/18 the measure of staff costs as a percentage of income was in line with the sector average and the performance ratio was better than the sector average at 6.8%. Both the current ratio and the cash days in hand are well below the average because College borrowings (£11m) are significantly higher than the average. It was noted that the College's debt charge has peaked and will now start to fall.

Governors noted that cash days in hand is forecast to fall in 2019/20 and were advised that is because the 2018/19 forecast is a false position. The College intends to sell the land at the Braintree campus on 31st July and £2.1m will immediately flow out of the organisation as the College's contribution towards the two capital projects, bringing cash down to a more realistic level. The financial objective is to be consistently above 30 cash days in hand.

It was reported that the ESFA will issue another finance dashboard in January when it receives the Finance Record Return.

7.4. Financial Health Notice of Concern

CIC/RC/18/5/7, ESFA Letter of 15th October 2018 confirming the lifting of the Financial Health Notice of Concern, was received and noted.

7.5. Finance Record Return 2018

CIC/RC/18/5/8, ESFA Financial Record 2018/19, was received and noted. The Finance Record confirms the Satisfactory financial health grade for the year ending 31 July 2018. Governors' attention was drawn to the estates data on the final schedule. Details included the condition of the College estate, utilisation, space type and functional suitability. The data is based on 2017/18 usage rates and buildings utilisation is an area that the College needs to focus on as it was well below the sector average of 44% last year across all campuses except Colchester. The new buildings will address this going forward.

8. Property Issues

8.1. Braintree Campus Masterplan including LGF Project 'STEM Innovation Campus'

It was reported that following a five week delay on the determination period, Braintree District Council finally approved the planning application on 14th November 2018. The week before some questions were raised in respect of a drainage strategy and a tree root protection strategy for the site which could have been addressed earlier in the planning process had the information been requested.

The five week delay means that it is now unrealistic to expect the project to be completed ready for September 2019. It was reported that following discussions with the funders, the College has received written agreement to alter the cash profile of the project so that it completes in mid-October 2019 with the new facility open to students after the autumn half term. The land purchaser would also be amenable to delaying the sale of the land from July to the end of October 2019. This will also potentially give the College an extra three months to move the mobile phone masts. The Executive Vice Principal: Finance and Corporate Development reported that he was attending a

meeting in London on 6th December to talk to the phone company representatives about their plans for moving the phone mast.

Governors asked if the delay in opening the new building will have a negative impact on student income next year. The College does not expect to lose any students as a result of not having the building available for the start of the academic year. The students can be accommodated in the STEM 1 building and B Block.

Governors supported the changes to the timing of the project.

8.2. **Colchester Campus LGF Project 'Centre for Health and Development'**

It was reported that the planning application for the South Wing has been submitted. It is an eight week determination period. The College does not anticipate any issues at this stage and expects to have a response after Christmas.

The South Wing project, which will be partly funded by the sale of the land at Braintree, will be impacted by the delays to the Braintree project. By delaying the start of this project from April 2019 to the end of the summer term the College will avoid disruption to learning and examination activities in this academic year.

8.3. **Clacton Campus Project**

It was reported that the College is planning a launch event with key employers. The Clacton Campus is currently underperforming financially and the Executive are waiting to see if the attempts to re-purpose the accommodation for adult learners will increase participation at that campus.

8.4. **Local Growth Fund Bid**

The College has received informal feedback that its project scored relatively highly but is just outside the top eight to be prioritised for funding. The Executive Vice Principal: Finance and Corporate Development has reshaped the College's bid, reducing the request from £200k to £100k, which might be enough to make it a funded project. The College hopes to hear after Christmas if funding will be received.

8.5. **College Estates Plan 2018-19**

CIC/RC/18/5/8, College Estates Plan 2018-19, was received, considered and APPROVED. The Plan provides a one year update on a range of strategies across all delivery locations. The College Executive are considering business plans and the long term viability of leasehold premises including The Minories and The Energy Skills Centre at Harwich, and analysing the profitability of the different locations.

Governors asked about the timeframe for the potential sale of Block B at the Braintree Campus. The College Executive is of the view that a decision on the potential sale should be deferred. The College will need a home for services not currently in the new campus design such as the Learning Shop, an on-line examination block and overflow classrooms. Also one of the offices is currently being rented to a local charity. It was AGREED to review options once the College has settled into the new facilities.

9. **Principal's Report December 2018**

The Principal presented her written report (CIC/18/5/10). Progress against the High level Performance Targets approved by the Corporation Board in July 2018 was noted. It was noted that there was an improvement in student attendance at English and maths sessions compared to the previous year but it is still not as good as it should be. A member asked about the reasons for the under-recruitment of 16-18 learners. This was due to a number of reasons:

- (i) The demographic dip this year, with 200 fewer year 11 students in Colchester and Tendring compared to the prior year. Numbers will pick up again in 2019.

- (ii) Schools with sixth forms are increasingly offering vocational programmes such as BTEC. Unlike the College's offer, which is the equivalent of three A levels, the programmes offered in schools may only be equivalent to one A level.
- (iii) The change in A level programmes. Students used to sit AS levels at the end of the first year of their A Level programme and if they performed poorly, often left the A Level programme and joined the College. Now that AS levels no longer contribute to the A2 grade, most schools and colleges have stopped offering them, and more students are staying on programme for two years
- (iv) To ensure efficiency of delivery, the College turned down applications where it was clear there would not be enough applications to make a complete group. Where this happened the College tried to offer an alternative programme, but it was not always possible.

Governors asked if the building work had had an impact but this was not thought to be the case. The building work at the Braintree Campus is a very self-contained project.

It was noted that the under-recruitment will have an impact for the next two years. Under the lagged learner number funding methodology the College will receive less funding in 2019, and there will be fewer students progressing into year two. The College expects recruitment to recover next year and will have to manage those students on less funding.

10. **Update on One Year Strategic Plan Action Plan (Priorities 3-5)**

CIC/RC/18/5/11, Update on One Year Strategic Action Plan (Priorities 3-5), was received and considered. Some actions have been carried forward because they were not completed last year. Governors asked for an update on apprenticeship retention and were advised that it is too early in the year to know where this stands. This ambitious target (95%) is above the national average and will need to be closely monitored.

11. **Annual HR Operational Plan 2018-19**

CIC/RC/18/5/12, Annual HR Operational Plan 2018-19 (including associated action plans/documents), was received, considered and APPROVED.

12. **Annual Report to the Board**

CIC/RC/18/5/13, Resources Committee Annual Report to the Board 2017-18, was received, considered and approved for submission to the Board. It was noted that attendance levels had dropped during the year. It was reported that Ian Thurgood had resigned from the Board, and that Mark Davies was moving to the Audit and Compliance Committee. This was his last meeting as a member of the Resources Committee.

13. **Date of next meeting**

Tuesday, 5th February 2019 at 4.30pm.

14. **Any Other Urgent Business**

Mark Davies was thanked for his contribution to the work of the Committee.

Members of the Audit and Compliance Committee, the External Auditor and the Internal Auditor joined the meeting for this item.

15. **Report and Financial Statements 31 July 2018**

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

CIC/RC/17/5/14, Report and Financial Statements 31 July 2018, was received and presented by the External Auditor.

In respect of the Independent Auditor's opinion and the Reporting Accountants Assurance report on Regularity it was reported that the Auditor was proposing an unqualified and unmodified opinion on

the financial statements and nothing came to light during the audit to indicate that funds have not been used for the purposes intended by Parliament.

Total income increased 3.3% to £40.3m compared to £39m in 2017, largely due to increased tuition fees and funding body grants. Expenditure also increased compared to the prior year. Staff costs fell slightly as a result of unfilled vacancies rather than planned savings. Total comprehensive income increased to £6.8m compared to £2.7m in 2017, and the operational surplus pre FRS102 and one off income and costs was £841k compared to £485k in the prior year. Depreciation increased from £2.3m to £2.5m as capital investments over the last two years moved into use.

Included within the fixed assets is £350k costs incurred encapsulating asbestos in a building. Capitalisation of this work is unusual accounting treatment but is appropriate as it removes a liability and ensures the building can be used for the purpose intended.

Trade and other receivables increased from £2.1m in 2017 to £2.2m. It was reported that there were significant resource issues within the Finance Team during the year and credit control slipped as a result. Governors were advised that the changes to the funding regime in respect of apprenticeships means the College is chasing more employers for the co-investment element of the funding. Since year end the debtor position has been brought back under control.

The balance sheet is much stronger than the previous year with total net assets of £4.13m compared to a net liability in 2017.

Turning to the consolidated statement of cash flows, it was pleasing to note that the College generated £4.6m from operating activities during the year.

Governors' attention was drawn to note 21, events after the reporting period, relating to the Lennartz VAT appeal and the two SE LEP Local Growth Fund capital projects totalling £10m.

It was reported that the current valuation of the Teachers' Pension Scheme (TPS) is expected to result in a significant increase in the contribution rate paid by employers. There was a significant fall in the defined pension scheme liability as a result of changes in the assumptions used by the actuary. The discount rate has fallen, as has the pension increase rate and salary increase rate. Mortality rates have increased, reversing the changes made in the previous year. A Governor asked if the College has any input into the investment strategy for the pension fund and was advised that the College has no ability to influence the fund. In the long term the College could seek to make alternative pension provision but it would not necessarily be more cost effective and the College would want to move away from a defined benefit scheme which would make Colchester Institute less attractive as an employer. The local authorities benchmark themselves against each other and the Essex scheme has improved over the last 2-3 years and is performing quite well against benchmark.

The going concern statement was considered. The External Auditor summarised the key considerations and areas of risk, and confirmed that they are in agreement with the going concern assessment made by the Corporation.

It was AGREED to recommend the financial statements to the Board for approval.

15.2. Letter of Representation

The Letter of Representation and summary of adjusted and unadjusted errors was received and accepted for recommendation to the Board.

15.3. Management Letter

CIC/RC/18/5/15, External Auditors Report to the Audit and Compliance Committee, was received for information.