

Colchester Institute Corporation

*Minutes of a Meeting of the Resources Committee
held on 2nd April 2019
at the Sheepen Road Campus*

Present:Richard Wainwright, *in the Chair*

Brenda Baker

Alison Andreas

Liz Goodall

In attendance:

Gary Horne

Executive Vice Principal: Finance and Corporate Development

Hazel Paton

Clerk to the Governors

Apologies for absence were received from Kevin Prince.

1. Declaration of any conflicts of interest

None

2. Minutes

The minutes of the meeting held on 5th February 2019 (CIC/RC/19/2/1) 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 the Director of Capital Projects had been in negotiation with a pharmacy owner to lease part of Block B at Braintree for a term coterminous with the adjoining GP practice. The Chair authorised (04.03.19) the College Executive to proceed with the development of an 18-year lease agreement. The advice of the College's professional adviser was that the lease represented good value and that having a tenant would increase the inherent value of the building should the College wish to dispose of it in the future. The pharmacy will be open to the public and provide an onsite facility for staff and students.

Governors were reminded that the College no longer owned the area of Block B currently occupied by the NHS Surgery under a lease agreement with Braintree District Council. The pharmacy owner had requested a lease term coterminous with the Virgin GP Surgery as a change of use in that area of the building could negatively impact on the business plan for the pharmacy.

CIC/RC/19/2/2, Heads of Terms for the lease agreement (subject to contract), was received and noted. It was reported that the Heads of Terms were now with the solicitors. It is believed that the pharmacy will open in late summer 2019.

5. Management Report February 2019

CIC/RC/19/2/3, Management Report and Accounts February 2019 [Period 7], was received and considered.

It was reported that the results for the month were as anticipated. There was a £100k shortfall against HE income because the planned mid-year HE courses did not recruit. There was also slippage on the Other Income line as the College has been unable to achieve the budgeted special project income. The year to date income shortfall was £600k. The College achieved cost savings of £200k during the month, and year to date expenditure was £882k under budget. Overall the full year forecast had improved slightly on the previous month to £235k and it was anticipated that it would improve to budgeted level during March 2019.

It was noted that the College was predicting 150 points under the ESFA financial health methodology (up from 140 points in the December report) which will register satisfactory financial health. The Chair stressed the importance of achieving satisfactory financial health. It was reported that the Department for Education had published a revised intervention process the previous day (College Oversight: Support and Intervention policy document). Changes include triggers for earlier intervention and renaming the 'Satisfactory' financial health category 'Requires Improvement'. The new trigger point for a weak Requires Improvement will be 130 points; normally 110 points is the threshold for Inadequate financial health.

It was reported that premises costs were £100k over budget. This was due to electricity costs, water rates and business rates, which are outside the control of the College, being higher than budgeted. The College had just engaged on a 'no win no fee basis' a consultant that specialises in reducing rates bills in colleges and universities and it is hoped that this will result in some savings. The College already claims relief for the vacant buildings at the Braintree Campus and the rates should reduce considerably once the middle section of the campus is sold in autumn 2019.

The Committee discussed ways of encouraging staff to become more energy efficient, such as publishing statistics. The Executive Vice Principal: Finance and Corporate Development agreed to raise this at the next Sustainability Committee meeting.

It was reported that the College had now received confirmation from HMRC that the second of the four Brockenhurst claims had been accepted and offset against the Lennartz liability. Although the cash had not been received, a cost saving of £39k would be recognised in the Period 8 Management Report and Accounts, improving the Income and Expenditure position.

There was nothing further to report in respect of the Lennartz appeal. Governors noted that HMRC continue to raise assessments for unpaid Lennartz amounts and the College still had £381k to pay, which had been included in the cash flow forecast. It was reported that the cash flow was better than forecast because the College previously thought the Lennartz liability would be payable in February 2019. HMRC has accepted the College's appeal against the assessment of the liability and has 56 days to consider the appeal, delaying payments until April/May 2019. The College expects to manage March/April, which is a traditional financial pinch point, without the need for any third party short-term loan support.

The key ratios on the balance sheet were considered, and Governors noted that staff costs as a percentage of income were forecast to be 64% compared to 68% in the previous year. This has been driven by £1m savings on the salary line. Cash days in hand remain low compared to the recommended minimum of at least one month. The current ratio, another measure of solvency, is low and remains a focus of this Committee.

The Executive Vice Principal: Finance and Corporate Development reminded Governors that the year-end cash days in hand reflects a fixed moment in time, and that July is the second lowest pinch point in the year. The year-end position would be improved if grant income was equalised across the year, as proposed by the Association of Colleges. A number of measures are being taken to rebuild that position. The College has invested heavily this year in terms of non-capital expenditure to support curriculum areas. That level of investment cannot be sustained going forward. Normally the budget process includes inviting all areas of the College to submit capital budgets. This year only essential works will be completed, such as maintaining the asbestos removal programme and continuing the essential investment in IT.

The long range cash forecast was considered and Governors noted the cash pinch point in March 2020. Governors were advised that the forecast were based on pre-budget indicative figures. March is traditionally a cash low point and over the last three budget years the College has consistently achieved a position better than budget, and is working towards an improved position for 2020.

It was reported that the biggest risk to the 2019-20 budget, which was outside the College's control, was in respect of the Braintree Property Strategy and delivering the £1.9m cash income from the land sale on 1st November.

The long term bank loan was discussed. The Chair would like the increase in interest rate to be revisited by the Bank once the College is able to demonstrate that the covenants have been consistently met. It was agreed that July 2020, when the balance falls below £10m, might be an appropriate time to ask for a review of the interest rate.

The sensitivity modelling on the financial health calculations, requested at the last meeting, was noted.

It was noted that 68% of all capital expenditure was going towards improvements to the learning experience. With the completion of the new campus at Braintree in late 2019, the focus will be on improving facilities at the Sheepen Road Campus, where the College still uses two demountable units. One has been successfully converted to a painting and decorating facility and it is hoped that the majority of teaching will be moved out of the other facility (T Block) over the summer. T Block will be retained for one year as an examination suite and decommissioned once the new floor on South Wing is complete and other spaces within the campus reconfigured. Once T Block is removed the area can be returned to much needed car parking spaces. It was reported that the College was in discussion with Colchester Borough Council about a decked car park to allow Colchester Institute to open its car parks to the public during certain points in the week. A number of financing options are being reviewed but it will be at least 18 months before any project is taken forward.

The aged debtors and creditors analysis was considered. It was noted that creditors are paid to terms of 30 days following the date of invoice and that there would be a significant increase in purchase ledger activity now that the Braintree Capital project has commenced.

It was noted that staff average days' sickness absence in February was down on the previous month, and was 8.34 for the year. This will be a priority area of focus for the new Director of Human Resources.

6. **Colchester Institute Financial Statements 2017-18**

CIC/RC/19/2/4, letter from the ESFA and accompanying finance dashboard for Colchester Institute received by the College on 26th March 2019, was received and considered.

Governors noted that the College's cash days in hand and current ratio were worse than the sector average but for the second year in succession its performance ratio was above the sector average. Governors recognised that in respect of 2018/19 and 2019/20 the dashboard was based on the College's Financial Plan which was predicated on the sale of the land at the Braintree Campus at the end of July 2019, now delayed to later in the year. The College's performance was considered in the context of the significant sums invested over the last two years to deliver better facilities for students, including £700k enabling works for STEM in addition to £1.1m capital expenditure supporting teaching and learning activities and IT.

7. **Resourcing for Teaching, Learning and Assessment**

The Principal updated Governors on the College's application for SCIF (Strategic College Improvement Fund) funding. The College had learned the previous week that its Stage One application for a work programme to the value of £250k had been successful. The next stage was to provide a more detailed application setting out how the funding will be used. The College's plan has five work streams:

- (i) College wide programme of CPD to support teaching and learning improvement. This will be led by consultants.

- (ii) New teacher support, particularly for those who join the College from industry and need teaching and pedagogy skills.
- (iii) An excellent teachers' programme to develop and retain the best teachers. This recognises and acknowledges that there is a core of strong teachers within the College.
- (iv) Maths and English, particularly student progress. The focus will be on improving teachers' skills in getting students from a grade 3 to 4 and in getting students at any level to the next level.
- (v) Progress monitoring, including having the tools to do this consistently and well across the College. The College has recently invested in a product used by Burnley College, Power BI (business information), to support the new meetings regime of monitoring student performance more closely, consistently and on a more regular basis and taking the right actions to improve.

The College will know if its bid has been successful by mid May 2019, and all funding must be spent by May 2020. The College will need to fund 25% of the total cost of the programme from its own resources, and 25% of the funding will need to be spent with recognised partner colleges. Colchester Institute is considering working with Burnley and Northampton colleges and the College is currently in talks with both colleges on the type of support that they may be able to provide and the cost in order to inform the second stage, detailed, bid. If the SCIF application is unsuccessful, the College Executive will need to consider how to deliver its plans at a lower cost over a longer timeframe.

Governors asked for an update on the appointment of learning coaches. It was reported that nine applications had been received. Although the number of applicants was fewer than hoped for, the College was pleased with the quality of the individuals who had put themselves forward. Depending on timetabling commitments it might be possible to allocate more hours to fewer coaches. Four applicants had been trained earlier that day and five were due to receive training the following day. The training was delivered by an external consultant.

8. **Principal's Report – April 2019**

The Principal presented her written report (CIC/RC/19/2/5).

It was noted that the Government had launched a review of post 16 qualifications at Level 3 and below in England. Given the potential impact on the College of any changes, Colchester Institute will be contributing to the consultation.

A debate on FE funding had been held in Westminster Hall earlier that day, and the Principal had requested support at the debate from the four local MPs. It was confirmed during the meeting, that two local MPs, Will Quince and Giles Watling had spoken at the debate in support of additional funding. It was reported that there is a genuine belief at the Association of Colleges that the Government is listening to the sector and that the funding issue is being discussed by a range of people in public office.

The College is doing more analysis of the curriculum offer of competitor institutions and is increasingly concerned at the impact of what is now being offered in local sixth forms. The decision had just been taken to discontinue Health and Social Care at the Braintree Campus because of local competition.

Governors were pleased to note the appointment of Elaine Hart as Director of Human Resources and look forward to meeting her in due course. She will be a member of the Senior Leadership Team.

Progress against the key high level performance indicators was considered. It was noted that the percentage of completed PDRs was getting closer to target but was still not good enough. The underlying reasons for this were discussed. It was reported that the software system was not user friendly, follow up reporting was not rigorous enough, and with the reduced funding available for CPD activities people do not see the benefit of doing it. In addition, some managers have wide spans

of control. In some curriculum areas managers are responsible for 20 to 30 people and it can be challenging to arrange meetings around timetable commitments. The College is looking at reducing the administrative burden by reformatting the PDR form for next year to make it more streamlined and less repetitive.

9. **Property Issues**

9.1. **Braintree Campus Developments**

As reported earlier in the meeting, the College is negotiating letting a small proportion of B Block on an 18 year lease for use as a pharmacy. Space in B Block is already being leased to Community 360 on an annually reviewed basis. The remaining areas of the building will be used by the College to house the Learning Shop, a gym for student use, and examination facilities.

It was reported that phase 2a of the STEM 1 facility (library space and reception area) was nearing completion. To avoid disruption to teaching and learning the new IT data centre will be installed over the Easter break.

Work on the new Learning and Technology Centre was two weeks behind schedule but it was thought that this time would be recovered.

It was reported that the main risk associated with completing the property master plan at Braintree was in respect of the land sale. It was anticipated that Scott Properties would be submitting its planning application within the next three weeks.

With regard the mobile phone masts, the Executive Vice Principal: Finance and Corporate Development had met with representatives of the mast operators the previous week to maintain the momentum. The risk to the College is in respect of the phone operators receiving planning permission for the masts. The current lease agreements are until 2021 and under the Telephone Communications Act the operators have rights to extend the lease for as long as they want to. It was hoped that the planning application for the new masts would be submitted during April. The determination period for the planning application is 56 days, and once approval has been given the operators are committed to meeting the college's preferred date of 1st November 2019.

9.2. **Update on LGF Capital Projects**

Planning permission has been received for the additional floor to South Wing at the Colchester Campus. The College is currently working on the detail of fire mitigation for the building. To avoid disruption to teaching and learning the scaffolding would be erected over the Easter break ready for work to start after the last day of the summer term.

9.3. **Clacton Campus Update**

The new Centre was formally opened on 11th March. Applications are still being received, all programmes are now underway, and the College has appointed a new teaching staff member.

9.4. **Colchester Campus LGF3b Update**

The College's bid has been shortlisted to go forward to the June SELEP Accountability Board meeting.

10. **HR Plan 2018-19 – Update on Progress**

CIC/RC/19/2/6, update on HR Operational Plan 2018-19, was received and considered. The Committee had previously acknowledged that the resignation of the Executive Director: Human Resources would result in slippage in delivery of the plan. The plan will be reviewed and prioritised by the new Director of Human Resources.

In respect of apprenticeships and departmental people plans, it was reported that although utilisation of the apprenticeship levy was projected to be between 70-70%, this did not take into account an underspend in the previous two years.

11. **Date of Next Meeting**
Tuesday, 23rd July at 4.30pm
12. **Any Other Urgent Business**
There were no item.