

Colchester Institute Corporation

*Minutes of a Meeting of the Resources Committee
held on 26th November 2019
at the Sheepen Road Campus*

Present:

Richard Wainwright, *in the Chair*
Alison Andreas
Patrick Giddings

Liz Goodall
Kevin Prince

In attendance:

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| Elaine Hart | Director of Human Resources |
| Gary Horne | Executive Vice Principal: Finance and Corporate Development |
| Hazel Paton | Clerk to the Governors |
| Mark Smith | Scrutton Bland, External Auditor |

Patrick Giddings and Mark Smith were welcomed to the meeting.

1. **Apologies for absence**

Apologies for absence were received from Brenda Baker.

2. **Declaration of any conflicts of interest**

None

3. **Minutes**

The Minutes of the meeting held on 1st October 2019 (CIC/RC/19/5/1), were received and confirmed. The Chair signed the minute book.

4. **Matters Arising from the Minutes**

None, other than on the agenda

5. **HR Operational Plan – Update on Progress**

CIC/RC/19/5/2, HR Key Priorities – Update on Progress, was received and presented by the Director of Human Resources.

5.1. **HR and Payroll Systems Replacement**

The HR and Payroll Systems Replacement project is going to plan. Tenders have been evaluated and given the cost of the project, this Committee will be asked to approve the expenditure. Resources have been allocated to the project and an in-house Project Manager has been appointed. Payroll will be moved out HR and a Pensions Officer and Payroll Officer have been appointed to facilitate this move.

5.2. **HR Service Delivery**

The HR Manager left the College in October 2019, and a new structure has now been implemented in HR. A new member of staff joined the HR team in October in the role of Learning and Development Business Partner and is already having a positive impact. The Director of HR is looking to implement a set of team values to improve service delivery alongside automation of the processes.

5.3. **Safeguarding and Single Central Record (SCR)**

The Staff Safeguarding report which had been presented to the November meeting of the Curriculum and Quality Committee was appended to the report. Governors were pleased to note that compliance is at its highest level ever. Annual self-declarations are complete. DBS compliance will

never be 100% because of new starts etc. All barred list checks for those in regulated activity have been completed.

Governors were concerned to note that an audit of identity/right to work checks had identified some incomplete information on file, although the HR Team have prioritised corrective actions. It was noted that fines for employing someone without evidence of a check on file could be significant.

Compliance levels for Safeguarding and Prevent training as at 30 October 2019 were noted. Governors asked what processes were in place to ensure all staff complete this mandatory training. It was reported that as part of the annual health and safety audit programme (40 areas) the Manager of the area to be audited receives a dashboard taken from PowerBI two weeks in advance of the audit. The dashboard flags up outstanding induction forms, and any outstanding online training (Prevent, Safeguarding, GDPR, and E&D Essentials). This is followed up during the audit and if anything is still outstanding this will inform the overall assurance assessment for the area. Last year was the first year of these H&S audits, and they identified a number of outstanding items. This year's audit programme has just started and to date no outstanding training has been identified.

A new induction policy is being finalised by HR, which includes a requirement that no person can commence employment at the College in a regulated activity without a risk assessment being in place, which is refreshed weekly.

Governors noted that there had been three referrals to the Local Authority Designated Officer (LADO) regarding staff members, and asked what these referrals would have been for. It was reported that these would have been where there was a safeguarding concern, and it is usually a disciplinary situation. None of these staff are still employed by the College. The College is required to make a referral where there is a safeguarding concern for a child under 18, and the LADO then advises on the next stage. If it is a serious matter, there will be a multi-agency meeting, and sometimes a criminal investigation. LADO also advise on whether to refer the matter to the DBS.

5.4. **Usage of Apprenticeship Levy**

Usage of the apprenticeship levy has increased. The Learning and Development Business Partner is looking at how to use the levy in different ways to further increase the usage. An evaluation of the Management Development training has started. Concern has been expressed at the 20% off the job training. Managers need to see the benefits and support the training.

5.5. **HR Policies**

It was noted that a number of policies had been finalised and were now operational, and a number of other policies were under review. It was reported at the last meeting that the Whistleblowing Policy had not been up updated since 2015 and Governors asked if this policy was under review. It was confirmed that the process outlined in the Whistleblowing Policy was still valid, but the policy would be reviewed during this academic year.

5.6. **Recruitment**

Current areas of concern were noted. The College is piloting an AoC Outsourced Recruitment Service with Computing, Maths and Science roles, which is a very cost effective solution. Approval has been given for a new application tracking system.

Governors asked to what extent the current vacancies were impacting on teaching and learning. It was reported that the situation was being managed and classes were being covered in areas such as computing and maths, but it was not ideal. In some areas, teaching staff were committing to overtime and managers were teaching. There have been some missed income opportunities in electrical. There are concerns about management stretch, and the College is vulnerable in some areas.

Governors asked how the Recommend a Friend for Employment Scheme worked. It was reported that this applied for posts identified as hard to fill. If a member of staff recommends someone and they are successful in securing the post, that individual and the friend get a reward on appointment and on successful completion of the probation period. No payments have been made under this scheme yet.

5.7. Contract Terms and Conditions

This project is ongoing. There will be more to report at the next meeting.

5.8. Performance Review

The Learning and Development Business Partner is looking at the way performance management is conducted in the College. The College Executive discussed a range of HR items earlier that day, particularly around changes to the Education Inspection Framework, and its focus on staff wellbeing, CPD and performance management. A set of proposals were put forward to prepare the College for Inspection, and it has been agreed to spend a half day as a group to look at performance management and review.

The Director of Human Resources left the meeting.

6. Report and Financial Statements 31 July 2019

The External Auditor presented:

Report and Financial Statements 31 July 2019 (CIC/RC/19/5/3)

Letter of Representation (CIC/RC/19/5/3a)

Management Letter (CIC/RC/19/5/4)

It was reported that some adjustments would be made to the narrative before the Report and Financial Statements are received by the Audit and Compliance Committee.

The External Auditor reported that:

- The audit report opinion was unqualified;
- The operational surplus in the year was in line with the budget;
- The challenge for 2019/20 is the significant reduction in funding.

The Income and Expenditure account was considered. It was reported that the drop in income on the tuition fees and educational grants line compared to the prior year (£700k) was primarily due to a reduction in HE income (students not recruited to plan). The Other Income line was also down on the prior year primarily due to reduced opportunities for additional funds through local and regional funding bids. There was an overall reduction in income of £1m.

The External Auditor reported that over the last few years staff costs have been lower than budget because of a number of unfilled vacancies and in 2018-19 staff costs were down against budget (£1.45m) as post were held open. The College knew in September 2018 that there would be a shortfall in 16-19 funding in 2019-20 and pro-actively reduced posts in year as opportunities arose through natural wastage (resignations and retirements), which contributed to this recruitment drift.

The other reduction in costs was on the Other Operating Costs line, due to savings on computer software and a reduction on HE validations fees.

As in previous years, an additional disclosure has been included in the accounts to give readers a better understand of the underlying position. The College recorded an operational surplus pre FRS 102 and one off income and costs of £270k compared to £841k in the prior year. Governors questioned the staff costs (FRS102) of £1.5m included in the additional disclosure and were advised

that this was the actuary's adjustment in terms of pension costs and was outside the control of the College.

The Balance Sheet was considered. It was noted that the additions in fixed assets relate to the South Wing extension at the Sheepen Road campus and the new building at the Braintree campus. It was reported that there was no significant movement in creditors compared to the prior year. An increase in creditors in respect of capital project liabilities due to Cadman at the end of the year was largely offset by reductions in VAT liabilities, including a reduction in Lennartz liabilities. Creditors due after more than one year increased due to more grants for building work. Pension liabilities on the defined benefits scheme increased to £26m compared to £21.5m in the prior year.

Governors noted total net assets for the year of £130k and asked if it would be a trigger for insolvency if that figure ever became negative. The External Auditor reported that in terms of going concern they would look at cash flow, and the ability to pay debts as they fall due. This is in line with the Finance Record, which strips out the pension deficit.

In response to a question it was reported that the College has an obligation to continue to enrol staff into the Local Government Pension Scheme as part of the Funding Agreement, although the College can offer an alternative scheme. As part of its new three year plan the College will look in more detail at potentially opportunities around subsidiary company activities and exploring a wider roll out of its defined contribution scheme applicable to that company. The level of employee contribution to the pension scheme is significant and younger staff may not want to commit that much of their salary to a defined benefit scheme.

The External Auditor drew Governors' attention to the cash flow statement, and the main adjustments which contributed to an overall decrease in cash in the year of £719k compared to an increase in the prior year of £1.6m. It was reported that within the £5m payments made in the year to acquire fixed assets to support improved teaching, learning and assessment opportunities; this included a c£1m for improved IT infrastructure.

The External Auditor reported that the figures in note 6 to the accounts (split of teaching to non-teaching staff) were going to be revised. The College has a number of people on support staff rather than teaching staff contracts who are engaged in classroom delivery (technicians, workshop supervisors etc) and it would be misleading to record them as non-teaching staff.

It was noted that disclosure of the Principal's pay multiple was a new requirement this year. Some additional narrative was included in the report referencing the fact that it is below the median for the sector. There is no benchmark data for the Principal's pay multiple yet. It was reported that some colleges are making a disclosure benchmarking the private sector as they are not just hiring from within the sector.

The Committee considered the Report to the Audit and Compliance Committee in so far as it might clarify their understanding of the accounts. From the report it was noted that included within other taxation is a liability of £457k in respect of Lennartz. In response to a question it was confirmed that this liability includes provision for money that might have to be paid in respect of Lennartz, as set out in the Letter of Representation (estimated legal fees and contingencies in case the appeal is lost; and amounts levied by HMRC which are under query). It was confirmed that everything due to be paid by the College has now been paid.

Governors noted that the audit had identified an instance where a supplier form for a change in bank details had not been validated and stressed the importance of independently verifying every change to supplier bank accounts.

The Committee noted that the College had met its bank loan covenants for the third year running, and achieved an operating surplus. Governors discussed whether now was the right time to start a

conversation with the bank about the mechanism for an interest rate review. It was noted that the FE sector is a difficult environment for the banking sector, given the introduction of the Insolvency Act and the fact that there have been colleges that have recently failed. The College approached the bank about an overdraft facility in the event that the land sale at Braintree does not complete on time and the bank wanted additional security over the Clacton campus, which would restrict the College's strategic planning potential. The College invested in a new Construction Skills Centre at the Clacton campus last year but 16-18 numbers in September were down to 180; at that level the campus is loss making. The College Executive has agreed to review the position by the end January and produce an options paper.

7. **Management Report and Accounts**

CIC/RC/19/5/4, Management Report and Accounts October 2019 (Period 3), was received and presented by the Executive Vice Principal: Finance and Corporate Development. It was reported that income in Period 3 was £233k ahead of budget. 16-18 FE enrolments reached target and the College is on target to achieve its apprenticeship numbers, Adult Education Budget and HE Full Time targets. Part time HE numbers are 49 short of target (187). The reduction on income/expenditure on a year to date basis (£234k) has been offset by additional HE sub-contract work which has associated additional costs. The early indications are that the College will achieve the full year budget income position and make savings against expenditure lines.

Governors noted that income from the sale of land at the Braintree campus has been included in the cash flow forecast for February 2020 and asked whether this impacted on the need to have in place a short term financing solution. It was reported that one of the new triggers for early intervention from the FE Commissioner is falling below 15 days cash in hand. The College therefore needs to demonstrate £1.5m cash in hand at the end of each month. In line with most colleges, Colchester Institute experiences a dip in terms of cash reserves during January-April each year which is why the Board will be asked to approve an application to Whitehall Finance, although the College does not expect to have to use the facility.

Apprenticeship recruitment was discussed. It was reported that the College had high carry in funding from last year, and continues to press the Apprenticeship Team to convert those in the process of being signed up to make sure the full year numbers target (715) is achieved as soon as possible. Because of the different funding bands (£28k for an engineering apprenticeship compared to £4k for a business administration apprenticeship) the mix of apprentices is more important than learner numbers. The reason part time higher education numbers are down is because more learners have opted for a degree of higher apprenticeship, which has a higher value.

It was reported that the Funding Body has removed some funding from the FE line as a result of the College's decision, for good reason, to pull out of a sub-contract with VLUK. The student numbers target has been reduced as a result, but if the College recruits above the revised target it will get paid in year.

Governors were concerned at the potential liability and reputational risk of not holding confirmation of the right to work for a small number of staff and asked for this to be elevated to the risk register.

8. **ESFA**

8.1. **Financial Plan 2019 to 2020**

CIC/RC/19/5/6, Financial Plan 2018 to 2020 (updated and resubmitted to the ESFA November 2019), was received and noted. The College was advised in late October that the plan submitted in July would put Colchester Institute in early intervention under the new trigger of cash days in hand falling below 15. The College was invited to resubmit a new the plan which has been accepted (minute 8.3 refers). There is no change in terms of financial health but the cash position had improved, largely as a result of VAT savings. And an improved year end outturn.

- 8.2. **Monthly Cash Flow Forecast**
CIC/RC/19/5/7, Monthly Cash Flow Forecast (updated and resubmitted to the ESFA November 2019), was received and noted.
- 8.3. **Financial Plan 2019 to 2021 – ESFA Letter of 25/11/2019**
CIC/RC/19/5/17, ESFA letter of 25/11/2019 confirming the College’s financial health as Requires Improvement for 2018/19 and 2019/20 (current budget year) and attaching a financial dashboard compiled from the information provided by colleges, was received and noted.
- 8.4. **Finance Dashboard October 2019**
CIC/RC/19/5/18, Finance Dashboard October 2019 for Colchester Institute, was received and considered. It was noted that the dashboard confirmed the impact of the long term debt on the current ratio and the cash days in hand. The staff cost percentage remains challenging as a function of income reducing rather than staff costs increasing.
9. **Property Issues**
10. **Braintree Campus Masterplan including LGF Project ‘STEM Innovation Campus’**
It was reported that the College had delivered a £7m building within the original £5m funding envelope, which has transformed the Braintree campus. There are some final changes to make including signage and completion of the carpentry workshop. Governors will have an opportunity to see the new facilities at the December Board meeting.
11. **Colchester Campus LGF Project ‘Centre for Health and Development**
The project was two weeks behind schedule, but the contractors are catching up and the project should be complete by Easter 2020.
12. **Colchester Campus LGF 3b Bid to support the Ground Works and Scaffolding Project**
Following a visit to CITB, the decision has been taken to potentially remove the scaffolding element from the project. The College has been asked to produce a paper for the LEP to vary the grant. A lot of the outcomes were connected to the scaffolding element of the project. It is likely the grant will be reduced from £100k to £50k to only proceed with the groundworks element.
13. **College Estates and Accommodation Strategy**
CIC/RC/19/5/10, College Estates and Accommodation Strategy (updated November 2019), was received and noted. The paper will be sent to the FE Commissioners Office, together with the latest utilisation data, which will be much better than in previous years, following the closure of a number of buildings. There will be further improvements next year when the College moves into the new South Wing extension and closes T Block completely.
14. **Principal’s Report November 2019**
CIC/RC/19/5/11, Principal’s Report November 2019, was received a noted.
15. **Update on One Year Strategic Plan Action Plan (Priorities 3-5)**
CIC/RC/19/5/12, One Year Plan (19/20) to meet Strategic Plan priorities (2017-20) (Priorities 3, 4 and 5), was received and noted. Compared to previous years, the number of actions has been reduced by removing the operational detail to provide a top level report more appropriate to providing Governors with reassurance that the College continues to work towards achieving the plan. The Committee was pleased to note that progress had been made in most areas.

Looking at the detail in the report, Governors asked if there were plans for a staff survey to be carried out during 2019-20. It was reported that a survey had been sent to managers asking about management development, and some smaller surveys of staff linked to the new Ofsted focus around wellbeing, will be carried out. In view of this it might be decided not to do the same detailed staff survey as that carried out 15 months ago.

In response to a questions it was reported that the College does not have a staff forum, but representatives from the two recognised trades unions (Unison and UCU) meet monthly with the Director of Human Resources and Executive Vice Principal: Curriculum, Quality and Planning. The College also has a Staff Association which organises social activities. The College Executive hold drop in sessions to engage with staff but the numbers attending are small (typically 4 or 5). Staff focus groups are occasionally held, where the take up is better depending on the issue. The Staff Wellbeing Group, chaired by the Principal, continues to meet regularly and Workplace Health Champions are being trained to take forward wellbeing initiatives around physical and mental health.

16. **Statement on Modern Slavery and Human Trafficking for year end 31 July 2019**
CIC/RC/19/5/13, Statements on Modern Slavery and Human Trafficking for year end 31 July 2019, was received, considered and APPROVED. The Statement had been updated to reflect some of the requirements of procurement, and to support the College's tenders for supplying apprenticeships through Essex County Council and the Crown Commercial Services. Procurement Supplier questionnaires have been updated to includes questions in respect of modern slavery and human trafficking.
17. **Annual report to the Board 2018-19**
CIC/RC/19/5/14, Resources Committee Annual Report to the Board 2018-19, was received, considered and APPROVED for submission to the Board.
18. **Date of next Meeting**
Tuesday, 28th January 2020 at 4.30pm.
19. **Any Other Urgent Business**
There were no items.