

## Colchester Institute Corporation

*Minutes of a Virtual Meeting of the Finance and Resources Committee  
held on 25<sup>th</sup> November 2020*

**Present:**

Richard Wainwright, *in the Chair*  
Alison Andreas  
Steve Blake

Patrick Giddings  
Jasmin Patel  
Kevin Prince

**In attendance:**

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 Auditors

**1. Apologies for absence**

Apologies for absence were received from Peter Cook.

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

None

**3. Minutes**

The Minutes of the meeting held on 25<sup>th</sup> November 2020 (CIC/FR/20/5/1), were received and confirmed as an accurate record.

**4. Matters Arising from the Minutes****4.1. Essex Pension Fund**

CIC/FR/20/5/2, Essex Pension Fund – Interim follow up to meeting discussion, was received and presented by the Executive Vice Principal: Finance and Corporate Development. In response to the questions raised at the last meeting:

- The increase in administration expenses appears to be in line with that reported by other Essex colleges. The College is still awaiting a response to an enquiry to the Fund made through the Essex Colleges representative on the Pensions Advisory Board.
- No college Finance Directors responded to an enquiry to confirm that they offer an alternative defined benefit scheme. Some colleges offer a defined contribution scheme alongside the Local Government Pension Scheme (LGPS)
- The Essex fund has performed well over the last five years. Prior to the pandemic the scheme was 97% funded.
- The College is expecting to receive an annual report in December 2020 which will allow the Essex fund to be benchmarked against other schemes across the country.

Governors asked if the College would find it easier to attract staff, particularly to the hard to fill roles, if it offered an alternative, defined contribution scheme, and paid higher salaries to the staff in the defined contribution scheme. The College would find it difficult to administer such an arrangement because of the legal requirement to auto-enrol eligible staff into the LGPS every three years. Concerns were also expressed in respect of equal pay. One of the attractions of working in the sector is the defined benefits pension scheme.

The College has previously looked at providing an alternative to the LGPS, and some staff might find an alternative scheme more affordable. The difficulty would be that if fewer people were contributing the LGPS the deficit would increase.

The Committee noted the above. The College Executive was asked to keep the position under review.

## 5. **Report and Financial Statements 31 July 2020**

The Committee received and considered:

- CIC/FR/20/5/3, draft Annual Report and Financial Statements year ended 31 July 2020
- CIC/FR/20/5/4, Letter of Representation for the year ended 31 July 2020
- CIC/FR/20/5/5, Report to the Audit and Risk Committee (received for information)

The External Auditor drew the Committee's attention to the key points to note:

- The audit was completed on time and the External Auditors have issued an unqualified audit opinion
- There was a reduction in income of £2m compared to the prior year.
- 16-18 recurrent grant income reduced by £2.2m, offset by an increase in apprenticeship income of £329k and grant towards the Teachers Pension Scheme increase of £720k.
- The increase in other income includes a grant of £300k from the Government Job Retention Scheme.
- Expenditure was down by £1m compared to the prior year. Significant savings were achieved on utility and building costs following the closure of the campuses in March 2020. Teaching costs have also reduced.
- Staff costs as a percentage of total income increased compared to the prior year. This increase was largely driven by the general increase in employer contributions to both pension schemes.
- Significant levels of staff absence in the early part of the year contributed to a small overspend on part-time teaching costs.
- The pension scheme deficit has increased by £14.1m from £26m to £40.1m, putting the balance sheet into a deficit position. This movement in the pension scheme deficit is in line with other colleges.
- The increase in fixed assets includes a depreciation charge of £2.8m and an addition of £3.3m in respect of the South Wing extension.
- The balance sheet includes within creditors £1.843m received in advance for the land sale at the Braintree campus.
- The significant movement in the pension scheme deficit is due to the change of assumptions used by the actuary. The discount rate has reduced from 2.10% to 1.35%.
- The cash flow position was relatively strong.
- Within staff costs (note 6) staff numbers are now reported on the basis of actual headcount rather than as FTE (full time equivalent) as in previous years.

The policy of accounting for property at historic depreciated costs rather than market value was discussed at length. A Member thought it unusual that property was not as a minimum revalued every five years, and indexed in the intervening years. Accounting for property at market value could potentially wipe out the balance sheet deficit. It is standard practice within the sector to use historic costs. The College did review the policy when the new International Financial Reporting Standard was brought in but decided against having regular valuations because it would apply to all assets within the same class. All sites would have to be revalued, incurring significant and recurring surveyors' costs. Governors asked if a negative balance sheet as a result of the pension scheme deficit would reduce the College's ability to access credit facilities or increase the cost of credit. The defined benefit pension calculation is not taken in to account by the bank, does not impact on the

financial health ratios, and is taken out of the financial report to the ESFA (Education and Skills Funding Agency).

The receipt of £1.8m during the year for the land sale at Braintree had to be recognised as a currently liability. This had the unforeseen effect of worsening the net current liability position and the loss of 10 financial health points. The College remains in the Satisfactory (Requires Improvement) band for financial health.

It has been assumed that the land sale at Braintree will be completed before the financial statements are signed, as set out in the notes to the accounts. It is believed that the completion will take place during the first week of December.

It was noted that one additional disclosure in respect of the HE Access and Participation Plan still needs to be added to accounts.

The Letter of Representation was considered and accepted for recommendation to the Board.

The Committee questioned the number of adjustments which had been made during the audit process, and any concerns that it may need to be aware in respect of its in-year monitoring of the Monthly Management Reports. It was reported some of the adjustments related to matters which the College would not be aware of until after the year end. For example, the report on the enhanced pension provision was not received until August. Some other changes were around interpretation of Funding Agency guidelines. The College had thought it prudent to have a higher bad debt provision but had accepted the view of the auditors that it could be reduced.

The Committee's attention was drawn to the reporting on going concern, and the uncertainty around the impact that Covid-19 may have on the College's work based learning income in 2020-21 was discussed. It was reported that the College was just ahead of its profiled target for November of 276 apprenticeship starts.

The Committee agreed to recommend the Report and Financial Statement for year ended 31 July 2020 to the Board for approval.

## 6. **Management Report**

CIC/FR/20/5/5, Management Report and Accounts September 2020 [Period 2], was received. The Committee noted a good start to the year, with income in line with the budget and savings on expenditure lines.

The Executive Vice Principal: Finance and Corporate Development gave an overview on the Period 3 Management Report and Accounts, which had been circulated to Governors earlier that day. The College was reporting a further improvement in income (208k) and expenditure savings (272k) on a year to date basis. Some commercial income lines had been deteriorated as a result of the ongoing Covid-19 pandemic, and income targets have been softened by between 10% and 25%. When the budget had been set, it had not been realised that the restaurants and salons would not be in use at all during the autumn term. Car parking income is also down due to the decision to adopt the Model B (blended learning) timetable. The number of learners on professional courses are also restricted by awarding body regulations.

Having recruited 30 learners above target (both full time and part time) HE fee income is £200k above that budgeted. There is also additional FE funding income associated with tuition groups and 19+ high value programme. There will be additional part time hourly paid staff costs associated with these programmes. Savings are currently being made on the core staffing line. With staff able to work from home sickness absence rates have dropped significantly.

No concerns over cashflow are currently predicted for this year. The College is benefiting from the forward payment of HE fees, with two tranches received in October (second tranche normally paid in January) and the FE capital allocation.

Given the improvement in the October report, Governors questioned the change in financial health points (from to 150 to 140) and current ratio (from 0.53 to 0.48) compared to the September report. The October figures reflect the confirmation of higher current liabilities carried over from the period 12 position

It was noted that in order to retain the Whitehall Finance facility the College had previously been asked to utilise the facility for a short period. Governors noted that it is unlikely that the College will need finance within the next 12 months, and asked if the finance facility would remain open to Colchester Institute if not used. The Executive Vice Principal: Finance and Corporate Development confirmed that he keeps in touch with Whitehall Finance and sends them a copy of the Monthly Management Report and Accounts, which is all that is required to keep the account open.

#### 7. **ESFA November Financial Return**

CIC/FR/20/5/7, ESFA Covid-19 November financial return, was received and noted. With a number of colleges struggling financially as a result of the pandemic the ESFA is asking for more frequent (quarterly) returns. The 24 month cash flow is aligned to the October 2020 position. The commentary provides a bridge between the actual cash at 31 October and what was forecast in July 2020. The Committee noted improvements including the FE Capital allocation (unknown at the time of forecast); forward payment of HE tuition fees; and other improvements in operating performance, and delayed cash flows. The Committee also noted the areas of uncertainty for the coming year.

The Committee approved the November Financial Return for signature by the Principal as Accounting Officer.

#### 8. **Property Issues**

The Executive Vice Principal: Finance and Corporate updated the Committee on property issues.

##### 8.1. **College Estates and Accommodation Strategy**

CIC/FR/20/5/8, College Estates and Accommodation Strategy 2020-21, was received and presented by the Executive Vice Principal: Finance and Corporate Development. The progress that had been made in improving the accommodation and financial effectiveness of the sites was noted. The Braintree campus masterplan was completed during 2019-20 and the decision was taken to close the Clacton campus and the Minories, improving utilisation. At the Colchester campus, T Block was removed, achieving a saving of £100k in running costs.

The plans and actions in place to further improve the Colchester campus were noted. The College is moving forward with a Salix Finance application (public sector decarbonisation scheme) and should have an update on FE Capital funding before Christmas. The Principal and Executive Vice Principal are due to meet with Colchester Borough Council in early December to discuss the Town Deal Youth Zone opportunity. Governor asked about the management capacity to deliver projects in the proposed timeframe. The College is working with good project partners.

Governors asked about estate utilisation in the context of the Covid-19 pandemic, which speeded up the move to and investment in digital delivery in education and training, and whether less space would be needed in the future. There is currently an imbalance at the Colchester campus for difference areas of provision. Design areas probably have 8m<sup>2</sup> per student, much more than the workshops in the West Wing used for the delivery of woodwork and carpentry and there is not enough space for Motor Vehicle. With many staff currently working from home, and an element of home working likely to continue going forward, the opportunity to reduce the number of work stations by hot desking in staff areas such as IT and Human Resources is already being looked at.

Planning for student areas is around renewing buildings to accommodate optimal group sizes. Higher admission numbers are anticipated next year due to an upturn in demographics.

Governors asked about the longer term (10 year) strategy and were advised that it is dependent on knowing what the future skills needs are to inform the master plan. Work is underway with curriculum leaders to understand what new facilities will be needed in the future. The College of the Future report suggests that there needs to be an element of collaboration.

It was reported that online learning is popular with HE students, who can choose to attend in person or join the same session remotely. FE sessions are either taught on campus or online, with no mixing of delivery in the same session. It is believed that there will be an element of blended learning into the future. While feedback from some students is that it will be nice to be back fully on campus, the students who spoke to Inspectors during the Ofsted interim visit the previous week said that they were exited by online learning and that it gave them opportunities that being in a classroom did not. With regard to specialist facilities, the expectation that colleges will form networks is gaining momentum. The FE White Paper is likely to include elements of the College of the Future, Ney and Augar reports. Given its position in relation to Bradwell and Sizewell, Colchester Institute might want to specialise in clean energy. Construction and engineering are also significant areas of provision for the College.

The Committee APPROVED the College Estates and Accommodation Strategy 2020-21.

#### 8.2. **Public Sector Decarbonisation Scheme Bid**

CIC/FR/20/5/9, Public Sector Decarbonisation Scheme, Bid was received and noted. If successful, the c£4m requested will be used to replace old gas boilers in B and D Block and renew the façade of Blocks B and D. The bid is due to be determined by 28<sup>th</sup> November, and if successful the College will start the procurement in the first week of December.

Governors asked about the level of contingency in the event of a requirement to remove or contain asbestos. The bid is formulaic; once the cost of the scheme is uploaded, the payback is calculated from the improvement to the carbon footprint. The bid is approved if the total cost is within a defined range. The risk in respect of asbestos is limited. The project only touches the façade of the building (window frames) and the pipes through certain ceiling and floor spaces. It is planned for the concrete panels on the front of the building to be left in situ, and new panels put on top, however it is likely that planning permission approval will be required.

#### 9. **Resourcing for Teaching, Learning and Assessment**

As previously reported much of the FE capital allocation had been used to improve the student experience through upgrades to the IT infrastructure. There are currently issues around digital poverty and the ability of students to access the right equipment for online learning. The College continues to invest in this area. As this is covered in the Management Report and Accounts it was agreed to reduce the frequency of reporting on resourcing for teaching, learning and assessment as a specific agenda item to annually.

#### 10. **Statement of Modern Slavery and Human Trafficking for year end 31 July 2020**

CIC/FR/20/5/9, Modern Slavery and Human Trafficking Statement – Year ending 31 July 2020, was received, considered and APPROVED. An information pack is currently being developed to raise staff awareness of their duties and responsibilities in respect of modern slavery and human trafficking. All staff will be expected to familiarise themselves with this information. Staff in key roles, particularly Facilities, Procurement and Finance, will receive more detailed training on their obligations and what to do if they have concerns.

#### 11. **Annual Report to the Board 2019-20**

The Committee received, considered and approved CIC/FR/20/5/10, Finance and Resources Committee annual report to the Board 2019-20.

12. **Date of next Meeting**  
Tuesday, 26<sup>th</sup> January 2020 at 4.30pm
  
13. **Any Other Urgent Business**  
There were no items.