

COLCHESTER INSTITUTE CORPORATION

***Minutes of a virtual meeting of the
FINANCE AND RESOURCES COMMITTEE
held on 30th November 2022***

Present

Richard Wainwright, in the Chair
Alison Andreas
Stephanie Bettinson

Steve Blake
Kevin Prince

In attendance:

Emma Richens	Director of Finance
Gary Horne	Deputy Chief Executive
Hazel Paton	Clerk to the Governors
Jill Wognum	Executive Vice Principal: Curriculum, Planning and Quality

Observer:

Andrew Fullarton

1. Apologies for Absence

Apologies for absence were received from Richard Block.

2. Declaration of any conflicts of interest

None.

3. Agreement to Starred Agenda Items

Members were invited to indicate any item which they wished to star for discussion or question. Items that were not starred were noted and/or approved by the Committee without discussion.

4. Minutes

The minutes of the meeting held on 5th October 2022 (CIC/FR/22/6/1) were received and approved as an accurate record.

5. Matters Arising from the Minutes

CIC/FR/22/6/2, Finance and Resources Committee action sheet, was received and noted.

6. Chair's Action

It was reported that the Vice Chair, Richard Wainwright, and Principal signed (18.11.22), and the Corporation seal was affixed to, a Deed of Surrender relating to The Minories, 74 High Street, Colchester, CO1 1UE, between The Victor Batte-Lay Foundation and Colchester Institute Corporation. It was confirmed that the full surrender of the lease was completed on 21st November 2022.

7. Monthly Management Report

CIC/FR/22/6/3, Management Report and Accounts October 2022 [Period 3], was received and presented by the Director of Finance. A worsening income position in the month was reported, with a £1.5m shortfall against Year to Date budget attributed to FE fees, HE fees, FE funding and Work Based Learning funding. The full year forecast position had been reduced from £97k surplus at period 2 to a £36k deficit in period 3 having reflected the income reductions. It was reported that there were new opportunities this year on discreet funding lines to improve the budget position towards breakeven at the end of the year.

Governors noted that there remained a possibility that in-year growth would be supported and asked when a decision would be communicated, and the likely level of income for the for the additional 84 16-19 learners. It was reported that the ESFA would make a decision on growth cases after it has looked at recruitment across the country when the ILR is submitted in early December. The rules tend to change each year, depending on how much money is available, and whether funds need to be returned for other Government initiatives. As a precaution the anticipated £701k growth funding built into the budget had been removed. The Principal reported that she had discussed the difficulties of providing the full range of services to so many unfunded students during a meeting with a senior officer from the DfE the previous week. The Officer had been interested in the subject of recycling money in the system and agreed to feed this back to the Department.

Governors asked about energy costs when the current Government support comes to an end on 31 March and what consideration had been given to fixing at current prices. It was reported that energy prices had fallen since the summer. The fall in gas and electricity prices means the College may not benefit from the energy relief scheme after December if the trend continues because the Government set a threshold at which it will support businesses. As prices continue to fall, the advice of the consultant is to continue with the semi flexible tariff until they recommend fixing. It was agreed to circulate the weekly energy report dated 28 November 2022 with the minutes of the meeting (appended).

Governors noted that the Work Based Learning income line had been reduced and in response to a question were advised that the reduction was realistic. It was reported that the reduction was based on groups that did not start at the beginning of the year but which the College was trying to put back in place. Also, because of the new funding compliance requirements, funding was not coming through to the income line due to a lag in moving students to full enrolment.

In response to a question, it was reported that the decision by the ONS to reclassify colleges as public sector organisations would provide an opportunity for the College to re-open discussions with Barclays Bank on the penalty interest levied on the long-term loan.

8. Local Government Pension Scheme Position Paper

CIC/FR/22/6/4, Position Paper – Local Government Pension Scheme (LGPS), was received and presented by the Deputy Chief Executive. Governors noted the new primary contribution rate and removal of the catch-up payments for the period 1 April 2023 to 31 March 2026 as a result of the triennial review of the LGPS. The overall impact of the changes would be an additional £140k pa and increase in the 'on cost' of business support employment from 35.25% to 36.4%. This additional cost of employment was clearly unwelcome given the already challenging financial climate. The College Executive will continue to maintain a dialogue with Essex Pension Fund.

Governors discussed the request for further payment (security / notional sum) to cessation. It was reported that following the decision of the ONS colleges are now part of central government and should therefore take on a different risk status. Noting that no LGPS has ever lost funds following the merger or dissolution of an FE college, the Committee accepted the proposals in the triennial valuation report and AGREED to deny the request for additional security / notional sum on the grounds of affordability.

9. ESFA Correspondence

The Committee received and noted:

- CIC/FR/22/6/5, ESFA Letter – College Financial Forecast Return 2021 to 2023
- CIC/FR/22/6/6, Finance Dashboard

It was reported that the Finance Dashboard reflects the position put forward in the July College Financial Forecast Return (CFFR).

The Committee noted that staff costs as a percentage of income remains above the FE Commissioner benchmark for general further education colleges.

Governors questioned the Executive on a deterioration in cash days in hand. It was reported that the 2020-21 position was a false position because it included cash from the sale of the Clacton campus that were always planned to be reinvested as part of match funding for the Salix Scheme. Going forward the College is targeting to maintain between 30 - 40 cash days in hand.

10. **Due Diligence Process for Subcontractors**

CIC/FR/22/6/7, Due diligence process for subcontractors, was received and noted. As an example, it was reported that the College had recently pulled away from a potential arrangement with a partner to provide qualifications for the rail industry after the due diligence process highlighted their finances presented a risk to servicing a long-term contract.

11. **Update on One Year Strategic Plan**

CIC/FR/22/6/8, Update on Strategic Plan Goals, was received and noted. It was reported that this would be the final update against this year's plan. New one year success indicators and actions would be agreed for 2023 in the next few weeks. The Committee congratulated the Deputy Chief Executive and his team for delivering the Salix project.

12. **Property Issues**

It was reported that all of the current projects underway in Colchester were expected to be complete before Christmas.

13. **Statement on Modern Slavery**

CIC/FR/22/6/9, Statement on Modern Slavery and Human Trafficking for year end 31 July 2022, was received, considered and APPROVED.

14. **Annual Report to the Board**

CIC/FR/22/6/10, Finance and Resources Committee Annual Report to the Board, was received, considered and APPROVED.

15. **Review of Meeting**

The items to be brought to the attention of the Board were agreed.

16. **Date of Next Meeting**

Wednesday, 8th February 2023 at 4.30pm via Zoom.

17. **Any Other Urgent Business**

17.1. **Building Cleaning Services**

CIC/FR/22/6/11, Building Cleaning Services, was received and considered. In response to a question, it was reported that the contract tends to change hands every time it is put out to tender, and that the recommended vendor would represent a change of provider. It was reported that the panel were unanimous in their support for the Wetton Cleaning Services tender. Governors asked if it was a fixed term contract and were advised that the College would always be required to pay for any statutory wage increases because this is outside of the control of the contractor.

The Committee APPROVED the award of a three year contract to Wetton Cleaning Services.

17.2. **Decision by ONS to re-classify colleges as public sector organisation**

CIC/FR/22/6/12, Decision by ONS to re-classify Colleges as public sector organisations, was received and noted. The Principal reported that:

- It was disappointing that colleges were not going to be treated the same as schools and academies in relation to VAT.
- New rules around borrowing might have an impact but will not affect existing loans.
- Funding payments will be smoothed out to cover the March pinch point where income drops putting the sector at risk.
- Certain transactions under 'Managing Public Money' which previously the Corporation would have been able to approve would now need to go to ESFA for final approval.
- It is likely that in addition to the current end of year Finance Record and three-year CFFR financial plan in July an additional return will be required at the end of March to enable the accounts to be consolidated.
- £150m will be available to colleges in Spring 2023 for capital expenditure, issued by formula. The College can expect to receive a sum towards energy efficiency improvement projects.