COLCHESTER INSTITUTE CORPORATION

Minutes of a virtual meeting of the
FINANCE AND RESOURCES COMMITTEE
held on 29th March 2023

Present

Richard Wainwright, in the Chair
Alison Andreas
Stephanie Bettinson
Steve Blake
Richard Block
Kevin Prince

In attendance:

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

1. **Apologies for Absence**
   There were no apologies for absence.

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**

4.1. The minutes of the Finance and Resources Committee meeting held on 30th November 2022 (CIC/FR/23/1/1) were received and approved as an accurate record.

4.2. The minutes of the joint meeting of the Audit and Risk and Finance and Resources Committees held on 8th December 2022 (CIC/FR/23/1/2) were received and approved as an accurate record.

5. **Matters Arising from the Minutes**
   CIC/FR/23/1/3, Finance and Resources Committee Action Log, was received and noted.

6. **Monthly Management Report**
   CIC/FR/23/1/4, Management Report and Accounts February 2023 [Period 7], was received and a positive variance of £116k against the February budget was noted. Despite this, the YTD position still showed a £496k negative variance against budget. It was reported that:

   - Expenditure was below budget, with the majority of the underspend on the hourly paid payroll line.
   - Estates costs were over budget with energy costs now forecast to be £1.6m compared to £1m budgeted for the year. This was due in part to Ofgem increasing the standing charge paid by companies, which was not foreseen when the budget was set. The £1.6m forecast budget was a worst-case position and consumption charges will fall once the new solar photovoltaic arrays go live in May 2023.
   - The full year forecast deficit had been increased by £125k to £498k after restructuring costs, a variance of £594k against budget.

The Committee asked if the College was still on a variable energy contract, and to what extent it was impacted by the increase in standing charges. It was reported that the College's energy contract had been due for renewal in September 2022, when prices were close to their peak. At that point the standing charge for the current year moved to £757k compared to £29k for the whole of the prior year. There had been a threefold increase in energy costs this year despite a YTD reduction of up to 12% in consumption across the two campuses. The College was on a semi-variable tariff but because of the requirement to secure supplies in advance, the benefit of the contract, over a fixed contract had yet to be realised.

Governors asked if the installation of additional photovoltaic panels would bring down the standing charge. It was reported that the College can only change capacity volumes once every five years, but can appeal if it can demonstrate that usage is less than 50% of that capacity. Unfortunately, the campus decarbonisation strategy which replaces gas fired boilers with air source heat pumps which use more electricity, will see a consumption increase going forward. The College was working through a plan to optimise the size and capacity of the two incoming supplies to the Colchester campus so it can appeal the standing charges.

In response to a question, it was reported that the exceptional expenditure was to support the three management changes that had been approved to date.

Governors questioned the level of confidence in the forecast income from Work Based Learning and HE. It was reported that there could be further withdrawals in HE but at this stage of the year the level of refunds would be low. There was a level of assurance over the Work Based Learning income, with £4.28m based on the students currently in learning, with a further 100 learners expected to enrol this year.

Governors asked if there had been any reaction from the Bank to the forecast outturn position. It was reported that the Bank had asked about the business model for 2023-24 and had been updated on the actions taken to reduce overheads and to tackle the contribution from HE.

Governors asked what else, if anything, the College should be doing in year to mitigate the financial risks. It was reported that key income lines were set in September. Areas where the College could affect the year end outturn were recruitment to courses that run throughout the year, and by reducing expenditure. The College was in a better position than in previous years on its Adult Education Budget (AEB) following an announcement from the DfE (Department for Education) of a small increase in funding rates and that as a result it would pay up to 110% of allocation. There was scope to earn an extra £200k on this funding line through ESOL (English for Speakers of Languages) and adult unemployed sectors. Opportunities included extending engineering into Braintree and construction at Colchester; working with Job Centre Plus, and additional special project income work with ESNEFT (East Suffolk and North Essex NHS Foundation Trust). The College had been able to launch new courses this year around carbon literacy for businesses with income from the Strategic Development Fund.

Governors asked if non-course related fees and charges, such as letting charges, were reviewed in year to reflect the increase in the cost base. It was reported that it was possible to look at the cost of treatments in the beauty salons and meals in the restaurant, but the College needs the ongoing participation of customers to support the students on their courses. Income from lettings had shrunk since the pandemic and revised safeguarding regulations limited the opportunities to let facilities during term time.

In response to a question about the cost of running courses it was reported that the College has a sophisticated course costing model which is continually used to inform curriculum decisions for the

September intake. Detailed work over the last six months, particularly around HE programmes, informed the difficult decision to remove a number of courses from September.

7. **Finance Record Return 2021-22**

CIC/FR/23/1/5, Finance Record Return 2021-22, was received and noted.

8. **Corporate Budget 2023-24 – Initial Assumptions**

CIC/FR/23/1/6, Pre-Budget Forecast Modelling March 2023, was received and presented by the Deputy Chief Executive. It was reported that there would be more funding for younger learners as a result of prior year recruitment and a modest 2.2% increase in headline 16-19 funding rates. Predicted growth in Work Based Learning and the carry forward of apprentices currently in learning would help to offset the expected reduction in HE income. Pay costs included salary changes implemented during the current year, but at this stage the modelling could not make provision for a cost of living increase.

Governors noted that when the Board took the decision to award a pay increase in December 2022, the College was forecast to achieve a small profit and return to Good financial health in 2023-24. This would not now be achieved because of the reduction in tuition fees including Higher Education, and the significant uplift in energy costs, which were out of the College's control.

It was reported that College management had met with the recognised Trade Unions earlier that day and received the Unions' national pay claim of 15.4% for next year. The Chair reminded the Committee that Governors had previously expressed concern that the three-year forecasts did not include a pay award in 2023-24. The Executive were asked to look at what could be afforded, which might include a planned deficit for a second year with a planned recovery in 2024-25, and to produce some 'what if' scenarios. **Action:** Director of Finance

Governors asked if any information was available on the pay rises being offered by other colleges. It was reported that feedback from an AoC survey of pay intentions, which Colchester Institute had just participated in, would be available shortly.

The Committee challenged the assumption that inflation would be 3% and suggested that between 5% and 7% would be more realistic.

Governors noted that HE income was forecast to reduce by 16% compared to the current year and questioned if that was realistic, based on current application data. It was reported that there were three or four courses where a decision had yet to be taken on whether to enrol a first year intake in 2023-24. There would be a further review of HE applications at the end of April and it might be necessary to revisit this income line if the cuts in HE were deeper than anticipated. It was reported that there was a further risk to HE income in that second and third year students, fearing that staff may leave and they may not get a good learning experience, may choose to move to another provider when they realise that the course they are studying is being run out.

The Committee's attention was drawn to the high level contribution for higher education, and the central overheads (building, marketing, HE etc) allocated to that income stream which would remain fixed irrespective of the movement in HE numbers. The Deputy Chief Executive outlined the things that the Executive might need to consider to control costs. Potential actions included the closure of buildings that were inefficient in terms of usage; reducing to a four day week; a further restructure; and cutting the service offer to students, eg library services.

Governors asked about the opportunities arising from the Sizewell C development. It was confirmed that the College had been involved in recent events and was in touch with Suffolk Chamber of Commerce and EDF. The type of skills that would be needed during the construction phase included ground works, fabrication, and welding. It was reported that this was one of three major projects in the region which provided opportunities for the College over the next decade, the others being Freeport East and the Tendring Colchester Borders Garden Community.

The Committee asked for the budget report to include the best case, most likely, and worst case scenarios. **Action:** Director of Finance.

9. **UCC Fee Policy 2023-24**

The Committee received, considered, and agreed to recommended to the Board for approval CIC/FR/23/1/7, UCC Fee Policy 2023-24.

10. **Update on Level 3 Qualification Reforms**

The Principal updated the Committee on the reforms to Level 3 qualifications. It was reported that the Principal was part of a group of seven Principals who had drafted an open letter to the Secretary of State which they would like to get printed in a national broadsheet newspaper. About 60 College Principals were so far signatories to the letter, but it was hoped that that number would increase to at least one hundred. The letter was quite hard hitting, and was asking that the defunding process is slowed down. The objective was to try to push this significant change to much later in the decade (at least until 2026/27) to allow time to address the issues that will prevent very many learners from accessing and succeeding with T Levels. It was reported that Colchester Institute would start recruiting to new T Levels in Early Years in 2023 and in Construction when the current Level 3 qualifications are defunded in September 2024.

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

CIC/FR/23/1/8, Update on Strategic Plan Goals – March/April 2023, was received and noted.

12. **Property Matters**

12.1. **College Estates and Accommodation Strategy**

CIC/FR/23/1/9, College Estates and Accommodation Strategy 2022-23, was received, considered and APPROVED.

Governors questioned the costs/benefits of the Spring Lane Sports Ground. It was reported that the facilities are heavily used to support the College's sports courses, and that running costs were being pro-rata re-charged to the two tenants that also use the site.

In response to a question about campus utilisation rates it was reported that the data was not currently robust enough to compare to benchmarks. A number of classrooms are block booked at the start of the year but not used, over inflating the timetabled hours data. However, the College was now in a position where it could use IT systems to monitor when PCs are in use in classrooms and workshops. It was reported that there was no scope to further reduce the number of delivery sites, which had been reduced from thirteen to seven over the last ten years. However, there was scope to possibly close one or two of the older buildings in Colchester for one to two days per week.

It was reported that the previous day the DfE had announced a further capital allocation to colleges, to be received over the next 24 months to help with improvements to the estate. The allocation would be based on the condition of colleges that was assessed in 2019 and there does not appear to be any matched funding requirement. Proposals for how to use this £2.1m capital grant would be brought to a future meeting of this Committee.

Governors asked about the usage of the two older blocks, how close they were to end of life, and whether they could be retro-fitted. It was reported that J Block had just been converted to provide Construction facilities and could continue in use for possibly ten years. Rooms in K Block were not well configured and are of poor condition It was also difficult to maintain adequate temperatures in extreme weather conditions in this prefabricated building.

12.2. **Request for Approval – Colchester PV Installation**
CIC/FR/23/1/10, Request for Approval – Colchester PV Installation, was received, considered and APPROVED.

The Executive Vice Principal: Curriculum, Planning and Quality and Director of Finance left the meeting.

13. **HR Key Priorities**
CIC/FR/23/1/11, Position Paper - HR Key Priorities was received and presented by the Deputy Chief Executive. It was reported that the previous week the Audit and Risk Committee had received an Internal Audit report on recruitment and training which had received a limited assurance opinion. Since the audit in January an HR Management Dashboard had been established to help steer priorities and identify where the College was not meeting expectations. Policies were also being updated to ensure staff in the HR Department were aware of their duties in terms of resourcing new staff. In response to a question, it was confirmed that all actions identified by the Internal Auditor were being addressed.

It was reported that the workplan for the next 60 to 90 days included a review of how to improve services and how to reduce college wide staff sickness and turnover.

In response to a question, it was reported that the reaction of staff to the changes in the HR team had been positive. The Principal recorded her thanks to the Deputy Chief Executive for work that he had done and the positive trajectory that commenced in such a short space of time.

14. **HR Dashboard Report**
CIC/FR/23/1/12, HR Dashboard report, was received and noted.

15. **Gender Pay Gap Report 2022**
CIC/FR/23/1/13, Gender Pay Gap Report 2022, was received and noted.

16. **Wellbeing Report**
CIC/FR/23/1/14, Wellbeing Report and Action Plan, was received and presented by the Deputy Chief Executive. Asked if staff thought the College was taking wellbeing seriously, the Principal reported that there were things that staff liked, such as the Wellbeing days, but that they do not see enough activity yet in their day to day lives. How the College deals with and works with employees on a day to day basis is a key priority going forward.

17. **Review of Meeting**
The Committee reviewed the effectiveness of the meeting and agreed the items to be treated confidentially and items to be brought to the attention of the Board.

18. **Date of Next Meeting**
Wednesday, 24th May 2023 at 4.30pm

19. **Any Other Urgent Business**
It was reported that the Committee would require a new Chair, and new member with a financial background, when the current Chair stands down in October 2023. Members were asked to contact the Corporation Chair or Clerk if they were aware of individuals with relevant skills interested in becoming a Governor.