

**CHELMSFORD COLLEGE  
BOARD OF THE CORPORATION  
9 December 2016**

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Minutes of a Meeting of the Board of the Corporation held at the Princes Road Campus (Room E002), Chelmsford on Friday 9 December 2016 at 2.00 pm.

**PRESENT:** Elaine Oddie (Chair)  
Andy Sparks (Principal)  
Stuart Hodges  
Susan Hughes  
Michael Lager (Vice Chair)  
Janet Maynard  
Amanda Montague (from 2.45)  
Sarah Noble (Vice Chair)  
Barbara Vohmann  
Doug Zeeman

**IN ATTENDANCE:** Caroline Williams (Deputy Principal)  
Mike Tadman (Assistant Principal, People & Services)  
Debs Hurst (Assistant Principal, Finance & Risk)  
Marco Iciek (Director of Learner Inclusion & Development) (item 9)  
Rob Millea (Clerk to the Corporation)  
Joanne Harrington (Assistant Clerk)

**1150. APOLOGIES FOR ABSENCE**

Apologies for Absence were received from Jonathan Swan, Will Dean and Steve Houghton.

**1151. DECLARATIONS OF INTEREST AND CONFIDENTIAL ITEMS**

The Assistant Principal, Finance & Risk's interest as Director of Finance at South Essex College was noted again and the Clerk to the Corporation notified that he acts as Clerk to South Essex College.

Barbara Vohmann renewed her declaration as an employee of Anglia Ruskin University.

No confidential items were notified.

## **1152. URGENT BUSINESS**

There were no items of Urgent Business

## **1153. MINUTES OF MEETING HELD ON 30 SEPTEMBER 2016**

The Minutes of the Meeting held on 30 September 2016 were **APPROVED** and **SIGNED** by the Chair.

## **1154. MATTERS ARISING**

The Clerk tabled a paper tracking actions arising from the last minutes.

Only limited progress has been made on making Governor Link Appointments, partly due to other time commitments and the shortage of governors to fulfil roles.

Mike Tadman reported that DBS checks for Governors were in progress. Documentation relating to the College policy and Government rules were passed around and signed for by Governors.

**ACTION:MT**

All other matters in the Clerk's paper are covered elsewhere in the Agenda.

## **1155. PRINCIPAL'S REPORT**

The Principal presented a written Report for the information of governors, along with a slide presentation highlighting current key issues.

### Autumn Statement

This included a downgrade of economic forecasts with an elongation of austerity 2020/22.

No significant reduction in EFA funding in the short term.

Apprenticeship Levy forecasts reduced – it is not clear whether the Levy will have to go up.

No change to 2015 Education Budget - £4,000 per learner is not going to change for next 12 months.

Apprenticeship training provider decisions in Spring – We have applied for accreditation

## Quality Improvement

Ofsted is being very active in Essex – PROCAT and Epping Forest just done and apparently they are both appealing against the outcomes. SEEVIC is being inspected this week.

Sir Michael Wilshaw has issued his final Ofsted Report as he is retiring – very clear that he feels Maths & English are not satisfactory in the FE sector.

We have been advised that we will have an Ofsted Monitoring Visit on 16 March 2017.

Maths & English statistics released show that our GCSE English at 14% A\*-C is 1pp better than Eastern Region but below NAs. Our Maths level of 25% is better than the College average within the Eastern Region. Our Functional Skills level 1 is above the Eastern Region average and all GFEs nationally.

## Learner Recruitment (but see confidential minute 1156.7)

There is an arguable EFA Business case to use February 2017 learner numbers, which we hope will have increased over the current figures, in negotiating our allocation for 2017/18.

Accordingly, further actions are being put in place to increase our learner numbers between now and the end of January 2017.

**ACTION:AS/CW**

## Current financial position

Now Satisfactory under SFA methodology and the projection for 2017-18 is moving to Good. It is anticipated that by then Beacon House will have been sold but this is yet to be confirmed.

The Government have implemented a revised intervention policy so a College doesn't have to fail the SFA Financial Health test in order to trigger an intervention, e.g. two consecutive Ofsted Grade 3.

We should be removed from the Notice of Financial Concern in January following a conversation with our Intervention Manager.

SEC and Colchester Institute now each have a Notice of Financial Concern.

## Area Review (separate minute 1159)

The Site visit occurred on 1 November and there have been two Area Review Meetings, the last one on Monday this week. The mood so far is amicable with other Colleges and the Area Review Team seem impressed with what is happening in Essex. There is a Meeting with the Deputy Commissioner next week. The College now needs to develop and decide on the long list of options which are favoured by the College.

The Area Review Steering Group met before this Meeting and the update for Board Members is covered under item 10 of this Agenda (Minute 1159).

Other Colleges are being cagey but it will become clear at Meeting 3 where the process is leading and then for Meeting 4, all Colleges have to have firm proposals approved by their Governors.

**ACTION: AS/EO**

The Report was **RECEIVED**.

## **1156. FINANCE REPORT**

### **1156.1 Management Accounts for the period to 31 October 2016**

Debs Hurst (Assistant Principal, Finance & Risk) presented the Management Accounts for the three months ended 31 October 2016 for discussion and comment by the Board.

For the period, the College is showing an operating surplus of £143,000 against a budgeted surplus of £52,000, a favourable variance of £91,000.

Total income amounted to £3.85 million and total expenditure amounted to £3.7 million.

The Accounts were accompanied by a Detailed Commentary explaining the variances from budget. These management accounts do not take into account any adjustments which will result from including FRS102 pension adjustments.

At 31 October 2016, group net assets stood at £13.4 million, including cash of £1.8 million and revalued fixed assets of £32.7 million.

The College's Financial Health for 2015/16, based on the SFA's new methodology, is Satisfactory and should remain so for 2016/17. The forecast is for it to improve to Good for 2017/18.

At this stage, cash flow should be positive for the year and no overdraft facility is projected to be necessary in early 2017.

The current ratio stands at 0.63 slightly better than expectation (0.53). Pay expenditure as a percentage of income is 60% against target of 62%.

The Report was **RECEIVED**.

### **1156.2 Financial Recovery Plan**

The Principal and Assistant Principal, Finance & Risk have been in dialogue recently with the SFA and the expectation is that the Notice of Financial Concern will be removed early in the New Year. We are now deemed to have Satisfactory Financial Health under the new SFA methodology.

**ACTION:AS/DH**

The outlook for our finances in 2017/18 is covered in minute **1156.7** below.

### **1156.3 Pay Award 2016/17**

On the recommendation of the Personnel Finance & General Purposes Committee, the Board **APPROVED** that the increase in the living Wage from May 2017 of 20p per hour be implemented but, in the light of financial constraints, no general pay award is to be made for the current year, but the matter will be kept under review.

The annual cost of the increase in the Living Wage will be minimal.

Governors queried the decision and were informed that our pay rates are competitive if not in some areas higher than other Colleges. Furthermore, there is no ability to make pay increases in the sector at present due to financial constraints. Management believe staff will be aware of this and accept the decision.

The Board noted that discussions are ongoing regarding pay levels and possible increases and unions will be informed next week of the current position.

**ACTION: AS**

The Board expressed their concern regarding the cost of pension commitments for the College and the enormously detrimental effect that FRS102 accounting for pensions and the deficit has on the College balance

sheet and Statement of Financial Position. It is unsustainable and is discussed further under Minute **1156.6** below.

Janet Maynard reported that we are continually being asked by Essex County Council to keep reducing costs for LLDD students (which they fund) and to make efficiencies and we have had some success in achieving this, but it is limited what we can do.

#### **1156.4 Risk Register and Dartboard**

This has been updated and loaded onto the Governors' portal.

The Board **NOTED** that the six key risks requiring Management time are:

- Area Review Outcome – see Minute 1159
- Ofsted grade – Support and Challenge Visit noted in Minute 1155
- Maths & English – continued focus by Curriculum & Quality Committee (see Minutes) and noted in Minute 1155
- Shortfall in 16/17 enrolments – see Minute 1156.7
- LGPS pension – see Minute 1156.6
- Speed of College Improvement – this has been criticised by Ofsted in the past but the recent Review Boards are showing that Academic Managers are taking responsibility and are putting in place action plans to address concerns.

The update was **NOTED**.

#### **1156.5 Financial Regulations**

These will be updated by 31 December 2016 to reflect the adoption of FRS102.

#### **1156.6 LGPS triennial Valuation**

The valuation has been received from Essex LGPS and as expected, the period of repayment of the deficit on the Scheme has been reduced to either 12 or 15 years, due to the perceived riskiness of Colleges.

If 12 years is implemented, the extra annual cost in pension contributions to the College would be £70K and if 15 years is implemented, the extra annual cost would be £52K, costs which the College cannot afford.

Security is being sought by the Scheme which could leave the repayment period at the present 24 years.

It was noted that the deficit in cash actuarial terms at the recent March 2016 valuation has reduced to £960K from £1,838K in 2013.

FEDEC Finance Directors are meeting next week and intend to make joint representations to the Scheme Trustees regarding the security issue and the Board will be updated in February. On behalf of the FEDEC Colleges, KPMG is writing to the Scheme to challenge on behalf of the Colleges the basis and authority of the Scheme to seek security.

The Chair, Assistant Principal, Finance and Risk and the Clerk attended a workshop in London last week run by MERCER, Consulting Actuaries, on LGPS Pensions. There was a general view that the cost of pensions to Colleges is unsustainable and there should be concerted lobbying of Government to get this resolved.

Colleges are interested in closing the scheme to new support staff and setting up different arrangements through a new (and cheaper) scheme, but are constrained by the LGPS Scheme having to be offered to all new hires under the scheduled scheme status which LGPS has under law.

MERCER suggested Colleges inform their Boards as follows:

- Explain the problem
- Engage with the Scheme Trustees proactively
- Salary increases given are not consistent with the actuarial assumptions being used
- The difference between the 'cash' deficit and the FRS102 deficit, which is huge
- Relationship between contribution levels and the deficit recovery plan
- Longer term options for new employees
- The lack of flexibility of the LGPS Scheme as it contains a lot of employers
- Seeking representation of Colleges on LGPS Board or through a Forum with LGPS Trustees

We need the option not to have to offer membership in LGPS on a compulsory basis to reduce this cost

The Board asked if we are able to determine when we repay the 'deficit' and Debs Hurst agreed to look at the Scheme Rules in this connection.

The Board **ENDORSED** the approach suggested by the Assistant Principal, Finance & Risk.

**ACTION:DH**

## **1156.7 Learner Numbers and Financial Implications 2016/17 and 2017/18**

*This was deemed to be a Confidential Item under the Instrument & Articles and a separate Minute has been prepared in this connection, which is attached to these Minutes.*

## **1157. ANNUAL REPORT & FINANCIAL STATEMENTS**

Debs Hurst **PRESENTED** the Audited Annual Report and Financial Statements for the year ended 31 July 2016 for the College Group, comprising the College, Chelmsford Training Services Limited and Dovedale Nursery Community Interest Company.

The signed (on 5 December) Audited Financial Statements of Essex Shared Services Limited (joint venture with South Essex College) were tabled and **NOTED**.

The Accounts are unqualified as is the regularity audit opinion. KPMG did not identify any audit adjustments.

The Accounts had been reviewed in draft by the Audit Committee and the PFGP Committee, along with the KPMG Audit Highlights Memorandum.

The Accounts comply with FRS102 with 2015 values restated. The adjustments under FRS102 relate to accrual for holiday pay, revaluation of Land at Princes Road and Moulsham Street, revaluation of Land & Buildings at Beacon House and the different accounting for the LGPS.

The Board were informed of the changes from the Management Accounts previously reported to the final Accounts which entirely related to pensions accounting causing the management accounts surplus of £130K to become a loss of £1.838 million.

The Board **NOTED** the following

- CTS became dormant on 1 July 2016, all its assets and liabilities being transferred to the College
- Dovedale made a surplus of £68K which has been paid to the College under Gift Aid
- The College's share of ESS service costs was £337K plus ESS pension costs of £29K and an increase in the ESS pension deficit of £273K

The Board **APPROVED** the Accounts for the Group being prepared on the **Going Concern** basis and in making this judgement, the Board considered

- The College has a SFA Notice of Financial Concern (but which may soon be removed)
- The College deficit in management accounting terms has been eradicated
- Cash generation in the year was £0.2million, as against an outflow of £0.5 million last year
- A surplus is expected for 2016/17 of £0.2million
- Cash flow is projected to be positive for the current year and an overdraft facility is not expected to be required for 2016/17

The Board **NOTED** the financial risks to the College as follows

- Ability to dispose of Beacon House (on hold due to Area Reviews)
- Under recruitment of students in 2016/17 with knock-on effects under the lagged funding model
- LGPS deficit and deficit repair payments
- LGPS request for asset security

The Board **APPROVED** the Audited Financial Statements and Annual Report for the College for the year ending 31 July 2016 including, specifically, the Going Concern disclosures in the Annual Report and Financial Statements (summarised above) and **AUTHORISED** the Chair and the Principal (as Accounting Officer) to sign the statements on behalf of the College.

The Board further **APPROVED** the Audited Financial Statements for the year ending 31 July 2016 for both Chelmsford Training Services Limited and Dovedale Nursery and **AUTHORISED** a Director of the Company to sign those statements on behalf of the College as majority shareholder.

It was noted that CTS is now a dormant company.

The Board **APPROVED** and **AUTHORISED** the Chair, or a Director in the case of the two subsidiaries, to sign, on behalf of the Board, the Letters of Representation requested by KPMG in connection with their audits of the College, Dovedale and Chelmsford Training Services.

The Board **APPROVED** and **AUTHORISED** the Chair to sign, on behalf of the Board, Letters of Support for all the College's subsidiaries and the joint venture for submission to KPMG as part of their audit assurance.

In giving their approval, the Board noted that the disclosure in the Going Concern note regarding pension contributions needed amendment from 16.8% to 15.6%.

The Clerk informed the Board that the Public Values of the College and compliance with the Public Benefit test for Charities are covered on pages 4 and 5 of the Members' Report.

The Clerk also informed the Board that the issue raised with the auditors regarding assertions in the Letter of Representation provided to them has been amended from last year in respect of the accounting for pensions to state that the College has included figures provided by the professional advisers acting for the LGPS Scheme but does not 'agree' those figures, given that the Board is not able to give that assurance since it has no control or influence over the disclosed figures.

**ACTION: DH**

### **1158. EQUALITY & DIVERSITY ANNUAL REPORT**

The Annual Report on Equality & Diversity was **PRESENTED** by the Director of Inclusion and Learner Development.

This is a regular Annual Report so that the Board can review learner outcomes from this perspective and provide transparency to Ofsted and other outside agencies.

The Director reported that the College has made significant progress towards reducing or eliminating key performance gaps between different groups of learners during 2015/16. There is continuing work in certain categories and in the development of Equality & Diversity in the classroom and other learning environments.

He further stated that the College is always looking at closing the gap between specific areas of learners but nevertheless the Report painted a positive picture.

Key performance highlights:

- Gender performance gap minimal at 0.2%
- Reduction of gap between British and other ethnic groups to 2.6% in 16-18 learners and 1% in the 19+ group
- Reduction of success rate gap between learners in receipt of Additional Learning Support and those not to 1%

It was noted that there was difference between achievement of male/female students in Apprenticeships and for those in receipt of Additional Learning Support

A governor asked about the use of hearing aids by students in College and was assured that hearing loops in College are regularly tested.

The Board noted the Ofsted requirement that Colleges work to reduce or eliminate performance gaps between different groups of learners.

The Board **APPROVED** the Annual Report.

The Board **REQUESTED** that this area be included on the programme for the Board Development Day scheduled for 3 February 2017 and to focus on actions being taken rather than just outcomes. Governors also asked for information regarding retention to be included and for the Curriculum & Quality Committee to continue to monitor this area.

**ACTION:CLERK**

### **1159. AREA REVIEW**

The Clerk **tabled** the Minutes of the Meeting of the Area Review Steering Group on 6 October 2016, which had been approved by the Group earlier today.

The Group met immediately before this Meeting and a verbal update from the Chair and the Principal was provided to the Board. In addition, the second Meeting of the Area Review Team took place on Monday 5 December 2016 attended by the Chair and Principal and a verbal update on that Meeting was also given.

*Due to the confidential nature of this matter, a separate Minute has been prepared documenting this update under the Instrument & Articles and is attached to these minutes.*

### **1160. KEY PERFORMANCE INDICATORS**

The Board **RECEIVED** a detailed paper itemising KPIs for the College and current progress and performance, with commentary.

The Board commented on a number of matters:

- Why do students seem to be better this year? Anecdotally, there seems to be more committed students with a clear direction of what they wish to do and to achieve that

- The CIP will be colour coded and RAG rated for review at the Board Development Day in February
- Staff turnover has improved considerably
- Retention and attendance is so far this year on track
- Staff have all got their performance targets in place for this year
- The Finance targets will include the Financial Health score on a periodic basis
- Apprenticeship funding value is forecast to be £825K, slightly below the target of £851K

There was a full discussion led by the Principal as to progress to date in respect of the various targets for this year.

The Board **APPROVED** the targets proposed in the paper for Academic performance in 2016/17 and in respect of Staff and Finance for 2016/17.

### **1161. ITEMS FOR APPROVAL**

The Board **RECEIVED** a number of Reports for consideration and approval. All of these papers had been considered in detail by either the Board or a Committee and were recommended for formal approval by the Board.

The documents had been all uploaded on the Governors' Portal to enable visibility by all Governors.

The Board then formally **APPROVED** the following documents and Reports:

#### *From the Board*

Self-Assessment Report 2015/16  
College Improvement Plan 2016/17  
Curriculum Plan 2016/17

#### *From the Personnel Finance & General Purposes Committee*

Annual Health & Safety Report 2015/16

#### *From the Quality & Learners Committee*

Annual Safeguarding Report 2015/16

#### *From the Audit Committee*

Annual Report of the Audit Committee 2015/16  
Internal Audit Plan 2016/17

## **1162. GOVERNANCE MATTERS**

The Clerk **REPORTED** on a number of Governance matters:

1. Each Committee has carried out a Self-Assessment exercise and the comments/findings arising will be progressed by each Committee during this year.
2. The Board Self-Assessment Questionnaires have not yet been all returned by Members and they were asked to do so as soon as possible, so a Report can be tabled at the Governors' Development Day in February 2017.
3. Jonathan Swan will retire as a Governor after eight years' service on 31 December 2016. There are no plans to replace him as a Governor at present. Steve Houghton has agreed to join the Audit Committee to cover the vacancy arising on that Committee.
4. There is a quoracy issue in respect of both the Audit Committee and the Personnel Finance & General Purposes Committee. The Audit Committee, with Steve's appointment, will give a Membership of five (quorum three). PFGP Committee has a Membership of four (quorum three) which needs to be addressed.
5. The Clerk proposed that PFGP be abolished and its functions assumed by the whole Board (finance and estates) and the Quality & Learners Committee (HR issues) and was asked to write a paper for consideration by the Board at the Governors' Development Day in February.
6. The Board received unapproved Minutes of recent Committee Meetings for information – Audit 14 November 2016, Quality & Learners 8 November 2016, Search & Governance 22 November 2016 and Personnel Finance & General Purposes 22 November 2016.

The Board **APPROVED** the appointment of Steve Houghton to the Audit Committee with effect from 1 January 2017.

The Board also **APPROVED** the emergency action to address quoracy of the PFGP Committee on 22 November 2016 by Stuart Hodges attending the Committee, notwithstanding he is a Member of the Audit Committee.

**ACTION: CLERK**

## **1163. ANY OTHER BUSINESS**

There were no items of AOB.

## **1164. DATE OF NEXT MEETINGS**

Friday 3 February 2017 at 9.00 am (Governors' Development Day)

Friday 31 March 2017 at 2.00 pm  
Friday 7 July 2017 at 2.00 pm

*(At this point, the Meeting moved into the Part 2 Confidential Agenda and staff governors and management, save for the Principal, withdrew)*

There being no further business, the Meeting terminated at 4.50 pm.

Signed.....Dated.....