WEST NOTTINGHAMSHIRE COLLEGE
CORPORATION BOARD

Minutes of the Finance & Estates Committee meeting held in the Board Room at the Derby Road site on Thursday 5 May 2011 at 4.00 pm

BOARD MEMBERS PRESENT:	Brian Stopford Terry Dean (Chair) Asha Khemka Philip Lancashire
ALSO IN ATTENDANCE:	Maxine Bagshaw, Clerk to the Corporation Andrew Martin, Director of Finance and Deputy Principal Tom Stevens, Executive Director: Capital Projects and Estates David Overton (from 4.00 – 5.25 pm)

		ACTION by whom	DATE by when
11.22	**DECLARATION OF INTEREST IN ANY ITEM ON THE AGENDA** The Chair reminded those present to declare at the start of the meeting any interests held in any matter to be considered. The standing declarations of interest were noted.		
11.23	**WELCOME, INTRODUCTIONS AND APOLOGIES FOR ABSENCE** Apologies were received from Kate Allsop and Howard Baggaley. The meeting was confirmed to be quorate with four members of the committee present at the start of the meeting.		
11.24	**MINUTES OF THE MEETING HELD ON 3 MARCH 2011** AGREED: that the minutes of the meeting held on 3 March 2011 be confirmed as a correct record and be signed by the Chair.	Chair	5 May 2011
11.25	**ACTIONS OUTSTANDING AND MATTERS ARISING FROM THE MEETING HELD ON 3 MARCH 2011** The Action Progress Schedule was noted and the following was discussed: • DDA access works have been moved forward into Phase 1 of the capital project. They were financially planned to be completed in phase 2 but have been accelerated. It was noted that this had turned out to be a fortuitous decision as a brick chimney had been discovered on site which was		

Signed : ______________________________Chair   Date:

		ACTION by whom	DATE by when
	unforeseen and would have caused problems if not addressed at this time. The cost of the works is, at this time, to be paid from the contingency element of the budget. It was noted however that they would have been paid as part of Phase 2 in any event.		
	• A report on the planned Borrowing Strategy will be presented to the next meeting.	Dir. Fin	June 2011
11.26	**LONG TERM MAINTENANCE PLAN**		
	The Executive Director: Capital Projects & Estates introduced this item and drew members` attention to the following:		
	• For 2010/11 the sum of £603k was allocated for planned and reactive maintenance. • Expenditure to 1 March 2011 on reactive maintenance is £304k and £104k on planned maintenance. • The mid year financial forecast includes an increase in the budget required to £850k. • The increased budget requirement includes £172k for replacement of ceiling tiles in the six storey tower classrooms at Derby Road. Further expenditure of £48k will be incurred replacing the ceiling tiles in the staff rooms. The budget excludes the replacement of tiles in reception areas which will be deferred until the tower is re-clad as part of the Derby Road development 2012/13. • The budget excludes provision for the replacement of the roof on the three storey block at Derby Road, the college has been advised to complete these works by a structural engineer and will cost £175k. • Another significant cost is the replacement of gas pipework and installation of new gas mains to Derby Road at an estimated cost of £138k. It was noted that the original hope had been to carry out repairs rather than replace. The new gas mains will also supply gas to the new build and sports hall planned as part of the wider Derby Road development. • Estimated expenditure on planned and reactive maintenance is anticipated to be in the region of £1.1m for 2010/11.		
	Members discussed the budget variations in detail and noted that the most significant changes are that when the mid year reforecast was undertaken it did not include the works needed for the new three storey roof and the gas pipes. The Director of Finance explained that the costs will be treated as impairments and will then be capitalised. It was acknowledged that there will be an impact on the college`s cash position as the additional £250k was not foreseen as part of the £24million project. The Director of Finance confirmed that the college is able to absorb the costs from 2010/11 cash generation as the college is expecting a slightly better than anticipated outturn.		

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Members reviewed the table presented at paragraph 4 in detail and accepted that the budget variances were fully explained.

To conclude the report, the following was also noted:

- Works to replace the ceiling tiles at Derby Road following the ceiling collapse have progressed well.
- The college has gone out to competitive tender for the staff room ceiling and light replacement. Works will be undertaken over the summer vacation.
- All works agreed to address the concerns regarding vertical hanging tiles has been completed.
- All remedial works have been completed to address the water burst in the No 19 restaurant.
- In response to concerns raised regarding potential overcrowding in the dining facilities at West One there will be a reconfiguration of the existing facilities to provide increased capacity and a relocation of the staff room and Students` Union. It is anticipated that these moves will provide additional seating capacity and social space for students at an estimated cost of £20k.

AGREED to:

i. Note the content of the report and expenditure to date.
ii. Note the increase in anticipated expenditure on reactive and planned maintenance included in the mid year forecast to £850k.
iii. Recommend that the Board approve expenditure (subject to competitive tendering) for replacement gas pipework and new gas mains at Derby Road at an estimated cost of £138k.
iv. Recommend that the Board approve expenditure (subject to competitive tendering) for replacement of the three storey roof at Derby Road at an estimated cost of £175k.
v. To note that the additional expenditure detailed at (iii) and (iv) will require a further uplift to the mid-year forecast for expenditure and disclosure in the end of year accounts from £850k to £1.1million.

11.27 **<u>PROPERTY STRATEGY PHASE 1 UPDATE</u>**

The Executive Director: Capital Projects & Estates introduced this item and confirmed the following:

- Phase one development remains on schedule and on budget for completion by 1 September 2011.
- The college will receive a further sum of £197,656 to support the project from the SFA. This is in addition to the renewal grant of £225k already received. A grant of £25.7million is shared between colleges that have not received FE project based capital grant in the last 2 years except the Renewal

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	ACTION by whom	DATE by when

Grant Fund. The allocation has been granted pro rata to public funding received by colleges in the 2009/10 accounts to a maximum of £200k.

- The budget for professional fees, set at £310,769 (exclusive of VAT) will be adjusted to £200k.
- Within the overall budget a total of £132,613 (exclusive of VAT) is allocated as contingencies. It is likely that this sum will be exceeded as it presently includes the additional cost for the provision of full DDA access into the workshop and control room at a cost of around £43k.
- The contingency represents 5% of the estimated construction cost. For a refurbishment such as this project an allocation around 7.5% of cost, circa £200k would be more normal. To provide for the appropriate contingency but within the overall budget, under spend in other elements of the budget have been transferred to the contingency as part of the overall project budget of £4,102,157.
- Presently, this increases the contingency sum from £132,613(5%) to £377,369(15%). It is proposed that some of this contingency will be used to supplement the IT resource within the Creative Arts area.
- Tenders for the specialist works have been received but further assurance is being sought before a final decision is made. It is a requirement that appointed contractors are able to fit in with the main contractors` programme of work and college fit out programme.
- Within the overall budget a total of £90k (excluding VAT) has been allocated for the provision of loose furnishing and benching for IT and staff rooms.

Members reviewed appendix 1 in detail which provides a consolidated budget.

AGREED to:

i. Note the content of the report.
ii. Note that tendered submissions for specialist works fall within the overall approved budget of £322,828 +VAT and approve this expenditure be committed subject to compliant tender.
iii. Note that the proposals for loose furniture/fittings fall within the overall approved budget of £90k +VAT and approve that this expenditure be committed.

11.28 PROPERTY STRATEGY PHASE TWO DEVELOPMENT

The Executive Director: Capital Projects & Estates introduced this item and brought the following to members` attention:

- Consultation meetings with Mansfield District Council and Sport England were successfully concluded in March 2011

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	ACTION by whom	DATE by when
prior to the public launch of proposals for the development of the Derby Road campus. • On Tuesday 12 April 2011, Phase Two proposals were successfully launched at a presentation to MDC councillors and a public drop-in exhibition. • Work is in progress to develop detailed plans and costs for construction of the car park, sports hall and new build. A planning application for the car park and sports hall is proposed towards the end of May 2011. A planning application for the new build is proposed towards the end of June 2011, subject to further discussions with the statutory authorities. • Initial surveys have been initiated, including a topographical survey and geo-environmental site investigation to support detailed planning and design. The college previously had a topographical survey completed as part of the Rushley Farm site plan, with an update at a cost of £1.5k, it can be re-used. • Further curriculum assessment and consultation with the School of Hospitality, Sport and Leisure & Travel and discussions with Sport England lead to the belief that a larger sports hall than originally planned will be required (250m2 more than originally envisaged). The larger sports hall will have budgetary implications but it is too early at this stage to assess a figure with accuracy. The additional 250m2 comprises mainly of storage space and is presently incorporated into the existing budget. The design proposed in construction terms is simple and will encourage competitive tendering. Generally the new construction cost per m2 for sports hall including services and facilities, is around 50% of new build construction and therefore offers better value.		
Members` attention was drawn to the plans included with the report. It was confirmed that the design proposed would maximise area usage with the ability to operate two separate sport areas as required. It was explained that this would further open up the potential for increased community multi-use. Members discussed community use in detail. One comment made was that within the existing plans there seems to be limited facilities eg a kitchen, washing up area. It was agreed that these would be revisited with the aspiration being to provide sufficient supporting facilities to increase the potential revenue to be gained from external use.	Exec Dir	May 2011
• The development of the next phase of accommodation along Nottingham Road results in the loss of around 78 car parking spaces. These spaces are accommodated in the existing site and are included within the gross overall number of spaces for parking. The compound effect of development is that around 60 additional car park spaces are required. The Planning and Highway Authority has given assurance that no off site highways work will be required for these numbers. In		

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summary, the 78 plus 60 spaces (138 spaces) need providing as part of the Phase 2 development. An increase of around 60 spaces will bring the Derby Road parking provision up to 500 spaces.

Members` attention was drawn to appendix 3 and the preliminary sketches identifying potential School zones were noted.

AGREED to:
(i) Note the content of this report.
(ii) Support, in principle, the requirement to increase the size of the sports hall.
(iii) Support the car park development plan.

11.29 PROPERTY STRATEGY PHASE 3 AND DISPOSALS

AGREED: that because of commercial sensitivity discussions regarding this item would be recorded separately.

(David Overton left the meeting at 5.25 pm)

11.30 FINANCE REPORT MARCH 2011

The Finance Director introduced this item and drew members` attention to the following:

- The reported financial performance for the year to the end of March 2011 has produced an improving result across the college group with the college and subsidiaries producing a positive performance in the month compared to forecast.
- Total group turnover for the eight months has now increased to £30.6million providing a modest favourable variance of £88k against forecast. Recorded savings against pay and non pay cost budgets however result in an operating surplus of £1.698million, some £262k ahead of the forecast position. In the month of March, the performance improved by £171k, as a result largely of a significant under spend against college pay costs.
- The college performance improved from the slowdown in turnover reported at the end of February to make up all of the lost ground and reach a year to date position of £29.9million which is £41k better than expected. This increase in income has been driven by increases in apprenticeships, tuition fees, full cost activities and programmes for the unemployed.
- Pay cost under spends in teaching departments, support services and administrative functions have combined in the period to deliver an under spend of £96k and move the year to date variance to £124k.
- The increases in college income has driven an adverse non pay variance of £249k in the month but still retains a £61k under spend for the year to date.

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	ACTION by whom	DATE by when
• Overall, the college has delivered an improvement in its trading performance and has now generated an operating surplus of £1.063million for the year to date, £226k ahead of forecast. • Subsidiary company performance has also improved in the month of March, most notably through Safety Plus where an increase in NVQ and full cost income has pushed the full year operating surplus ahead on expectations to £113k at the end of the period. This position is still without any income from the apprenticeship programme although negotiations are concluding with MDC to take on the first 20 trainees through Safety Plus Construction. • Skilldrive and BKSB once again outperformed the forecast in March which has now pushed operating profit up to £542k for the year to date, some £24k ahead forecast. This performance continues to support the expectation of another record year for the company and a £750k operating profit outcome. • The college group balance sheet continues to support a position of strength with just £900k expended on capital developments so far this year. For the remaining 4 months of the year capital buildings expenditure is expected to be well over £4million. As a result, cash balances of £6.15million (last month: £6.44million) provide a current ratio of 1.26:1 and net current assets of over £2million. • The next two payments due for the months of April and May equate to £696k and 701k respectively as the works valuation is expected to progress. At this point, the balance sheet should weaken as predicted with cash balances reducing accordingly. However, at the current time, the Colleges financial health remains within the outstanding category.		
Members discussed the banking facilities required to support the capital development plans. The Director of Finance confirmed that a tender document was currently being prepared and would go out to banks at the end of May 2011. He advised than an 'options report' would be presented to the Committee at its next meeting with a final decision required by the Board at its 14 July 2011 meeting.	Dir Fin Dir Fin	June 2011 July 2011
AGREED: to note the Finance Report to March 2011.		
11.31 <u>CONTEXT FOR THE BUDGET 2011/12</u>		
The Director of Finance introduced this item and highlighted a number of key points:		
• The national funding position will continue to be the same in 2011/12 as it was in 2010/11 with two main funding agencies providing allocations and contracts for the College FE programmes.		

Signed : ____________________________Chair Date:

	ACTION by whom	DATE by when

- For Young People there will be an increase in the overall spend on teaching and learning of 1.5% between what is planned in 2010/11 and what is expected for delivery in 2011/12. Members` attention was drawn to table 9 and the split between the different types of 16-18 educational delivery.
- For Adult Skills funding, there will be a reduction in actual expenditure between the current year and 2011/12 with an indicative forward look at 2012/13 which indicates a further reduction in national spending. Members` attention was drawn to table 10 where significant changes were noted (adult skills -11.5%, Apprenticeships +67.6%).
- *College Position – 16-18:*
  The college's current allocation of £12,361k represented a significant reduction from the previous financial year following changes to the funding methodology. The outcome for 2011/12 has been both positive and negative with an overall funding allocation of £12,780k. Whilst this is positive following growth in learner numbers, the college must maintain this position whilst setting about tackling the underlying issue of reduced entitlement funding. This currently manifests itself through transitional protection of £507k in 2011/12 which will reduce over the course of the next three years. Funding rates will be frozen for 2011/12 with an indication that this is unlikely to change for the foreseeable future which, in effect, presents its own efficiency challenges for delivery of curriculum.
- *College Position – Adult Skills Budget (inc 16-18 Apprentices):*
  The college has received a final allocation for the Skills Adult Budget of £13,578k which includes a contract allocation for adult apprentices of £4,155k. The residual amount of £9,423k will be available to deliver on site college provision in addition to workplace NVQ qualifications (formerly Train to Gain activity).
  For apprenticeship delivery, contract values for next year will largely be determined by the current year out turns and however impressive the increase in contract for adult apprenticeship delivery might appear, without delivery in 2010/11 the amounts would be unlikely to be attainable.
  Funding rates will be reduced by 4.3% across all adult funded activity in 2011/12 which will mean increased volumes to achieve the same financial income. In addition to this, learner eligibility has been tightened to reflect the Government's need to support learners in receipt of active benefits (JSA/ESA) which, without doubt, will impact on the college's ability to generate sufficient funding to meet its allocation with the same or similar cohort.

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	ACTION by whom	DATE by when
An element of single adult skills budget has been identified as contingent on employment outcomes. This amounts to £339k for the College in 2011/12 although details are scarce at this stage.		

- *College Tuition Fees:*
  The budget will include fee allocation and charge rates in line with the 2011/12 College fee policy approved by the Board.
- *Higher Education:*
  Funding growth continues to be restricted. The college now has a target to recruit 206 full-time first year undergraduate learners for 2011/12 which must not be exceeded. The cap is accompanied by a reduction in funding of 4.6% which follows an additional reduction to funds during the 2010/11 financial year.
  The funding allocation for the college for 2011/12 will be £2,194k compared to the current years £2300k. This is in line with expectations where the initial modelling impact was to be a 5% reduction into 2011/12.
  For 2012/13 the HE programme will be in the realms of full fees, and whilst the college has yet to set its fees for the year, the impact on funding allocations and income can be predicted and modelled through into 2013/14 and beyond.
- *Pay Costs:*
  The college pay bill has been subject to significant control over the past three years and will need to reduce further. The college is looking at ways of securing efficiencies in response to the funding climate and to ensure that the college is fit for the future.
- *Non Pay Costs:*
  Continue to be dominated by partner activity. There is an assumed zero inflation.
- *Capital Transactions:*
  The accommodation plans have been modelled into the current forecasting on the basis of Board approval for the £24million full scale scheme over the course of the next two years.
  From September 2011 the sum of £19milliom has been included in the forecast with the requirement to obtain a £18million loan over the course of the next 25 years. A 7% cost has been modelled over the long term, but it is hoped that this interest rate can be improved on tender.
  Capital transactions will be subject to any changes determined by the Board.
  Capital grants supporting the build programme will be assumed to remain at the current receipted level of £422k although there may be further opportunities in the future.
- College Financial Objectives – to remain unchanged.

AGREED: to note the context for the 2011/12 budget.

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	ACTION by whom	DATE by when

11.32 PROPOSALS FOR CHANGE TO ACOUNTING POLICY UNDER FRS15: ACCOUNTING FOR FIXED ASSETS

The Director of Finance introduced this item and updated members on the work done with KPMG to change the accounting treatment. He drew members` attention to the technical detail set out in his report and the full explanation given for moving away from the current policy. He reminded the committee that there was no clear understanding of why the current policy was introduced and that there were only a handful of the 300+ colleges who treat the valuation of fixed assets in this way. He explained that the purpose of the change is to help to more easily manage future capital development and to make the accounts easier for readers to understand.

Members reviewed the report in detail and were happy to support the proposals made. The estimated revisions required to the college balance sheet set out on page 66 were noted.

AGREED:
a) To note the report.
b) Subject to formal confirmation from the SFA to proceed, to approve the change to the accounting policy under FRS15 by reversing the election for regular revaluations of the college fixed asset base and reverting back to a non elected position of straight line depreciation on historic cost carrying values with impairment charges made in accordance with the standard and on diminution of economic value.

11.33 VAT AND COLLEGE BUILDING – UPDATE ON DELOITTE PROPOSALS

The Finance Director introduced this item and drew members attention to the advice received from Deloittes. He confirmed that to isolate the college's costs in relation to the building works, it is recommended that the college establish a separate subsidiary company to act as a design and build agent. He explained that the separate company is required in order to maximise any ultimate relief of VAT to the whole amount associated with the design, construction and delivery of the buildings themselves and that without this type of structure being in place, any ultimate VAT relief would be limited to construction costs from the main contractor only.

Members reviewed the proposals and noted the practical considerations needed when setting up the company. It was noted that the establishment costs are modest at £600. Members discussed the progress of the litigation and agreed that the establishment of the company was required to place the college in the best position possible should it be the case that the litigation is successful.

Signed : ____________________________Chair Date:

ACTION by whom	DATE by when

AGREED to:

(i) Note the content of the report.
(ii) To approve the establishment of an additional college company to act as a design and build agent for the current building developments.

11.34 COLLEGE FEE POLICY 2011/12

The Director of Finance introduced this item and reminded members that the proposals made relate to adult courses only. He provided a summary of the background to the proposals and reminded the committee of the current fee position. It was acknowledged that HE fees form the dominant element of revenue in this area.

Members were reminded that the National stated aim is to move towards a 50/50 model and that whilst not an absolute target it is a clear 'direction of travel' and it would be a high risk strategy to ignore.

The following key points were noted:

- The college will continue to move towards the assumed fee for all programmes in a managed way during 2011/12, continuing the policy initiated in 2010/11 but by applying a more detailed level in order to set a 'price list' approach to adult tuition fees.
- The development of the price list will be set out with reference to the difference between the current fee charged for a course or programme and the assumed national fee. The following will apply:
  (i) Where a course or programme fee is within 200% of the assumed national fee level, the current fee will be increased by 5%.
  (ii) Where a course or programme fee is greater than 200% away from the national fee level then the current fee will be increased by 10%.
  (iii) Where the current fee charged is greater than the national fee level, the current fee will be increased by 5%.
- The college will continue to charge 'Market Rate' fees where these are likely to be greater than the assumed national fee. In such cases, the fee will be increased by 5%.
- Any departure from the fee policy in relation to the charging of fees below the policy levels will need to be supported by market evidence and a full business case to ensure that appropriate information can support any decision.

- The college will increase the charge levied for full time adult programmes from £150 to £250 reflecting the move towards

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	ACTION by whom	DATE by when

the national policy assumption but setting an understanding of affordability. It was noted that the national fee assumption is in the region of £1300-1500. Learners within the national remission categories will continue to benefit from non payment of fees in line with national policy.

- Course fees for the adult apprenticeship programmes will increase from the current £200 to £500 with discretion allowed to the Director of Employer Engagement to waive or reduce this fee on a case by case basis. It was noted that the national fee assumption is in the region of £2000+.
- In addition to the national fee remission categories the college will set its own devised categories, these were noted at page 73.

Members reviewed the proposals in detail and were happy to support the principals put forward.

AGREED to:

(i) Note the content of the report.
(ii) Recommend that the Board approved the College Fee Policy for the 2011/12 academic year.

11.35 **<u>EMPLOYER RESPONSIVE AND 16-18 WBL UPDATE</u>**

The Director of Finance presented his regular update. It was noted that the Train to Gain programme continues to show steady progress and that the WBL programmes has seen some good increases.

It was noted that:

- The Train to Gain programme has generated £3.4 million of activity up until the end of period 8 (March 2011). This continues a consistent performance with the programme putting on around £500k of income in each of the last 3 months. Using a straight line trajectory for this performance, the programme will deliver around £5.4 million for the full year which is in line with the current year forecast.
- The WBL programme, which slowed in period 7, particularly for 16-18 apprentices, has now delivered another strong month of performance, increasing income from £4.8 million at the end of February to £6.2 million by the end of March 2011.
- Particularly within the 16-18 programme, income has increased in period 8 by £1,003k to reach £4,645k and at a continued rate for the remaining 4 months of the year will be within reach of the £8.5 million target.

- Adult apprenticeships increased in the period by £377k to £1,527k suggesting that a full year out turn of just over

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ACTION by whom	DATE by when

£3million should be achievable. Once again this is ahead of forecast but a little short on the contract capacity offered to the college of £3.8 million.

AGREED: To note the update provided.

11.36 <u>TREASURY MANAGEMENT POLICY AND PERFORMANCE</u>

The Director of Finance introduced this item and drew members` attention to the significant reduction in interest rate revenue available to the college. It was confirmed that the total interest earned up to the end of March 2011 amounts to £10,087 which is on course to achieve the modest total forecast for the financial year of £12k.

He confirmed that the college continues to explore a number of treasury investment opportunities and to assist this there is the recommendation to increase the number of approved banks. He confirmed that all banks suggested have a P1 Moodys credit rating.

Members reviewed the minor amendments suggested to the Treasury Management Policy and in particular noted the intention to establish a facility with Santander.

AGREED to:

(i) Note the Treasury Management performance for the 2010/11 year to date.
(ii) Approve the establishment of a facility with Santander to set up a Corporate Bonus Account.
(iii) Approve the updated Treasury Management Policy presented.

11.37 <u>AOB</u>

There were no items of urgent business.

11.38 <u>DATE OF NEXT MEETING</u>

The Clerk to the Corporation confirmed that the next meeting is scheduled for 30 June, it was however noted that this clashes with a significant college event. The Clerk was requested to explore diary option and re-schedule the meeting.

ACTION by whom	DATE by when
Clerk	May 2011

Meeting closed at 6.30 pm.

Signed : ____________________________Chair Date: