



**WEST NOTTINGHAMSHIRE COLLEGE  
CORPORATION BOARD**

***Minutes of the Finance & Estates Committee meeting held in the Boardroom at the Derby Road site on Thursday, 17 November 2011 at 4.00 pm.***

**BOARD MEMBERS PRESENT:** Kate Allsop  
Terry Dean (Chair)  
Asha Khemka  
Phillip Lancashire (until 5.20 pm)  
Brian Stopford

**ALSO IN ATTENDANCE:** Maxine Bagshaw, Clerk to the Corporation  
Andrew Martin, Director of Finance & Deputy Principal  
Tom Stevens, Executive Director: Capital Projects & Estates

		<b>ACTION by whom</b>	<b>DATE by when</b>
<b>11.15</b>	<b><u>DECLARATION OF INTEREST IN ANY ITEM ON THE AGENDA</u></b>  The Chair reminded those present to declare at the start of the meeting any interests that they may have on any items to be considered. No interests were declared.		
<b>11.16</b>	<b><u>WELCOME INTRODUCTIONS AND APOLOGIES FOR ABSENCE</u></b>  Apologies for absence were received from Howard Baggaley and David Overton (Estates matters). Absent without apologies was Chris Winterton.		
<b>11.17</b>	<b><u>MINUTES OF THE MEETING HELD ON 29 SEPTEMBER 2011</u></b>  AGREED: that the minutes of the meeting held on 29 September 2011 be confirmed as a correct record and be signed by the Chair.	Chair	17 Nov 2011
<b>11.18</b>	<b><u>ACTIONS OUTSTANDING AND MATTERS ARISING FROM THE MINUTES OF THE MEETING HELD ON 29 SEPTEMBER 2011</u></b>  The action progress schedule was noted. The Director of Finance confirmed that the borrowing facilities required for the new build were going out to tender in December and it was therefore likely that a full presentation would be made to the Board at its meeting on 26 January 2012.	Director Finance	26 Jan 2012
<b>11.19</b>	<b><u>PROPERTY STRATEGY PHASE 2</u></b>  The Executive Director: Capital Projects & Estates introduced this item and drew the following to members` attention:		

Signed : \_\_\_\_\_ Chair

Date:

- Sports Hall and Car Parks – further to approval of the lowest three tenders and enhancements to improve the acoustic integrity, a final contract sum of £1,826,088 is proposed.
- Further to the meeting of the Corporation Board on 13 October 2011, a letter of intent has been issued to Baggaley Construction, with the intention of entering into a contract for construction of the Sports Hall and car parks. Pre-start meetings have been held with Baggaleys. A site fence is in place, and all affected trees removed. Work on the car parks has commenced, with a handover to the College planned for Christmas. Members` attention was drawn to the risk register circulated and particular attention was made to the close proximity to the nursery. It was noted that the College has delayed demolition to the house on site until after the Royal visit, as this has now taken place, the demolition works will proceed.
- An acknowledgement form for the £100k SFA renewal grant to support the Sports Hall construction has been issued. An application for the £1.9million enhanced renewal grant to support the construction of the new build block has been submitted, a decision from the SFA is anticipated by 24 December 2011.
- New Build – the planning application will be considered by Mansfield District Council Planning Committee on 21 November 2011, a planning report was prepared in support of the application. In terms of progress of this application, the Executive Director: Capital Projects & Estates expressed hope that the application would be granted. He indicated that the College has had some objections in relation to its plans for the Tower, but that this was not part of the current application, and therefore, with no objections raised, it should proceed to the next stage. He indicated that it was likely that any approval would be subject to conditions and it was, in his view, good that the College would be made aware of these conditions sooner rather than later so could address actions required. In his view, one condition likely to be attached to the planning application is in relation to contractor site access arrangements, as the vast majority of access will be from the very busy Nottingham Road.
- Professional appointments for the Sports Hall and car parks were mapped out. Particular attention was drawn to the expected invoice from Turner and Townsend, which would be in excess of £200k. The Executive Director: Capital Projects & Estates explained that this was because they were invoicing not only their own fees, but invoicing on behalf of the Architect, Structural and Building Engineers too. Total professional fees for new build and courtyard are estimated at £351,564. This is 5.17% of construction costs.

ACTION by whom	DATE by when

Signed : \_\_\_\_\_Chair

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ACTION by whom	DATE by when

Members reviewed the detailed content of the written report and also reviewed the construction risk register. It was noted that there was only one red risk item on the register. Members were assured that this is being managed and monitored.

AGREED: to note the content of the report.

**11.20 LONG TERM MAINTENANCE SUMMER WORKS**

The Executive Director: Capital Projects & Estates introduced this item and confirmed that his report closes off work undertaken in the 2010/11 academic year. He drew members` attention to the end of year total expenditure when compared with the approved budget. He indicated that for accounting reasons, there may be some items that would fall within the 2010/11 or 2011/12 budget and that these have all been agreed with the Director of Finance. Members` attention was drawn to the following:

- £385,204 commitment against a budget of £397,000 for 2010/11 reactive maintenance.
- A total of £1,130,982 (including £385,204 reactive maintenance) committed against an amended budget of £1,150,000 for reactive and planned maintenance.
- Total expenditure of £217,254.38 committed against budget of £257,065.00 for reinstatement of ceilings in six storey tower block, following the ceiling collapse in classrooms. This excludes the reinstatement of ceilings in the reception areas of the six storey tower which will be undertaken as part of the scheme to re-clad the building in 2013. It was noted that if this additional element had been completed in the 2010/11 year, then the estimated budget of circa £250k would have been about right.
- Water ingress in Chesterfield Road atrium repaired at a cost of £3,852.
- Seating capacity in Derby Road Diner and West One increased for September 2011 student intake.
- Derby Road gas remedial work and installation of new gas mains completed at a cost of £188,171, this includes £20k for the purchase of new electric cooking equipment for the diner. Members were reminded that the gas main costs were to be incurred as part of the overall new build plan in any event, and that completion in the 2010/11 year was simply an acceleration of planned activity. In relation to the purchase of new cooking equipment, it was confirmed that this apparatus would be relocated as part of the larger overall new build plans.
- Derby rRad three storey roof replacement completed at cost of £171,654.
- For 2012/13, £400k allocated for reactive maintenance and £200k allocated for planned maintenance. A total of £146,280.53 committed against planned maintenance projects, approved by the Committee on 5 May 2011.

Signed : \_\_\_\_\_ Chair

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One additional issue raised was the required first floor ceiling replacement at Ashfield College, this is after some plaster work fell from the ceiling. The Committee was advised that structural engineers have reviewed the ceilings and have recommended that the College install a new suspended ceiling, rather than simply re-plastering. A budget of £65k is recommended for eight rooms to provide this new suspended ceiling and new lighting. Members were advised that this £65k is a variance sought and is currently unbudgeted within the planned and reactive maintenance costs. Members discussed this issue in detail and questioned whether the College was able to obtain assurances from the engineers/surveyors that the plans it is putting in place to address the issue are reasonable in all the circumstances.

The Committee felt that in relation to the College`s older buildings (including Chesterfield Road), there needed to be a thorough check made regarding structural integrity and apparatus, eg, boilers, water tanks etc. This is in the context of both Derby Road and Ashfield College suffering ceiling collapse issues. Members requested that the Executive Director: Capital Projects & Estates look to extend some of the survey work undertaken, review and then plan additional work required to provide the Committee and the Board with a greater level of assurance regarding the integrity of the older facilities.

The Executive Director: Capital Projects & Estates confirmed that the proposed £65k budget relates to first floor works only and that these are the ceilings identified to be similar to the ones where the plasterwork fell. He confirmed that the integrity survey could extend to all ceilings in the building irrespective of their construction type. Members all agreed that there was a necessity to allocate the £65k budget to implement the works identified to the specific areas in any event, and that they perceive this to be a minimum requirement. They were happy to approve the budget variance and requested the additional survey work to be undertaken to provide them with a greater level of assurance.

AGREED to:

- a) note the content of the report, and
- b) approve budget variance of £65k to allow remedial works at Ashfield College for eight rooms to provide a suspended ceiling and new lighting, and
- c) request that the Executive Director: Capital Projects and Estates undertake further assurance survey work regarding the College`s older facilities.

**11.21 FINANCE REPORT SEPTEMBER 2011**

The Director of Finance introduced this item and confirmed that it was very early in the year regarding reporting, the following was noted:

ACTION by whom	DATE by when
EDCP&E	Jan 2012

Signed : \_\_\_\_\_ Chair

Date:

- The financial performance for the College Group for the first two months of the financial year is below budget due to a number of factors, which are expected to recover as the year progresses.
- Total group income of £7.16million is lower than budgeted by £1.01million due mainly to lower than targeted income at this point in time for 16-18 apprenticeships and NVQ programmes. This gives rise to an operating surplus for the Group of £173k against a budgeted position of £370k.
- Whilst the performance for the first two months of the year is disappointing, there are clear reasons for the position, which allows confidence that the reported result will get back on track during the first half of the year. He explained that there were profiling issues that have led to this underperformance, and that also staff have been focusing on 2010/11 completions rather than 2011/12 activity.
- College reported performance is subdued by the impact of a shortfall in income for its key adult NVQ and 16-18 programmes. A total income of £6.929million is £1.03million behind budget, with adverse variances for 16-18 apprenticeships (£479k) and NVQ programmes (£747k) being the main causal factor. For the NVQ programme, there have been very few new starts submitted on to the learner record system, although it is likely that these will recover into the second quarter. There is a similar pattern within the 16-18 apprenticeship programme, although other changes to programme length are impacting on the earned values. In contrast, adult apprenticeship programmes are well ahead of budget, with income of £1million in the period, some £309k ahead of budget.
- Staffing costs for the College are significantly under budget for the first two months of the year. This includes £28k of expenditure relating to residual redundancy costs for staff leaving under the programme delivered in July who did not leave the College until the next financial year. Total pay costs of £3.719million are £262k under budget. Within this under spend, £103k relates to teaching sessionals, which is not expected to continue throughout the year. Additional under spend is reported in teaching support which leads to additional staffing budgets provided to support the increased 16-18 additional learner support programme. Members were advised that the variance will not be maintained all the way throughout the year but that the College was already seeing the positive impact of the restructuring exercise.
- Non pay costs are predictably under spend for the College with partner costs £41k under budget as a result of the predominantly low volume of activity for the NVQ programme. Other significant under spends are reported for examination costs, which are unlikely to continue throughout the year and in other support where costs have not yet flowed through for student support for 16-18 bursaries.

ACTION by whom	DATE by when

Signed : \_\_\_\_\_ Chair

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- College companies have reported a mixed result with Skilldrive continuing a strong performance last year with sales of £360k delivering an operating profit of £143k (budget £90k). Safety Plus has been significantly impacted by the lack of starts submitted for the NVQ programme. Sales of £236k are some £146k below budget, which has led to the loss for the period of £79k. Whilst this is concerning, it is not expected to impact on the Company's ability to deliver to its budget, as starts are now being submitted for payment.
- Vision Apprentices has performed satisfactorily in the period, generating a small surplus of £9k, whilst Safety Plus Construction has begun trading with a reported deficit of £2k for the period, which is in line with expectations.
- The Group balance sheet has been boosted by the SFA's decision to make payments on profile for the first three months of the year, whilst their software for calculating funding is tested by the sector. This has led to cash increasing to £8.36million as at 30 September 2011, though some of this will be recovered through reconciliation later in the year. As a result of further increases in fixed assets, the College Group now holds a net current liability of £22k at the balance sheet date.
- The next few months will see capital expenditure pause until the Sports Hall comes on stream. As a result, the College will seek to place a three month investment to utilise its high cash balances in order to generate a small amount of interest receivable. It was confirmed that this is in line with the College's Treasury Management Policy.

AGREED: to note the Finance Report for the period to 30 September 2011.

**11.22 2010/11 FINANCIAL STATEMENTS AUDIT MANAGEMENT LETTER**

The Director of Finance introduced this item and confirmed that the full report had been presented to the Audit Committee. He drew the following to members' attention:

- Section 1 – this sets out the aims and purposes of the external audit.
- Section 2 (page 4) provides a summary of the trading performance, it was noted that the trading surplus for the year ended 2011, was £1,701million and should be compared with 2010, which was £757k.
- Page 5 provides a bridge analysis and explains the difference between the two sets of results. The Finance Director confirmed that, in his view, this was a very useful table and provides full explanation and diagrammatical representation of the significant increases and differences seen throughout the year. It was confirmed that the most significant increase is in relation to the change in funding body grants. It was noted that there was a significant decrease in operating expenses,

Signed : \_\_\_\_\_Chair

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Members were advised that this specifically relates to the fact that the College has stopped paying finders fees, which related to the previous Train to Gain provision.

- Page 5 – this shows adjusted operating surplus. It was acknowledged that this is a very favourable position to be in and that the results were incredibly good. Members’ attention was specifically drawn to the detail of franchise activity, it being the case that the College’s use of partners is significant. The Director of Finance acknowledged that such high reliance on partners is a risk but that this is something that the College is monitoring and managing very carefully.
- Page 6 – this provides a summary of funding against allocations and targets. It was noted that some of the targets set are grant allocations and some are contract. Members were reminded that the 16-18 apprenticeship provision is the most challenging to deliver.
- Page 7 – this details subsidiary company performance.
- Page 8 – this is a balance sheet summary. It was noted that cash liquidity has increased and that pension liability has decreased as a result of the change in actuarial individual assumptions made.
- Page 10 onwards - provides a summary of progress on previous years. All in all, it was felt that the audit process had gone smoothly and that external auditors were able to provide a clean audit opinion. One unadjusted audit was noted, but members were assured that this was not material. The Director of Finance indicated that the College has recently been subject to a funding ILR Audit and that the Management Letter in relation to this review has been received and has been sent to KPMG, which should conclude the audit evidence required for them.
- Page 13 – this summarises the follow up work done on previous years recommendations. It was acknowledged that there is additional work to be done in relation to monitoring of franchise partners, particularly in relation to their financial viability. It was confirmed that the College is introducing changes in its system to allow further improvement in monitoring.
- It was confirmed that the redundancy policy identified is currently being reviewed.
- Sector updates were provided as part of the report
- Also noted was the detail regarding the changes in the pension provision and calculations.

All agreed that the report presented was very useful and a sound assurance for the College’s operations.

AGREED: to note the content of the 2010/11 Financial Statements Audit Management Letter.

Signed : \_\_\_\_\_Chair

Date:

ACTION by whom	DATE by when

**11.23 2010/11 DRAFT MEMBERS REPORT AND FINANCIAL STATEMENTS**

The Director of Finance introduced this item and again confirmed that it had been presented to the Audit Committee for review. He confirmed that the document follows a statement of recommended practice in the sector and provides advice in a standard format. Members` attention was particularly drawn to the following:

- Page 20 onwards - provides details of the actual accounts. He explained that there would need to be some minor adjustments made particularly in relation to rounding issues and typographical errors, but that no major changes were expected to finalise.
- The College has had to restate its 2009/10 position because of a change in the fixed assets accounting treatment, this is fully explained and evidenced within the Members Report.

Members were entirely happy with the content of the report and the explanations given and were happy to recommend its approval to the Corporation.

AGREED to:

- a) note the content of the 2010/11 Draft Members report and Financial Statements, and
- b) recommend that the Corporation approve the final version of the 2010/11 Members Report and Financial Statements.

**11.24 RECONCILIATION OF FINANCIAL STATEMENTS TO JULY FINANCE REPORT**

The Director of Finance introduced this item and drew members` attention to the table on page 2, which gives a full explanation of the original budget when compared with the stated position in the financial statements. Members` attention was drawn to the detail of the notes to support the accounts, which explain some of the reasons for the variations. Of particular interest was the fact that pay costs incurred were substantially less than those forecast at the beginning of the year, it was explained that this is because the original budget was based on a high level of pay costs for Vision Apprentices work. This work did not materialise and therefore the budget was adjusted at the mid year point when it became apparent that the level of activity originally planned would not take place. Members were advised that there were some differences between the Management Accounts and the Financial Statements, and that these are due to differing accountancy treatments, these are all in line with discussions with Auditors.

Members` attention was drawn to the significant acceleration of adult apprenticeship activity post April 2011 and that this accounts for the variances seen post mid year reforecast.

Signed : \_\_\_\_\_ Chair

Date:



AGREED: to note the detail of the reconciliation of the financial statements to the July 2011 Finance Report.

**11.25 PROCUREMENT REPORT**

a) Performance against Targets

The Director of Finance introduced this item and drew members` attention to the performance against three year strategy targets. He reminded members that 2010/11 was the final year of the three year strategy and therefore at the next meeting a new three year strategy would be put forward for approval.

Members` attention was drawn to paragraph 12 which details the results achieved for the period, it was acknowledged that efficiencies are now getting much harder to achieve, it being the case that the team have picked `all of the low hanging fruit`. Members were advised that the College is working to a rolling programme of improvements, the graph at paragraph 14 was noted. Members all commended the £6.5million savings achieved. The Director of Finance confirmed that whilst further efficiencies were getting tougher to identify there were still areas for improvement that the College could address. Members all agreed that this was an excellent achievement.

b) First Quarter Results

This item to be reported against the new three year strategy presented for approval at the next meeting.

AGREED: to note the content of the Procurement Report.

**11.26 STUDENT S` UNION ANNUAL AUDITED ACCOUNTS 2010/11**

The Director of Finance introduced this item and indicated that whilst the Students` Union was not a separate legal entity, it was good practice to report activity for the year end. He explained that the College allocates a budget to the Students` Union and that they are expected to operate within the parameters of this allocation and income derived from their own activities. He confirmed that the accounts presented had been audited and that it had always been the case that the College viewed the subsidy that it provides to the Students` Union as an investment, and in line with all investments, it is good to monitor the return.

AGREED: to approve the Student Union Annual Audited Accounts 2010/11.

ACTION by whom	DATE by when
Director Finance	1 March 2012

Signed : \_\_\_\_\_Chair

Date:

**11.27 EMPLOYER RESPONSIVE & 16-18 WORK BASED LEARNING**

The Director of Finance introduced this item and drew members` attention to the content of the written reports. The following was specifically noted:

- Paragraph 7 – this details the overall performance for the 2010/11 academic year. Key issue for information is the change in balance of performance between the various areas.
- Paragraph 9 – provides first quarter results for 2011/12. It was noted that the provision is performing better than recorded at the same point in previous years. The Director of Finance explained that, if the provision follows the same trajectory, members can take comfort in the in the fact that targets will be achieved, albeit that the provision currently stands as under performing.
- College management expect difficulties and challenges in relation to the target for 16-18 apprentices.
- College management are very confident regarding attainment of targets for adult and NVQ levels but 16-18 apprenticeships remains a concern, challenge and focus.

It was explained that moving forward the College has to take a much stricter view regarding the quality of applicants and apprentices and that this will mean a likely reduction in the number of starts accepted.

Members` attention was drawn to the partner activity table with yellow highlights noted as new partners. The Director of Finance confirmed that all new partners go through a new provider assessment process which is rigorous. As in previous years, he indicated that at this point of time there is a tendency to over contract with partners, and that this is reviewed on a quarterly basis and adjusted wherever required. Members acknowledged that there is a very long list of partners, it was explained that the strategy for the College moving forward is to work with a fewer number of partners and that each partner who is contracted with will have a greater level of activity. He explained that the current list is costly and a significant administrative burden to monitor, the intention is to streamline partnerships arrangements to bring about efficiencies and easier monitoring obligations. The Director of Finance confirmed that Eversheds have just reviewed the partnership contracts and that all recommendations have been incorporated within the new contract terms.

Members reviewed the partner schedule and were happy to recommend its approval to the Board.

AGREED to:

- a) note the content of the Employer Responsive and 16-8 work based learning report, and
- b) recommend that the Corporation approve the Partner Contracts identified.

ACTION by whom	DATE by when

Signed : \_\_\_\_\_Chair

Date:

Members indicated that for the next meeting, they would find it useful to have a report detailing the contribution that partner activity makes to the College's overall position. It was agreed that a knowledge of the College's net position was important so that the Management Team and the Board can assess how critical each element is to overall performance. It was acknowledged that the use of partners comes with a risk in relation to the quality of the provision and that the College support costs needed to properly manage partners needs to be assessed. With this information, the College can then review whether continuing with partners is the correct strategy for the College moving forward. The Director of Finance confirmed that this piece of work, once undertaken, would also allow the Board to properly assess the viability of the College's core provision.

AGREED: to note the content of the report

(Phillip Lancashire left the meeting at 5.20 pm).

**11.28 CONFIDENTIAL ITEMS**

It was agreed that confidential items would be recorded separately.

**11.29 AOB**

There were no items of additional business.

**11.30 DATE OF NEXT MEETING**

The Clerk to the Corporation reminded members that the next meeting was scheduled for 1 March 2012.

ACTION by whom	DATE by when
Director Finance	1 March 2012

Signed : \_\_\_\_\_Chair

Date: