WEST NOTTINGHAMSHIRE COLLEGE
FINANCE AND ESTATES COMMITTEE

Minutes of the Finance & Estates Committee meeting held in Room 505, Derby Road site on Thursday 27 September 2012 at 4.00 pm.

BOARD MEMBERS PRESENT:	Terry Dean, Chair Kate Allsop Chris Winterton David Overton (Estates matters)
ALSO IN ATTENDANCE:	Helen Gyles, Assistant to the Clerk Andrew Martin, Deputy Principal/Director of Finance Tom Stevens, Executive Director: Capital Projects & Estates

		ACTION by whom	**DATE by when**
12.54	**<u>APPOINTMENT OF COMMITTEE CHAIR</u>**		
	Terry Dean was nominated for the position of Chair for 2012/13. This nomination was seconded and approved.		
	AGREED: to appoint Terry Dean as Chair of the Finance and Estates Committee for 2012/13.		
12.55	**<u>DECLARATION OF INTEREST</u>**		
	The Chair reminded those present to declare, at the start of the meeting, any interest that they may have in any agenda items to be discussed. No interests were declared.		
12.56	**<u>WELCOME, INTRODUCTIONS & APOLOGIES FOR ABSENCE</u>**		
	Apologies for absence were received from Asha Khemka.		
12.57	**<u>MINUTES OF THE MEETING HELD ON 28 JUNE 2012</u>**		
	AGREED: that the minutes of the meeting held on 28 June 2012 were a correct record and be signed by the Chair.	Chair	27.09.12
12.58	**<u>ACTIONS OUTSTANDING AND MATTERS ARISING FROM THE MINUTES</u>**		
	Members reviewed the minutes and the action progress table and agreed that the following items be taken off the report: • Building Surveys • £24m Capital Expenditure • New Build Contractor Costs • 6 Storey Tower Cladding Costs	Clerk	15.11.12

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12.59 PROPERTY STRATEGY UPDATE

The Executive Director: Capital Project & Estates introduced this item and drew members` attention to his written report, the following was specifically brought to members` attention:

- New build - Exceptionally bad weather had, potentially, added 4.5 weeks to contract. A formal application had been received for an extension to the contract of 7 weeks which included the Christmas break.
- Good progress was being made internally within the new teaching block. There was concern over the delivery of cladding for external elevations which could add further delays. The updated programme for delivery of the courtyard by 21 December 2012 was noted.
- The Risk register for the building incorporated potential cladding delay and an extended contract completion.
- The new build and courtyard were on budget at £10,968,853. Variations and changes were estimated at £222,488. Provisional sums within the contract were agreed at £191,980. Cashflow was 48.1% of completed contract. An analysis of the cashflow indicated a 2 week delay.
- Six Storey Tower and other buildings – Detailed plans to tender were almost ready for issue and the programme timetable for the contractor appointment prepared. Headlines of where the College was at with regard to contractors and costs would be presented to the Committee on 15 November 2012. Contractors would be asked to present their own proposals with regard to the schedule of work.

  Exec Dir | 15.12.12
- The Pre-qualification questionnaire (PQQ) had been issued for return by potential contractors.
- Engineering Innovation Centre – Work was on-going to source a suitable site to create a new Engineering Innovation Centre. The College was still in negotiation with the owners of a site in respect of their request to add VAT to the original price.
- Sport Hall and Car Parks – Complete and operational from 3 September 2012. Contract variations had been assessed by Turner & Townsend and a summary of forecast cost had been prepared. There was still some work on the snagging list to be completed. No resolution had yet been reached with regard to the delay in completion of the work. Legal advice was being sought to ensure that the College does not miss out on any action that could be taken. The change in the management at Baggaleys was noted.

Accommodation Strategy – Financial Review as at 31 July 2012

The Director of Finance gave an update on expenditure on the £24m programme to the end of July 2012 and the following was noted:

- The College had spent £9.908m (April report: £7.281m) on the programme with completion of the first phase elements including the Create Building, the Trades Building conversion and the move of

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administration staff to Ransom Hall. These programmes had been completed with a minor favourable variance of £39k.

- A total of £2.105m had been expended on the Sports Hall and Car Parking phase. The final forecast position remained un-finalised, but had been included within the report at an over spend of around £52k.
- The major element of the programme, the New Build project commenced in January 2012 and had incurred expenditure of £2.952m as at the end of July 2012.
- The Tower re-clad had incurred expenditure of £149k on design and consultancy work. The total budget was £1.94m and current quoted costs suggested that this may overspend by £370k.
- At the current time, and based on the current information, total expenditure could exceed the £24million budget by £692k. In order to mitigate this potential over spend the College had reviewed the options for reducing expenditure and had the option to minimise the re-clad programme for the Sherwood Care building and the Number 19 block.

AGREED:

- To note the contents of the report.
- That Mansells, G F Tomlinson, Bowmer & Kirkland, Clegg and J Tomlinson be shortlisted and invited to tender for the cladding works to the six storey tower and other buildings (Vision Room, LRC Block, Trades Building, No 19 and the 900 Block).

12.60 **<u>LONG TERM MAINTENANCE</u>**

The Executive Director: Capital Projects and Estates presented his report and the following was highlighted:

- In 2011/2012 a budget of £662k (£400k reactive, £262k planned) for 2011/12 was allocated for reactive and planned maintenance. Expenditure of £672,161 was confirmed.
- In 2012/2013 a budget of £634,600 (£400k reactive, £234,600 planned).
- The update on summer works projects was noted.
- Derby Road lifts had required refurbishment. £18,700 for new gearbox in 2012. Provisional allocations of £42k for replacement of external ropes, pulleys etc in 2013 and £27,600 for internal refurbishment in 2014. Total anticipated expenditure was in the region of £110k.
- No 19 Training Kitchen had been refurbished with new cookers/fridges/ tables/ventilation canopies. This had been budgeted at £156k, but the final cost had been £170k. Additional cookers and M&E works had been required.
- Derby Road Fire Alarm. Design and specification for a replacement fire alarm had been prepared. Facilitates integration of fire alarm systems at the Sports Hall, CREATE and new build. Four companies had provided quotations ranging from £90k + VAT to £120k + VAT. The potential cost would be included within the long term maintenance plan.

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AGREED: To note the contents of the report.

12.61 SFA RENEWAL GRANT AND ENHANCED RENEWAL GRANT

The Executive Director: Capital Projects and Estates updated Finance & Estates Committee on the College's application for the SFA Renewal Grant (Phase 3) and bid for an Enhanced Renewal Grant (Phase 3).

- The Renewal Grant application for £120,000 had been submitted to the Skills Funding Agency on 31 July 2012. Currently, 36.02% of the estate was classified in RICS condition C. The grant had been received on 22 September 2012.
- The Enhanced Renewal Grant (ERF) bid for capital funding to support the relocation of Visual Arts from Chesterfield Road to Derby Road Trades Building had been submitted to the SFA on 11 September 2012.
- To meet timescales for submission of the ERG bid, the existing design team for the new teaching block had been appointed to prepare a RIBA Stage C design - Taylor Young architect, Watermans Building Services, Curtins Structural Engineers, Turner & Townsend cost management.
- 1,500m^2 space in total (670m^2 ground floor and 830m^2 mezzanine floor) would be provided for Visual Arts in the Trades Building.
- Specialist vocational space would be provided for fine art studios; screen printing; fashion; wood/metal; ceramics; photography; graphic design and exhibition area.
- The estimated cost was £2,364m against the budgeted allocation of £1.8m. The cost Included 225m^2 additional mezzanine space and upgraded M&E (£276k) and reaching a BREEAM very good standard (£287k).
- Refurbishment would commence following relocation of Fabrication W welding in 2013.
- The feasibility of creating interim classrooms on the mezzanine to assist with curriculum decant requirements, when cladding six storey tower and other buildings, was under consideration.

Following a query from a member of the Committee, the Director of Finance confirmed that the Chesterfield Road site would not be left empty and its use as a Primary School/ Studio School, which would open in 2014, was under consideration.

AGREED:

- To note the contents of the report.
- To approve the appointment of the existing design team for the new teaching block (Taylor Young architect, fixed fee £4,680 + VAT; Watermans Building Services, fixed Fee £4,000 + VAT; Curtins Structural Engineering, hourly rate £862 + VAT and Turner Townsend for cost management) to prepare a RIBA Stage C design.
- To approve the appointment of Pick Everard to prepare a BREEAM pre-assessment report.

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12.62 FINANCE REPORT 2011/12 DRAFT YEAR END POSITION

The Director of Finance stated that this report had already been presented to the Board on 13 September 2012. The accounts were being finalised for audit, but he did not expect any changes to the current draft report. The result for the College was one, again, likely to be stronger than had been anticipated with an operating surplus of £2.50million on total income of £47.7million. This was around £878k ahead of the forecast operating surplus although it was £756k lower than the forecast level of turnover.

There were a number of reasons for the better than expected result for the College. These included the following key points:

- Income in the final month of the year was £233k better than expected; mainly due to the recognition of over £19k ALS claims (+£89k) and improved performances on the Adult Skills budget (+£135k).
- Pay costs actually overspent in the month of July by £95k but only due to the provision made to reflect the implementation of settlements from the Job Evaluation process.
- As the partner delivered 16-18 Apprenticeship programme continued to under deliver across the year, costs associated with the programme had also been under spent in the month by £248k.
- A favourable variance in the operating surplus in the final month of the year of £350k had contributed to the improved result.
- Across the full year, staffing costs under spent by £459k compared to forecast providing about half of the improvement between the draft out turn and the forecast.
- Whilst full year income was some £756k below forecast, non pay expenditure was £1.17million below forecast providing the other half of the favourable improvement in performance.
- Within non pay for the full year, £870k of the favourable variance related to lower than expected partner costs linked to delivery volumes, around £104k through an under spend in teaching and learning non pay allocations with the remainder spread across a broad range of non pay categories.
- Skilldrive had achieved an operating surplus of £806k, once again beating the forecast result although slightly lower than the previous year where a return of £874k was achieved.
- Safety Plus Training & Consultancy delivered an operating loss as had been expected, although this reduced substantially in the last month of the year where high volumes of activity had been recorded. The full year loss of £41k compared to a £230k profit of the previous year.
- Vision Apprentices had returned a better than forecast operating surplus of £48.2k compared to a forecast of £36k. This improved performance resulted from a higher than expected volume of apprenticeship referrals being made to the College and had added about £10k to the bottom line.

- Safety Plus Construction had operated for the full year and would, in future, be managed alongside Vision Apprentices as a construction industry ATA. The company returned a loss of £15.3k which was slightly better than had been forecast.
- The combined Group operating surplus of £3.3million before FRS17 was an improvement over the 2010/11 year result when £3.0million had been achieved.
- The College and Group balance sheet were in the process of final reconciliation but would begin to show the inherent solvency weakening associated with the increase in borrowing associated with investment in buildings. A total of £3.8million had been borrowed up to the end of July 2012 and would increase rapidly into the 2012/13 financial year.
- The balance sheet would also see a substantial weakening through the calculation of the FRS17 pension deficit liability where it would increase from £6.5million at the end of July 2011 to £12.5million at the end of July 2012. This was caused by changes to actuarial assumptions but brought back into focus the inherent long term affordability issues with defined benefit pensions.

AGREED: To note the contents of the report.

12.63 INSURANCE AND RISK 2012/13

The Director of Finance updated the Finance and Estates Committee in respect of the College Group insurance costs for 2012/13. The College contract had been procured through the Crescent Purchasing Consortium Framework and was now in year two of a three year agreement.

The proposals put forward had been provided against information required under the current agreement with Zurich insurance who was the College`s contracted provider.

The changes to the costs of cover were affected by a number of factors. At a basic level the base level of insurable risk changes on an annual basis which can drive premiums either up or down. In addition, changes to risk ratings through the insurer often impact upon insurable costs and were affected by claims history, not just for the College but the wider insured sector. Finally, any extensions or additions of insurable items would also drive premiums either up or down.

The total cost of College Group insurance for 2012/13 would be £158,796.47. This represented an increase of £25,033.95 over the 11/12 premium and had increased for a number of reasons as set out below:

- The College build programme and the form of contract used within the delivery of the programme required that the College insured against Work in Progress. As 2012/13 was a major year in terms of building work continuing across a number of phases of the programme, the insured value had increased to £15million from

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£5.4million in 2011/12. This resulted in a total premium for 2012/13 of £16,672.50 and an increase of £10,670.40.

- Employer's liability insurance had seen a significant increase in the value of the premium and had been caused by an increase in the premium rate from 0.102% to 0.126%. As this was also based on the group payroll value the result was an increase in premium of £8,591.05. The cause of the increase in risk rating was the number of claims across the sector and the resulting impact through personal injury costs driving premiums sharply upwards.

- Increase in the insurable value of the College`s computer equipment followed a thorough assessment of values which, in turn, increased the insured premium. This accounted for an increase of £2,560.43 across all computer equipment.

- The final main area of premium increase related to terrorism insurance, driven by increases to the material damage insurable amounts and resulting in an increase of £919.81 across the policy. Total terrorism insurance was now £15,040.84.

Outside of these notable increases, there was a general drift upwards in premiums due to the revised insurable values supplied by the College to ensure that correct and adequate levels of cover were secured.

The College would recharge insurance costs in 2012/13, as in previous years to each subsidiary company which had been fully budgeted as part of the planning process. Separate insurance had been taken in relation to Safety Plus (Construction) limited due to the different nature of company activities.

AGREED: To note the insurance costs and extent of cover provided for the 2012/13 financial year.

12.64 EMPLOYER RESPONSIVE UPDATE

The Director of Finance provided an update on overall performance with regard to Employer Responsive provision. This report had already been presented to the Board on 13 September 2012, when approval had been given to the sub contracts.

Overall, the College had had another successful year in terms of Employer related activity, but was seeing a decline in Apprenticeship success rates.

The finalised funding position was as follows:

- 16-18 Apprenticeships budget out turn: £5,887,823.66; College: £955,778.99; Safety Plus: £92,159.63; other Partners: £4,839,855.04
- Adult Apprenticehips budget out turn: £5,955,809.55; College: £753,060.70; Safety Plus: £6,038.73; other Partners: £5,149,897.78

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- NVQ budget out turn: £4,547,912.83; College: £550,819.79; Safety Plus: £1,979,275.64; other Partners: £2,017,817.40

Total income was £15,585,632. This was slightly behind that delivered in 2010/11 (approx. 96%). However, the challenging funding environment would suggest this was a positive result. In 2010/11 funding rates per qualification were 3% higher, and not all apprentices needed to be employer led (meaning more flexibility last year).

Overall Success Rates for NVQs in the Workplace were 94% for 2011/12 (ILR not yet finalised), compared with 90% in 2010/11. There were no real concerns about Partner or College delivery in this area.

Overall Success Rates for Apprentices were 76% for 2011/12 (ILR not yet finalised), compared with 79% in 2010/11. Though it was not unusual to see a decline in success rates decline during rapid expansion this was a real concern, as the overall success rate would probably come out as Grade 3 under Ofsted inspection. Concerns over Partners, and actions, were noted.

The Skills Funding Agency had launched a comprehensive due diligence process for providers accessing public funding. This was termed the Register of Training Providers (RTO). Currently, providers with aggregate contracts in excess of £500k must register with the RTO, and by the end of this year all providers with contracts in excess of £100k of SFA funding. There are 2 parts of the process, company management and financial stability. In the first round the College had 5 sub contractors that failed for financial reasons:

- Richard Owen Training
- Prospect International
- Distinctive Training
- NGTC
- SKYE

For SKYE, the College had decided not to continue a contract with them, for all the others they were not permitted new activity until successfully registered on RTO. The SFA would require the College to terminate their sub contract if they were not successful by the end of November 2012.
In addition to those that had failed RTO the College had 4 sub contractors invited to tender for direct contracts with the SFA:

- White Rose College
- CQM
- Safety & Access
- FIT UK

The combined effect of these 2 scenarios impacting on 9 contractual arrangements would mean a requirement for the College to deliver more directly delivered activity, and/or increased activity from existing/new partners.

AGREED: To note the contents of the report.

12.65 ANNUAL REVIEW OF STANDING ORDERS

The slight amendments to the Standing Orders were noted.

AGREED: To recommend that the Board approved the changes identified.

12.66 AOB

There were no items of AOB.

12.67 DATE OF NEXT MEETING

The Assistant to the Clerk confirmed that the next meeting was scheduled for 15 November 2012.

The meeting closed at 5.20 pm

Signed : ____________________________ Chair Date: