CORPORATION BOARD

Minutes of the Finance & Estates Committee meeting held in the Boardroom at the Derby Road site on Thursday 1 March 2012 at 4.00 pm

BOARD MEMBERS PRESENT:	Kate Allsop Howard Baggaley Terry Dean (Chair) Asha Khemka Brian Stopford David Overton (Estates matters)
ALSO IN ATTENDANCE:	Maxine Bagshaw, Clerk to the Corporation Andrew Martin, Director of Finance & Deputy Principal Tom Stevens, Executive Director: Capital Projects & Estates

		ACTION by whom	DATE by when
12.01	**DECLARATION OF INTEREST IN ANY ITEM ON THE AGENDA**		
	The Chair reminded those present to declare at the start of the meeting any interests that they may have in any items to be considered. No interests were declared.		
12.02	**WELCOME INTRODUCTIONS AND APOLOGIES FOR ABSENCE**		
	No apologies for absence were received. Absent without apologies were Philip Lancashire and Chris Winterton.		
12.03	**MINUTES OF THE MEETING HELD ON 17 NOVEMBER 2011**		
	AGREED: that the minutes of the meeting held on 17 November 2011 were a correct record and be signed by the Chair.	Chair	1 March 2012
12.04	**ACTIONS OUTSTANDING AND MATTERS ARISING FROM THE MINUTES OF THE MEETING HELD ON 17 NOVEMBER 2011**		
	The action progress schedule was noted. Members reviewed the minutes and the following was commented upon: • Page 4 – Ashfield College Remedial Works – the Executive Director: Capital Projects & Estates confirmed that all of the ceilings in the building, which were constructed from plaster, have now been replaced with suspended ceilings. The only ceilings with no remedial work undertaken are concrete. Members were advised that feedback from the site is that following the work, the rooms have become much warmer. As a consequence, there is to be a review of the heating systems and potential use of meterage, with a view to identifying savings.		

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• Page 4 – Chesterfield Road – the Executive Director: Capital Projects & Estates confirmed that further inspection work still needs to be done on the building, but given the potential to vacate these premises, the question is really when is the best time to complete this work. • Page 11 – Partner Strategy – the Director of Finance confirmed that this review is still being worked on and that a full report would be presented at the next meeting with details of the outcomes. All members agreed that it was important to have a clear understanding of the contribution that partner activities make to the College`s overall position so that everyone can assess how critical each element is to overall performance.	Director Finance	3 May 2012

12.05 **<u>PROPERTY STRATEGY UPDATE</u>**

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

- New car park adjacent to CREATE with 96 spaces, opened for use on 16 January 2012. On 18 January 2012 Baggaleys made available 30 spaces on the extended Cauldwell Road car park ahead of contract. Shuttle bus facility for staff from Mansfield Football Club is available. It was noted that, to date, no staff have taken up the shuttle bus facility, but that this could be because the Derby Road site is not seeing any real problems following the minimal reduction in car park spaces.
- Sports hall construction progressing. Contractual documents for £1,826,088 plus VAT signed.

Members discussed the Sports Hall construction timescale in detail and were advised that Baggaleys have informally indicated that the contract may be six weeks behind programme. It is believed that a contributing element to this was the period of bad weather seen, but also there appears to have been some problems with their supply chain. The Committee were asked to note that, to date, this is only an informal indication from Baggaleys and that the College is still waiting for formal clarification of the position. Members all agreed that it was imperative that a meeting to be arranged with Baggaleys for them to confirm their formal position, and to also give a full and proper explanation as to how such a significant delay, if it is in fact such a delay, has occurred.

Members were also advised that another problem has arisen in relation to the Sports Hall construction. The Executive Director: Capital Projects & Estates explained that the cladding is not to the College`s specifications requested. What appears to have happened is that the architects have given incorrect details in the specification. It was noted that the error that has led to this position stems from the architects and not the construction company.

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The Principal confirmed that she had arranged a meeting with Ian Baggaley for next week to get a better understanding as to what the actual extent of the potential delay is. The Executive Director: Capital Projects & Estates indicated that whilst some of the construction delay could be recovered, there could be additional delay linked to the cladding.		

Members discussed the Project Manager's performance generally, and felt that Turner Townsend ought to be performing better than seen to date, and in particular reporting to the College Management Team and this Committee on a more timely basis. It was acknowledged that the cladding/panelling issue would be resolved and that it was just a question as to how long it would take to have the correct panelling delivered and this was unknown at this stage.

The Executive Director: Capital Projects & Estates indicated that he had found it quite difficult to obtain internal finish samples from the construction company, and that as a consequence, the College was being asked to make decisions at the eleventh hour. It was agreed that this was another issue for the Principal and the Management Team to address as part of their meetings with Baggaleys Construction.

- Mansell Construction appointed as Building Contractor for the new build Teaching Block and enclosed Car Park/Courtyard. Work started on 9 January with site compound complete for 16 January. The Executive Director Capital: Projects & Estates indicated that he had been very impressed with how quickly Mansell Construction had started on site.
- Detailed Construction Programme has been issued and to date construction is on target for completion on 7 December 2012. Contract documentation agreed for signature except novation agreements and warranties. Members were assured that there were no issues as a consequence of this and that currently both parties were working with letters of intent.
- Fire strategy requires a levelling of existing road under the bridge on Derby Road. Work proposed to be undertaken during the Easter vacation at a cost of £20,488.08 by Mansell Construction. To be funded from contingency.

Members took the opportunity to discuss this issue in further detail and were advised that the original fire strategy presented and approved in principle by the Fire Authorities has required amendment resulting in an unforeseen requirement to lower the road under the existing bridge at Derby Road. It was explained that the original fire strategy completed by ARUPS had initially been approved in principle by local Fire Service Officers. However, upon review, the Chief Officer is now adamant that any Nottinghamshire Fire Vehicle has to be able to get under the bridge. The amendment to the works required is to enable the largest fire engine

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to pass underneath that potentially could be called on. The bridge currently provides 3.27m clearance, and the Fire Authority has requested 3.7m clearance. Costs to undertake this work are £20,488.08 plus VAT.

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Members agreed that they were unhappy to simply approve the costs from the contingency. The question to be determined before these additional costs are incurred was whether or not ARUPS, in preparing the initial strategy, were professionally negligent, or whether they, in good faith, relied upon the Fire Service suggestion that the original plan was acceptable. The Executive Director: Capital Projects & Estates was requested to go back to ARUPS and assess the potential for their liability to contribute towards these additional costs, with the issue to be resolved regarding negligence.	ED CP&E	March 2012

- Derby Road Boardroom will close for use from 30 March 2012 to enable access from the Enviro Block to the new build. Steel for the new build is anticipated on 19 March 2012.
- College received confirmation of £1.9million SFA funding support for new build, and an indication that £1.69million will be paid to the College by the end of March to assist cash flow.
- Fees have been agreed for an ecological survey of £893 plus VAT by EMEC. New build planning conditions of £530 plus VAT, and £740 plus VAT for boundaries and tree planting by Taylor Young.
- Professional fees for new teaching block have been updated to £472,015.50 plus VAT representing 5.98% in construction costs of £7,886,217 plus VAT.

Members` attention was drawn to the full detail of professional fees detailed and set out on pages 18 and 19, of particular note was the fact that Turner Townsend are contracted to this project on a fixed fee.

Members’ attention was drawn to appendix 2, which details the payments made in relation to the project to date.

Having reviewed all of the detail of the update provided, members indicated that it was imperative to clarify the extent of the potential delay in relation to the construction of the Sports Hall. In addition, further work needs to be done regarding the additional costs to be incurred following revision of the fire strategy and a review of who is liable to pay these additional costs.

AGREED to:

a) note the update provided,
b) approve the professional appointments proposed, and
c) request additional work be undertaken to assess expenditure liability to reduce the level of the existing road under the bridge at Derby Road campus to allow Fire Brigade access.

	ACTION by whom	DATE by when

12.06 ENGINEERING INNOVATION CENTRE

The Executive Director: Capital Projects & Estates introduced this item and confirmed that the Board had, in principle, looked at developing the School of Engineering in the preceding academic year and that because of the receipt of the SFA £1.9million, there is the view that the project is now viable. He drew members` attention to his written report and the following was noted:

- Presently the School of Engineering is the largest curriculum area and is split across five sites. Physical separation restricts opportunities for innovation and equality of provision for students.
- The £24million strategy to develop Derby Road campus excludes any upgrading of Engineering facilities which, at the time, Governors considered that within context of affordability, was less urgent.
- Securing £1.9million grant support from the SFA to offset the costs of the new Teaching Block provides opportunity to consider options for Engineering in more detail.
- An ideal scenario would be to bring together all elements of Engineering, similar to Construction at Station Park. Provision of a single Engineering Centre would free up space at Derby Road which, in turn, would facilitate a decant in entirety from Chesterfield Road.
- A preliminary space planning exercise has been completed which gives a good indicator of space required, which in the case of engineering is mainly ground floor of circa 3500 to 3700 metres squared, with a facility to construct a mezzanine floor for classrooms etc.
- The creation of an Engineering Centre, completion of phase three LRC and Catering refurbishment, disposal of sites and consolidation of teaching will reduce the College GIA from 40,641m2 to 35,449m2 and, effectively, provide a fit for purpose estate that requires more affordable refurbishment, to eliminate backlog maintenance.
- Assuming an appropriate site for leasing, the capital budget to refurbish is anticipated to be in the region of £3million, plus purchase of lease. This is a high level judgement. The variable nature of works to be undertaken would require a more detailed investigation.
- Potential sites to lease within the catchment area of five miles from the College are presently limited and this, together with a number of options, including consideration been given to developer led design and build site with the College leasing is being reviewed.

Members discussed the report and noted the potential sites identified at paragraph 8, including premises at Millennium Business Park, Castlewood Business Park, Unit C Gateway 28 and the Sock Factory in Coxmore Road.

The Director of Finance drew members` attention to paragraph 9, which details the financial affordability projections of the programme, the costs associated with the plan and the savings that will also be achieved.

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Members questioned whether there was the possibility of using the MARR farmland to develop. The Director of Finance indicated that given the purchase price of the land, it was simply not a viable option unless Nottinghamshire County Council were prepared to develop the land as a joint project. It was agreed by all that this was very unlikely given the current financial County Council constraints.		
Members were advised that this project, if progressed, would free up existing site space at Derby Road and that a consequence of this is that all provision at Chesterfield Road could be decanted, this would then free up the possibility of selling Chesterfield Road and realising disposal assets.		
In reviewing the financial affordability, it was acknowledged by all that there was simply not enough money available to buy premises and undertake a refit, but that there was sufficient funds to purchase a lease and undertake a refit. The Director of Finance explained that Chesterfield Road currently has ongoing running costs at £350k and that these would be saved, even if the College was unable to immediately sell the land.		
Members of the Committee all agreed that it made both practical and financial sense to bring all of the Engineering provision together, however a number of issues for consideration were raised: • The impact upon the town centre of withdrawing provision from Chesterfield Road. • The College looking to sell all of its satellite buildings at the same time may lead to a saturation of the market and a deflation of the sale price.		
The Director of Finance confirmed that the College would put in place a strategy for the disposal of its buildings and due consideration would be given to any potential negative impact at that time. It was acknowledged that if the Committee was supportive of the proposal in principle, then there would be further work to be done regarding the feasibility of the project and detailed costs.		
It was agreed that more in-depth assessment would be undertaken, and then a full report be presented back to this Committee at the next meeting.	Exec Dir/ Dir Finance	3rd May 2012
In supporting the proposal in principle, members questioned whether there was enough headroom within the borrowing facility currently being reviewed/tendered. The Director of Finance confirmed that if, as is the stated aim, the development of an Engineering Innovation Centre is at a cost of £3million maximum, then yes, there is sufficient head room within the planned borrowing facilities.		

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Members, whilst wholly supportive of the proposal, asked for a number of reservations to be noted:		

- If at all possible, the Committee would like to see the facility located as close to the College Derby Road premises as possible, but there is an understanding that this may not be practical.
- The plan appears to presuppose that the College is looking for a pre-constructed building to refit. In doing so, the Committee urged that due consideration be given to making the internal space work and in particular, solve some of the problems seen at the Acorn Way premises.

The Principal confirmed that the intention was to use the example of Station Park as a precedent and that with this facility, the College has really shown that it can make a success in transforming an empty space. In relation to the preferred site option discussed, members were advised that car parking would be adequate and no problems encountered. One additional request was made by the Committee, and that this was when reviewing the options for the development of the Engineering Innovation Centre, a full cost estimate of feasibility be undertaken regarding the potential for turning the Chesterfield Road site into an Engineering Centre. It was agreed that this review would be carried out on a desktop basis. The intention of the Committee is to fully investigate whether existing College premises can be transformed into what is needed on a practical basis for a cutting edge Engineering Centre.

AGREED to:

a) note the report presented,
b) approve, in principle, the further development of proposals for establishment of an Engineering Centre, and
c) receive a full report back on feasibility of costs at the next meeting.

12.07 **CLADDING OF THE SIX STOREY TOWER AND OTHER BUILDINGS**

The Executive Director: Capital Projects & Estates introduced his report and drew members` attention to the following:

- Phase one of the £24million development plan for Derby Road Campus is complete and phase two a and b is underway with the construction of a new Teaching Block and Sports Hall.
- Phase two c is the cladding of the six-storey tower and programming the cladding of other buildings.
- A stage D budget and design for the cladding has been prepared (appendix a and appendix b).
- Programme of works for the tower and other buildings were considered by the Design Team. They were of a view that the cladding of the tower should be advanced to mitigate for an extended contract period anticipated with the tower 'crown' re-design and complexity

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of interface with the already let contract for the new Teaching Block and enclosed Courtyard. • The cladding of the other buildings and refurbishment of the three storey block to be undertaken by a separate contract. Mansfield District Council planners have confirmed that the scheme can proceed under permitted development. • Several options are available for the procurement of works for the tower. The preferred option is to extend the existing contract with Mansell Construction Ltd and engage them as Managing Agents and appoint a specialist cladding contractor by competitive tender. • Mansells have prepared a draft programme of work for the tower cladding (appendix d). • A number of professional appointments are required to support the design and construction. In particular, Building Service Engineers, Cost Management, Legal Services, Building Control and Site Inspections. Members reviewed the report and were advised that there were a number of alternatives to the presented preferred option, and these were: a) for the phase two c project to go back out to the market to be re-tendered, or b) approach cladding contractors directly with the College managing the contract. Members reviewed the entire capital project programme of works and in particular at paragraph 3.1, noted that the two elements to be considered here are the tower re-clad and the surrounding buildings re-clad at budgets of £1.94million and £2.12million respectively. The Executive Director: Capital Projects & Estates confirmed that the total budget for this element of the works is £4,004,583, present estimates, which are to be subject to negotiations, are £4,135,020 with an extra £50k required for external lighting. Members reviewed the detailed designs, which were presented from page 46 onwards. Members were reminded that, within the original programme of works, the re-cladding of the six storey tower was the next phase of development after the new build. Within original plans, the belief was that the six storey re-cladding work could be done within a period of 4 – 5 months. The Executive Director: Capital Projects & Estates indicated that following more in-depth discussions with the cladding firms, the suggestion has been made that it could now actually take up to seven months. With this in mind, the College brought together key stakeholders to review the options and assess the best procurement route. The critical time constraint in this is that the work is planned to start in January 2013, but in doing so, the College would miss the opportunity to use the summer 2012 vacation convenience of having an		

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almost empty site. Members were advised that the College was in discussions with Mansells with a view to how the whole project can remain on target date for completion and that internal discussions are taking place at Mansells to properly assess the options. Members discussed the alternative options to the preferred solution, which is to have Mansell Construction as Managing Agents. It was agreed that there would be real capacity issues for the College to manage the cladding contractors directly and that this was not really a viable option. The alternative is to go out to the market and re-tender this element of the contract independently. It was, however, felt by the Committee that to have two principle contractors on site working in tandem would cause health and safety problems and would also potentially lead to confusion regarding levels and areas of responsibility. Members discussed the practical problems associated with having two separate principle contractors on site and particularly regarding the scaffolding and crane-work required around the six storey tower. Looking at the project as a whole, the Committee felt that the preferred option would be to run with Mansells as Managing Agents, and to appoint a specialist cladding contractor by competitive tender. Members discussed the complexity of the phase two C works and in particular the steel work required at the crown (fifth floor). It was acknowledged that there will be a requirement for cranes on site which will have an impact upon College access. Members were assured that work would start at the top of the building and then work downwards. The Executive Director: Capital Projects & Estates confirmed that no allowances have currently been made in the budget for internal redecoration, it was however, accepted that given the likely internal impact of all of the steelwork required on the top floor, this may need to be reconsidered. In line with the Principal's aspirations, the Committee stressed that it was important to ensure that the external lighting required is linked to the re-cladding proposals. All members asked that this critical element which will contribute to making this a key building was properly considered and fully costed and integrated in the next stage of planning. It was agreed that a lighting scheme would be presented. AGREED to: a) Note the update provided b) Approve the development of the detailed design for the Tower Block. For continuity of programme and subject to fee proposals, this to be done by single action tender, approval for the appointment of Turner Townsend to provide full cost management and quantity surveyor services, the appointment of Bishop LLP for legal services, and the appointment of Mansfield District Council Building Control,		

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c) Look to extend the existing contract with Mansell Construction Ltd and engage them as Managing Agents, and to appoint a specialist cladding contractor by competitive tender.

(David Overton left the meeting at 5.30 pm).

12.08 **FINANCE REPORT JANUARY 2012**

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

- A mid year forecasting exercise has now been completed for the College and its Group Companies, and the January financial forecast is now compared directly against this revised forecasted out turn for the remainder of the year.
- January also represents the half way point for the year, which has proved to be challenging, both in terms of sustained growth and targets for 16-18 apprentice programmes and delivery levels associated with the adult skills budget.
- Total turnover for the group of £23.2million is marginally ahead of the forecast of £22.5million, due in the main part to accelerated income within the College adult skills budget. Whilst this favourable variance attracts delivery costs, there is a contributory margin which brings the Group operating surplus for the first half of the year to £434k compared to a £220k forecast. It was noted that this accelerated payment will not have an effect upon the full year outcome, but was certainly a helpful position for the mid year review.
- At College level, income of £22.5million gives rise to an operating surplus of £202k, ahead of forecast for the reasons previously mentioned.
- College income for 16-18 apprenticeships at £3.016million is a little behind the profile forecast at £3.103million, which has been set to achieve £7.5million in total. Whilst the current trajectory does not indicate that this will be possible, a number of new learners are due on the programme in February, which should give a clear indication of the deliverability of this target.
- College pay costs of £11.727million continue to under-spend against the revised forecast with under-spends across teaching sessional and teaching support areas. Some delay in new term contracts for sessional activity may have a small impact, although this has been accounted for as far as it has been practical to do so. Vacancies have been assumed at an actual level for January and a proportion of existing vacancies for the remainder of the year.
- Non pay costs remain largely in line with forecast as expected by the College, with the exception of partner delivery costs associated with the increased income for the adult skills budget.

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- Subsidiary companies trading performance for the first half of the year continues a mixed picture, with Skilldrive and Vision Apprentices performing well and with the Safety Plus companies less well.
- Skilldrive has returned an operating profit of £408k in the first half on income of £1.1million, with Vision Apprentices returning £18k surplus on income of £254k. Safety Plus, whilst returning a small surplus in the month, now has an accumulated loss of £185k for the year to date, with significant challenges to reach the full year forecast of £44k surplus. Members were advised that for the first four months the company had a restricted ability to commence new starts so that staff could deal with timely completions. With hindsight, the Director of Finance indicated that he did not believe that that was the most efficient way to deal with the inter-company position, and that this was a lesson learned for the future.
- The College Group balance sheet continues to weaken, as costs continue to be incurred for the accommodation programme without recourse to borrowing. As at the end of January 2012, Group cash had fallen to £4.738million, underpinning net current liabilities of £822k. The College will make a decision on 8 March 2012 regarding its lending partner and will draw down approximately £2.5million of this facility by the end of the financial year.
- The College expects to receive the sum of £1.6million from the SFA in relation to the capital grant by the end of March 2012, which should assist with payments to contractors.

Members reviewed the detail of the information provided and all agreed that it was, and was likely to be, a good result for the 2011/12 year. It was however, acknowledged that 2012/13 is likely to be a very challenging time.

Of particular concern for the Committee was the performance of Safety Plus Training & Consultancy. The Director of Finance explained the operational environment and changes, and in particular the impact of the loss of the CSkills Grant.

AGREED: to note the Finance Report to January 2012.

12.09 <u>COLLEGE MID YEAR FINANCIAL FORECAST 2011/12</u>

The Director of Finance introduced this item and confirmed that in the week commencing 9 January 2012, the Executive Team took the opportunity to review mid year performance, and part and parcel of this is the financial assessment. He confirmed that this review and discussions have provided the core information on which the College and the College Group financial forecast for the remainder of the year has been set. He confirmed that the forecast includes revised financial targets for all budget holders which, subject to Board approval of the forecast, will be used to monitor financial performance at budget holder

	ACTION by whom	DATE by when
level for the remainder of the year. He confirmed that the full year original budget will continue to be reported at budget holder and College level and will be used in the end of the financial year reconciliation presented to the Board with the Group Financial Statements.		

Members` attention was drawn to page 73, where a summary of the key operating environment influences were detailed, the following was particularly noted:

- The key policy developments moving into the 2011/12 financial year revolve mainly around the adult skills budget. In particular, the finalisation of the 2010/11 year confirmed that the approach of the agency to the treatment of what were three separate programmes to be treated as a single overall budget. In addition, the single budget was paid on profile (not actual delivery) and a reconciliation tolerance applied above which colleges would not suffer any recovery of funds.
- The College has a large adult skills budget, partly as a legacy of its success in Train to Gain, but more recently in its ability to grow its adult apprenticeship programme. In 2010/11 the College made a provision for under delivery against adult skills budget of £550k, but following this policy confirmation, none of it will be clawed back.
- In addition to the adult skills budget, the College budgeted for continued growth in its 16-18 apprenticeship programme, having been able to deliver over £6.4million in 2010/11. For 2011/12 the College budget anticipated this to increase further to £8.9million, but as the year has progressed this achievement has looked increasingly challenging. In the reforecast the position has moved from £8.9million to £7.5million. In the first sixth month period, the College has achieved delivery valued at £3million.
- At the start of the 2011/12 financial year, the College received what was a significant increase in the value of allocation for 16-18 adult learner support (ALS), this allocation of almost £3.4million was some £1.4million greater than it had received in 2010/11 and represents a serious challenge in delivery for the year. As a result, the College set a budget for delivery value of £2.8million. Subsequent guidance has suggested that the funding will be an allocation and as a result the College will receive the whole of the £3.4million and will not be subject to end of year claw back or recovery. This is funding directly from the YPLA.
- A final policy change for 2011/12 has been the identification of 2.5% of the adult skills budget, for the development of capacity in meeting employment outcomes for College learners. This equates to almost £340k for the College and actions are being implemented to develop a feasible and sensible way in which to meet this new and exciting challenge.

Members were advised that job outcome related targets are a new and developing area for the College and that, as consequence, the

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Committee, at its next meeting, would receive a model of delivery to effectively hit the job outcome targets.	Director Finance	3 May 2012

Members` attention was also drawn to the following in the mid year review:

- Page 74 – income and expenditure variances.
- Page 79 – balance sheet comments.

Members reviewed the content of the mid year review and

AGREED to:

a) note the contents of the report, and
b) recommend that the Corporation Board approves the mid year re-forecast for the 2011/12 financial year.

12.10 INDICATIVE ALLOCATIONS 2012/13

The Director of Finance introduced his report and drew the following to members` attention:

a) Skills Funding Agency Allocations

- The Skills Funding Agency has issued indicative funding allocations to all colleges at the end of December 2011, following a nationally published formula, this formula includes the following elements a) an allocation of 88% of the 2010/11 funding out turn for non apprenticeship adult skills activity, and b) an allocation of a maximum 101% of the 2010/11 out turn for adult apprenticeship activity.
- All colleges have received indicative allocations and all are likely to show a reduction over the current 2011/12 funding allocations, based purely on the formulaic approach.
- In addition to the adult skills budget, the SFA have also provided indicative contract values for the 16-18 apprenticeship programme based on the current contract levels and anticipated 2011/12 out turn performance.
- Generally, the College is expecting a 15% reduction on what it currently provides for in the 2011/12 year.
- The College has a significant element of partner delivery to meet these targets so the impact can be mitigated.
- Of concern at this particular point in time is the short fall against the forecast income values included in the financial forecast underpinning future plans. However, the College has made representations to the SFA and has been reassured that, when finalising allocations by the end of March 2012, current performance will be taken into account which is likely to adjust the current position significantly.

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- The current bottom line impact of allocated in this area were it not to change is £377,231 for the adult skills budget and £336,216 for the 16-18 apprenticeship programme.
- The current indicative allocation for ALS programme is the same as 2011/12 financial year. The financial forecast anticipated a 10% fall to £463k, so an allocation of £514k provides a £51k improvement in this area.

b) YPLA Allocations

The College indicative learner number allocation was discussed and compared with the 2011/12 figures. The important element for the indicative number allocation for the YPLA is the volume of SLN's funded. This is complicated by the amplification of the recent funding policy to remove 84GLH from every full time learner programme and the resulting impact of a lower learner/SLN ratio.

The College has made representations to the YPLA in the form of a business case setting out the importance of removing a number of short programmes delivered in 2010/11 which had an adverse impact on the SLN/learner ratio and which are not planned for delivery in 2012/13. If successful, this will increase the ratio from the current 1.003:1 to 1.096:1. The Director of Finance confirmed that as this provision is delivered directly by College employed staff, it is very important that the YPLA accepts the arguments presented.

The current likely impact with no change to the volume of SLN's would be a 6% reduction in funding before the application of transitional funding protection. This would equate to around £700k. Transitional protection will be applied in 2012/13, but it is not known yet what the impact of this might be. If the YPLA support the College business case to adjust the SLN/learner ratio, then the College could receive an additional £322k. The College financial forecast anticipates an increase in funding for this programme of £256k for 2012/13. Final allocations, including the outcomes of all business cases, are anticipated by the end of March 2012.

c) Higher Education (HEFCE) Allocations

The Director of Finance indicated that like the YPLA, HEFCE have only issued learner numbers as the first phase of the allocation process for 2012/13. This number only includes first year under graduates and is referred to as the Student Number Control (SNC). As part of the allocation process, a number of student places (20,000 nationally) was clawed back from institutions and offered to providers who were proposing fees of less than £7.5k for the 2012/13 academic year. The College lost 20 learners as part of this process, and was recently awarded an additional 25 following a successful bid. As a result the SNC for 2012/13 has increased for the College from 206 in 2011/2012 to 211 in

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2012/13. Should the College be able to recruit this volume and retain continuing learners into year 2, the financial impact of the new fee regime may not be as large as has been forecast. The College anticipated a net reduction in total HE income of 272 in 2012/13.

d) Other allocations for 2012/13

The Director of Finance indicated that the College expects to receive the final allocations for Additional Learner Support for 16-18 and adult learners at the end of March. This will be a significant piece in the overall position that the process that delivers for the College and its budgets for 2012/13. Specifically for the 16-18 ALS allocation, there will be importance of the level of allocation, as it was increased to 3.4million in 2011/12. The College budgeted for £2.8million, if the higher level of allocation is maintained, this would go someway towards alleviating any subsequent impact by reductions in the core participation programmes. If the allocation falls, then the College could face a challenge in how it deals with potentially lower levels of income than had been forecast.

In summary, the Director of Finance confirmed that this report provides information on indicative allocations only with final position known by end of March. He stated that there were some potentially worrying issues, but that the College will not know how big the issues are until the final allocations have been given, and then the position can be assessed as a whole.

AGREED: to note the content of the report.

12.11 <u>UPDATE ON BANKING TENDER PROPOSALS</u>

The Director of Finance introduced this item and reminded the Committee of the following points:

- Presentations were invited from the four banks, who met the tender specification required for clarification and understanding. The banks presenting were Lloyds TSB, Barclays, Natwest and Santander.
- Following the proposals, further discussions have taken place in order to reach a recommendation for Board. Board decision will be required by 8 March 2012.
- Following the further review, discussions with all of the banks and the outcomes of the presentation, the shortlist has been reduced to two, this being Lloyds TSB and Natwest.
- Key elements of the Lloyds TSB proposal were noted at paragraph 9. Of specific interest was the fact that the Lloyds TSB bid was initially placed on the basis of a revolving credit facility, which would attract commitment fees of 1% during the development period. Following further discussion, the bank has confirmed that the RCF can be converted into a development loan and would not incur any

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commitment fees during the development period. A further aspect of clarification was the security of the EIB funding, which at the time of the proposal, was subject to credit approval and application, this has since been confirmed as secured in writing by the bank.		

- Key elements of the Natwest proposal were reviewed at paragraph 14. The Natwest proposal offers a range of options for the College to select depending on the attitude to risk. This includes being the only bank able and prepared to offer funds without renegotiation of margin for a ten year period. A further key component of the proposal is a development loan for the first two years priced at the Bank of England base rate rather than three month LIBOR. The bank has also committed to provide a repayment holiday for a further twelve months after the end of the development period.

Members then went on to consider the comparable costs of borrowing. The Director of Finance indicated that inevitably, the College will make its decision on which lending partner to select based upon the anticipated costs of funds. Whilst the cost of funds can be secured using financial instruments, there will remain a variable of the margin, which represents exposure and risk at the point of renegotiation.

Members reviewed the respective costs of the facilities set out at paragraph 24, it was noted that Natwest option 1 and the Lloyds TSB proposal, were the two most comparable. The following was noted:

- In absolute terms, the Lloyds TSB proposal is the least expensive, costing £7.454million over the 25 year period, assuming the interest rate margins remain the same.
- On a like for like proposal, with a three year renegotiation of the margin, the Natwest proposal is slightly more expensive at £7.647million. The only difference between the two products is that after the three years, the margin renegotiation would impact upon £8.5million of the facility for Lloyds TSB, whereas for Natwest, the renegotiation would relate to the full £17million facility.
- The only other possible consideration is option 3 for Natwest, which includes a renegotiation after ten years of the term (2+10), and this would cost a total of £10.224million, however, this would be secure until April 2024.
- If the Lloyds TSB proposal was accepted, and after the first renegotiation, the margin doubled from 2.2% to 4.4%, there would be an additional £1.516million in interest payments over the remainder of the term. However, even if this were to happen, the total cost of the facility would still be £8.97million, some £1.253million less than the Natwest option.
- However, the need to renegotiate margins after prescribed time periods is a matter of risk. Should margins treble after three years, then the ten year option would look very attractive, but this would be unlikely and would require serious macro economic factors to take a

	ACTION by whom	DATE by when

turn for the worse. In such a case, lending margins may not be the only challenge for the College.

- The final factor to consider when making a recommendation is the ease and cost of securing any interest rate margins and total costs of funding. This is achieved by purchasing an interest rate management product to secure the interest rate at the required levels or ranges.

Members reviewed the comparable options in detail and felt that their recommendation to the Board would be to proceed with Lloyds as the preferred option. They felt that the risks relating to proceeding with Lloyds TSB option were acceptable. It was noted by all that a key benefit of the Lloyds proposal was the availability of EIB money.

AGREED to:
a) note the update provided, and
b) recommend that the College Board approve Lloyds TSB as the banking partner for Capital Project Loan Facilities.

12.12 <u>PROCUREMENT STRATEGY</u>

The Director of Finance introduced this item and members all agreed that it was a very comprehensive and thorough strategy. Of particular interest were the targets detailed at page 33. Members were happy to approve the Procurement Strategy, and requested that progress be reported on an annual basis, rather than at each of these meetings.

AGREED: to approve the Procurement Strategy.

12.13 <u>COLLEGE FEE POLICY 2012/13</u>

The Director of Finance introduced this item and confirmed that only minor changes to the policy were recommended. The following was specifically brought to Members attention:

- The College will not increase its tuition fee levels in 2012/13 from those charged in 2011/12. However, the fee advertised will be a single fee including all elements of the course cost, exams and registration and material charges.
- The College will continue to charge market rate fees where these are likely to be greater than the assumed national fee.
- Any departure from the fee policy in relation to the charging of fees below policy levels will need to be supported by market evidence, and a full business case to ensure that appropriate information can support any decision process. Departure from the policy in this instance, must be authorised by the Deputy Principal, Teaching & Learning.
- The College will, however, increase the charge levied for full time adult programmes (a very small number of students) from £250 to

Signed : ____________________________Chair Date:

	ACTION by whom	DATE by when
£350, reflecting the move towards the national policy assumption, but setting an understanding of affordability. • Course fees for adult apprenticeship programmes will continue at £500 with discretion allowed by the Vice Principal to waive or reduce this fee on a case by case basis. • Apprenticeship programmes delivered through partner providers will not be subject to the College`s fee policy, but will be bound by the contractual terms under which they operate. • For Higher Education, the College has already agreed its fee levels for 2012/13, these will be a) £5500 for full time learners and b) £3000 for part time learners. • Continuing learners will be charged in line with the standard fee published by OFFA, which will be £1380 for full time learners and £900 for part time learners. • Module costs for new entrants will be £1000 for a first sit, and £700 for a second sit. Continuing students will pay £900 and £300 respectively. • Full cost and commercially competitive courses offered will continue with a margin contribution level. This will be based upon a minimum contribution of 30% margin and will be flexible for group size, delivery location, material and staffing costs. This will allow full cost recovery linked to specific competitive bidding for business, within a structured but flexible model. Members` attention was also drawn to the course fee credit policy. The Director of Finance confirmed that the College has worked hard to tighten up and make clear its expectations regarding payment. The new policy introduced is clear and explicit in what will happen if fees are not paid. Members reviewed the report and were happy that it was in line with the strategic direction agreed. AGREED to: a) note the update, and b) recommend that the Corporation approve the College Tuition Fee Policy for 2012/13.		
12.14 <u>CONFIDENTIAL MINUTES OF THE MEETING HELD ON 17 NOVEMBER 2011</u>		
AGREED: that the confidential minutes of the meeting held on 17 November 2011 be confirmed as a correct record and be signed by the Chair.	Chair	1 March 2012

Signed : ___________________________Chair Date:

		ACTION by whom	DATE by when
12.15	**CONFIDENTIAL MINUTES OF THE MEETING HELD ON 8 DECEMBER 2011**		
	AGREED: that the confidential minutes of the meeting held on 8 December 2011 be confirmed as a correct record and be signed by the Chair.	Chair	1 March 2012
12.16	**CONFIDENTIAL MINUTES OF THE SPECIAL MEETING HELD ON 26 JANUARY 2012**		
	AGREED: that the confidential minutes of the special meeting held on 26 January 2012 be confirmed as a correct record and be signed by the Chair.	Chair	1 March 2012
12.17	**AOB**		
	There were no items of additional business.		
12.18	**DATE OF NEXT MEETING**		
	The Clerk to the Corporation confirmed that the next meeting was scheduled for Thursday 3 May at 4.00 pm.		

Signed : ____________________________Chair Date: