WEST NOTTINGHAMSHIRE COLLEGE
CORPORATION BOARD

Minutes of the Finance & Estates Committee meeting held in the Vision Room at the Derby Road site on Thursday, 3 May 2012 at 4.00 pm

BOARD MEMBERS PRESENT:	Kate Allsop Howard Baggaley Terry Dean (Chair) Phillip Lancashire David Overton (Estates matters, until 5.30 pm))
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
12.19	**DECLARATION OF INTEREST**		
	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. Howard Baggaley`s interest in relation to the Sports Hall element of the Property Strategy update was noted. It was agreed that this would not prevent him from participating in discussions at the meeting.		
12.20	**WELCOME INTRODUCTIONS AND APOLOGIES FOR ABSENCE**		
	Apologies for absence were received from Asha Khemka and Brian Stopford. Absent without apologies was Chris Winterton.		
12.21	**MINUTES OF THE MEETING HELD ON 1 MARCH 2012**		
	AGREED: that the minutes of the meeting held on 1 March 2012 were a correct record and be signed by the Chair.	Chair	3 May 2012
12.22	**ACTIONS OUTSTANDING AND MATTERS ARISING FROM THE MINUTES OF THE MEETING HELD ON 1 MARCH 2012**		
	The action progress schedule was noted. Members reviewed the minutes and were advised by the Finance Director that the action point at page 6, which was an in-depth review of the College`s Disposal Strategy, would be presented to Governors at the June residential.	Dir Fin	June 2012
	One additional matter raised that was separate to the minutes, was the fact that the College has, today, received notification of intended OFSTED inspection in the week of 28 May 2012.		

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12.23 PROPERTY STRATEGY UPDATE

The Executive Director: Capital Projects & Estates introduced this item and updated members on the following:

1. Sports Hall

Following the report to the Committee on 1 March 2012, all potential options to replace the micro-rib panelling with a flat panelling have been considered with a decision made to order the same panelling as fitted to CREATE. Delivery is anticipated on 25 May 2012 and will take approximately 4-5 weeks to install. The frame is due to arrive on 8 May 2012. The additional cost of £105,834.28 for the KME panelling, will be funded from the contingency budget and some elements of under spend in some other budgets. It was noted that the least expensive flat panel cost would have come in at around £60k, but that this would have had some design concerns in addition to joint integrity worries. The Executive Director: Capital Projects & Estates confirmed the belief that the additional costs could be contained within the budget.

Members discussed the cladding error and questioned whether the College was able to pass some or all of the additional costs to the Architects. The Committee was advised that, at the present time, it was impossible to quantify the value of the extra costs because of the unknown consequences of delay and that, as a result, the Architects are not in any position to make any admissions. It was noted that, to date, the College has received what could be deemed as a 'holding letter'. The Director of Finance indicated that the College would have to take some responsibility for the error as it signed off the incorrect specification document and what was likely to be the case was a negotiated compromise based on good will and strong working relationships.

The other element to the Sports Hall project is a request to extend the programme of works by 15 weeks from Baggaleys. The Executive Director: Capital Projects & Estates confirmed that he had had two meetings with Baggaleys this week and that an updated programme of works has now been provided. He confirmed that the College is still trying to better understand what has caused the delay to ensure that no further slippage occurs to the timetable. Members were advised that, at the same time, the team are in debate with Sub-Contractors regarding the cladding to see if they can accelerate installation but that this is not something that can be finalised until the frame arrives on 8 May. In terms of the information provided by Baggaleys, it was confirmed that, what has now been presented, is an understandable and realistic programme of works which progresses in an orderly sequence. Whilst it may be possible to bring forward the timetable by a couple of days, this will in fact be limited because of the scope of works to be undertaken and the necessary sequencing of installation.

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In terms of an explanation for the delays, members were advised that a further meeting has been arranged with Baggaleys. It was confirmed that clarity has been provided to Baggaleys regarding the absolute end date for completion of this building. Enrolments are presently planned to take place in the space in the week commencing 24 August, assuming the hall is complete and ready for use, and the facility has to be available for use by students at the commencement of the new academic year. The Director of Finance indicated that the costs of the delay are not known precisely at this time, but that the College has estimated a figure of £65k.		
2. New Teaching Block		
The Executive Director: Capital Projects & Estates confirmed that this element of the project was progressing well to date, and that a five-day delay had been caught up. It was confirmed that the installation of steel should be complete by 3 May 2012 and that preparatory work has been ongoing over the Easter vacation period to accommodate ducting for ventilation between the enclosed courtyard and adjacent LRC/Tower Block. The scheduled completion date for the project is December 2012.		
Members were advised that the requirement to raise the height of the pedestrian bridge for fire fighting access by lowering the road underneath is being investigated and that the College is satisfied that there is no professional liability with ARAP. It was acknowledged that the change was a late request from the Fire Authorities as part of the design development. The Committee was advised that the College has made an alternative proposal to the Fire Authority to re-site the hydrant and that, if accepted, it is believed there will be no need to undertake any of the bridge works.		
Members noted the update in relation to this element of the project, and discussed the requested delegated authority to the Principal to agree the most cost effective solution to this problem. Members were happy that alternatives were being investigated and agreed to provide the delegated authority sought.		
AGREED: to delegate to the Principal approval of the most cost effective solution for fire fighting access to the new build to be implemented prior to the commissioning and opening in December 2012.		
It was noted that the Committee would be kept informed of any associated cost to the contingency budget.		
3. Six-Storey Tower		
The Executive Director: Capital Projects & Estates circulated an additional paper which provided an update on the position, the following was drawn to members` attention:		

	ACTION by whom	DATE by when
• Based on Architects proposals and RIBA stage D costs, a budget of £1,980,697 was approved for the six-storey tower cladding. • Tender costs from Mansells indicate a cost of around £370k + VAT over budget. This would allow a twelve months programme of works over summer 2012 and then stopping through the autumn term to minimise disruption to teaching. • An alternative 8 month continuous programme is around £300k + VAT over budget. • Two main areas where the costs are higher than estimate are the preliminaries and the actual cladding cost. • Preliminaries are affected because of programme length. • The cladding cost per metre squared average is £543. This compares with the estimate of £365, CREATE is £354 and the new build is £425. The new build is a higher average cost because of the quantity of more expensive ceramex panelling. • 13 cladding companies were invited to tender, but disappointingly ten declined, one fully tendered and two part tendered. The costs analysis has been prepared using the one fully tendered submission. In discussion, members were advised that to try and take advantage of the summer break 2012 a proposal had been made to commence work on the six- storey tower in June with the erection of scaffolding. The intention is that contractors would then work flat out over the summer to install the crown, and once done work would stop in September. Work would then restart in January 2013 when the College has the benefit of the new build completed and as a consequence, can move some of its students to work in the new facility. It was explained that a premium has to be paid for this stop/start work pattern, which is estimated to be an additional £70k + VAT. It was explained that this proposed plan of work was an attempt to minimise disruption to students. Members discussed the preliminary costs and were advised that Turner Townsend had originally allowed £140k + VAT in the budget. The new figure is £216k + VAT if the College is able to run with a continuous programme (not the stop/start programme, which would minimise student disruption). It was explained that what had not been included in the original budget was the potential for a twelve month contract and that this is because the establishment of the crown has extended the programme by approximately two months. The Committee was assured that, at the time of setting the original budget, the figure allowed for preliminaries was a reasonable estimate. Members discussed whether it was possible to wait to start works on the tower until January 2013, and decant the whole facility so that contractors have the run of the site. It was confirmed that, technically, this is ‘doable’ but that it will involve a lot of disruption and would be predicated upon the fact that the new teaching block will be completed in December 2012 as scheduled. Members discussed the options and agreed that to delay works until January 2013 would allow the		

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opportunity to obtain more competitive tendering regarding the cladding. All agreed that it was imperative to get the cost down as this was an amount that could not be subsumed within the original budget and, if accepted, would mean that significant cost savings had to be found elsewhere. It was noted that the lighting costs to the six-storey tower were a separate cost. The Executive Director: Capital Projects & Estates indicated a current estimate of around £40k and that the project has a sum of £50k set aside for this element of works.		
Members discussed the cladding contractor tender process and were concerned that only one fully complete tender had been received. Members were somewhat nervous that 13 cladding companies had been invited to tender and that only one fully tendered and reviewable document was received. In real terms, members had to question whether this was a competitive price that they were now basing decisions upon and felt that further work needed to be done. The Executive Director: Capital Projects & Estates expressed a belief that the tender price will have included an element of risk built into the cost and that, as a consequence, it was likely that the College could reduce the price through negotiation and further clarification, but that at this stage it is unknown how much of a reduction can be obtained. Members` attention was drawn to page 6 of the additional report, which sets out the cladding costs comparisons at the various stages of the contract, it was explained that the additional costs regarding the crown element is because of increased use of ceramex.		
Members all agreed that the additional costs contribute to a 'knock on' effect of other decisions and parts of the project, and that this Committee and the College needed to be responsible regarding the impact on the whole project budget. In terms of acceptance of cladding cost, it was also raised as a concern that the College may be setting a precedent for an acceptable metre square cost, and that this has to be considered in context as there are other buildings on the site that will eventually require cladding.		
Members indicated that the Committee and the Board would need a further report giving a revised cost estimate of all elements of the overall project to ensure that the £24million budget is achievable. It was agreed that without this, members of the Committee and the Board could not confidently make the decision being asked of them, as there were so many unknowns at this stage.	ED C&E	ASAP
Members indicated that the Board would now need to set the costs summaries requested against original estimates given and also have this cross-referenced with College income, assumptions and risk to ensure that decisions being made were all being made in context.	ED C&E/ Dir Fin	ASAP
Members agreed that, in the short term, a two-stage process needed to be undertaken by the Executive Director: Capital Projects & Estates, the		

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first was step one – continued negotiations with Mansells Construction to see if they can get the price down to the budgeted level. If it is not possible to get the contract down to the budget level, then step two will be to follow an alternative procurement route.		
The Executive Director: Capital Projects & Estates confirmed that he had a meeting scheduled with Mansells and the cladding contractors tomorrow to see whether the tender could be reduced to an acceptable level. It was agreed that, following that meeting, he would assess whether an extra committee meeting is needed, this extra meeting would be on the basis of whether or not step one could achieve a satisfactory outcome. If negotiations with Mansell were unsuccessful/unsatisfactory, then the Board would receive a report at its next meeting regarding alternative procurement routes.	ED C&E	May 2012

AGREED: to note the update provided.

12.24 <u>ENGINEERING INNOVATION CENTRE UPDATE</u>

The Executive Director: Capital Projects & Estates introduced this item and summarised the current position as follows:

- Presently, Engineering & Transport forms the largest single curriculum area. This School is located across six separate sites. An ideal scenario would be to consolidate and bring together all Engineering activity to a single Engineering Centre.
- Added benefits of consolidating Engineering would include the potential to decant from Chesterfield Road in entirety, consolidating the Estate from 40,641m2 to 35,449m2.
- Around 3600–3800m2 of space is required, of which 2800m2 must be ground floor provision for Engineering workshops.
- Four potential sites have been considered, (Unit A Millennium Business Park, Fountain Court Millennium Business Park, Unit C Gateway 28 and Newbuild Gateway 28), and bids obtained by a competitive tender for a ten year lease with a break at year 5. The new build is a 15 year lease.
- Space planning and outline cost estimates have been prepared on two sites for consideration and comparison (Unit A Millennium Park and Unit C Gateway 28).
- Unit A provides an excess of ground floor space and minimum mezzanine space at a rate of £142,214.22 per annum. Unit C provides 'just sufficient' ground floor space with 2800m2 and would require a significant mezzanine of 800m2 to be constructed. The cost would £130,357.57 per annum.
- Conversion of Chesterfield Road for Engineering has been considered and found to be unsuitable due to the limited workshop space and estimated £3.5million costs to construct new build accommodation.
- A feasibility cost exercise has been undertaken on both sites. The estimates are not building specific at this stage and could be subject to change. Millennium Park £2,996,000 inclusive of VAT, Unit C Gateway 28, £3,469,900.

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	Members reviewed the options presented and were advised that of the four locations Fountains Court had been discounted as not suitable as it does not have sufficient, suitable ground floor space. Members were advised that space requirements have been calculated upon the existing usage needs across the current six sites. Of concern to Governors was the fact that Gateway C does not provide any room for growth or potential additional space requirements.		
	The Finance Director reminded the Committee that the funding for this project would be financed by unused borrowing capacity. He indicated that, from purely a financial perspective, the preferred option would be Gateway 28, but that there were limitations to the site, particularly in relation to the student social space available. He confirmed that both options are affordable within the borrowing capacity of current banking arrangements, but that this is on the basis that the elements of the Derby Road project do not go too far over budget.		
	Members were advised that a desktop study has been undertaken regarding the Chesterfield Road site and the potential for refurbishment and that it is simply not feasible as there is insufficient flat floor space. In terms of moving to another centre, it was noted that the big gain would be the ability to vacate and place the entirety of the Chesterfield Road site on the market for disposal.		
	Taken within the context of the other elements of the College Property Strategy, it was agreed that this proposal needed to come back to the Board in June. One additional exercise requested to be undertaken was an assessment of the likely potential need for the expansion of the Engineering provision, as this would impact upon which site was preferred. It was agreed that a wider strategic review of Engineering needs to be undertaken, as this would impact upon the Board`s options and choices. It was agreed that a decision regarding an Engineering Centre could not be made until the Board know exactly the context within which such a decision had to be made, particularly regarding affordability and space requirements were needed.	ED C&E ED C&E	June 2012 May/June 2012
	AGREED: to note the update provided.		
12.25	**<u>NO 19 REFURBISHMENT</u>**		
	The Executive Director: Capital Projects & Estates invited the Finance & Estates Committee to consider recommendations made regarding the training kitchen refurbishment for No 19. He explained that the refurbishment has been brought forward as a proposal as a consequence of unforeseen curriculum changes that start to take effect from September 2012, and the requirement to replace kitchen equipment to ensure that the existing facilities are fit for purpose.		

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He explained that in an ideal world the kitchen would undertake a complete refurbishment, but that if completed, this would almost double the cost of the proposed project, the following was brought to members` attention:

- The VQR (7100 series) set of qualifications delivered through City & Guilds replaces, in entirety, existing NVQ qualifications from September 2012. The new qualification demands the provision of practical kitchens, whereby each student is resourced with their own individual work station (cooker, fridge, workstation and sink).
- Presently, only one training kitchen in No 19 can be made fit for purpose with minimum modifications.
- Commercial catering design consultants have been asked to investigate design and prepare budget costs for the refurbishment. In addition the appointment of a Building Service Engineer is required to design and prepare a specification for services and ventilation.
- Budgetary implications indicate a cost of £118,490 plus VAT.

Members were advised that this is a cost that was not budgeted for but that it will be possible to utilise some of the budget for the summer works programme. It was confirmed that these costs are affordable within the 2011/12 forecast position.

Members reviewed the proposal and were entirely satisfied that the works were necessary and of benefit and therefore approved the proposal made.

AGREED to:

a) approve the refurbishment of a training kitchen for the teaching of VQR qualifications from September 2012,
b) the appointment of GWP Ltd, catering design consultancy at a fee of up to £7950,
c) the appointment of Waterman’s as Buildings Services Engineer at a fee of £500 per day to a maximum of £7000 plus VAT,
d) the appointment of Taylor Young Architects to provide architectural advice and support at a day rate of £500 plus VAT,
e) appointment of Flint Bishop to provide legal support at a day rate of £500 plus VAT.

(David Overton left the meeting at 5.30 pm).

12.26 **FINANCE REPORT FEBRUARY 2012**

The Director of Finance introduced this item and confirmed that, as the report had been presented to the Board directly in the prior week, it was not his intention to go through the position in detail. The following was simply noted:

- The financial performance of the College and College Group up to the end of February 2012 includes a forecast improvement in the result

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following the release of provisions made at the end of the previous financial year that will no longer be recovered. This continues to support the positive underlying performance for the year to date.

- What is of concern is College income for 16-18 apprenticeships at £3.32million for the year to date and which is now unlikely to reach the forecast of £7.5million, which has been reduced from an original budget of £8.5million and underlines what has been a very challenging year to maintain volumes following the substantial programme of growth achieved in 2010/11. Based on current performance the out turn is likely to be well under £7million, which will have some adverse impact upon the College`s operating profit result, however, this adverse impact is likely to be offset by the continued under spending against forecast pay costs.
- Subsidiary company trading performance for the year to date continues to be strong with Skilldrive performing above forecast levels with the year to date operating profit of £519k. Safety Plus, whilst reducing the accumulated losses for the year to date is not currently improving at a fast enough rate to meet forecast out turn and will need to show significant improvement before the end of July 2012. It was noted that it will be a significant challenge for the Company to get to a break-even position.
- The College balance sheet insolvency continues to weaken although net assets remain positive at £11k at the end of the period. Total cash of £4.579million remains sufficient to support working capital and accommodation programme requirements until the end of July 2012. Capital expenditure on the project to date has now increased to £5.99million, as at the end of February 2012.

In general terms, members were advised that the current position presents no concerns, but that the challenge for the future is income derived from 16-18 apprenticeships.

AGREED: to note the Finance Report February 2012.

12.27 <u>CONTEXT FOR THE BUDGET 2012/13</u>

The Director of Finance introduced this item and confirmed that the report provides an introduction to where the College is intending to go with the budget and that, what is important at the minute, is to ensure that it dovetails with borrowing requirements and affordability. In general terms, he indicated that the sector was now seeing very different dynamics and that to respond, there was a need to change the way that the College delivers some programmes. He confirmed that a full presentation on this will be presented to the Board at the June residential.

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VP/Dir Fin	June 2012

Members` attention was drawn to the detailed report and the following was noted:

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- The Education Act 2012 provides for a number of changes underpinning the flexibilities and freedoms afforded under the skills or growth strategy, and the Government`s response to allow colleges to become better placed to respond to local and community economic and educational needs.
- In addition, the Young Peoples Learning Agency, YPLA, has now become the Education Funding Agency, EFA in April 2012.
- However, colleges will continue to be funded in much the same way, although a number of core policy changes are likely to impact on the ability of colleges to recover income levels experienced in the last few years. Specifically, the introduction of full HE fees from September 2012 and FE loans from September 2013, will provide a significant challenge to the sector, coupled with the shift toward providing job outcomes which has not been financially rewarded in the past. It is true that these changes represent an opportunity rather than a mere threat, but colleges must be mindful of these changes when assessing the risk of achieving budget and future financial forecasts.
- The national funding picture will continue to come under the broader funding pressures and spending constraints, as the rest of the public sector, but with a clear focus on the areas that providers should target in order to be successful throughout this challenging period. In general terms, overall funding for education is pretty flat over the coming years, save for additional funds being made available to new academies.
- The College prepares each year a curriculum plan for all of its funding streams across all schools of learning. This document, along with the business plan for the preceding two years, forms the basis of the budgeting income levels, and most importantly resource requirements as a key part of the process.

Income - 16-18 Further Education.

- The College`s current allocation of £12,390k represents a reduction of around £392k compared to the current year (2011/12). Despite the learner volume requirements increasing from the current year target of 3,214 to an expected 3,328 (+114).
- The core underpinning reason for the reduction in funding is the decision by the EFA to begin aggressively to remove the transitional protection provided in 2011/12 into the 2012/13 allocation year. For 2011/12 the College received additional protection of the £579,050, following a policy decision to reduce entitlement to funding from 114 hours to 30 hours. This funding was planned to be recovered over the course of a number of years. For 2012/13 the College will receive transitional protection of just £76,350, leading to a reduction of £502,700.
- With this in mind, it can be demonstrated that actual participation funding has increased, alongside learner volumes, from £12,279k to £12,390k.
- The College must continue to target aggressive growth in learner numbers if it is to maintain and grow its funding capacity in 2012/13

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and beyond. Whilst the changes to accommodation are expected to help this aim, there is also a declining demographic of 16-18 learners over the next five years, of 7.5% (3787 learners) across Nottinghamshire, making this challenge increasingly difficult. However, coupled with this is the raising of the compulsory participative age from 2013/14 to 17 and up to 18 by 2015/16.

- Alongside the 16-18 participation funding, the College has maintained its significant increase in learner support income from the current allocation of £3,437k in 2011/12 to £3,737k for 2012/13. With planned changes to funding guidance, this has once again presented an enormous challenge but, at the same time, an opportunity to provide all of the support that our learners would ever need to continue to succeed in their education.

Income - Adult Skills Budget (including 16-18 apprenticeships)

- The College`s allocation for adult skills provision in 2012/13 of £14,009k represents a small reduction of the current year values, but a much better settlement than had been anticipated through the financial forecast and initial settlement allocations.
- The positive settlement is predicated on the College`s continued ability to succeed in engaging with adult apprentices, with an expectation that over a half (£7.7million) of this budget will be put to this use.
- Contract allocations for 16-18 apprentices, have been initially set at £7,467k, higher than the current contract of £7,027k, following the continued push by the funding agency to provide funding for 16-18 apprenticeships. Whilst on the surface this looks positive, compared to last years forecast where an assumption of almost £9.4million was planned, our position in the budget and forecast will be significantly different. The impact in margin contribution on this programme is approximately 30%, and therefore £300k per £million of lost income. A new strategy for partnership working will be used specifically for 16-18 apprenticeships in order to seek to cover some of this lost ground.

Income - College Tuition Fees

- The College Tuition Fee Policy for 2012/13, as approved by the Board, does not account for any significant increase in the majority of the fees outside of the HE programme, however there are a number of changes in policy which may impact upon the recoverability of some of the ancillary costs of learner programmes, which have previously been charged to fee remitted learners.
- The SFA has now issued clear policy guidance that, where students are fully funded through fee remission, any examinational material costs necessary for the completion of the course should be borne by the provider rather than the learner. This impacts on a number of vocational curriculum areas and needs careful management in order to control any cost pressures associated with programme delivery.

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- The continuation of the Self-Declaration Policy for unemployed learners, not on work related active benefits, will continue to limit fee growth in 2012/13, due to the very nature of the College's client cohorts.

Income - Higher Education

- The current working restrictions within higher education for student number caps have limited any growth that the College may have been able to achieve through its programme. The student number cap for 2012/13 has been set at 211 FTE, slightly higher than the current volume of 206 FTE and provides a challenging opportunity for some modest growth. However, this has to be set against the likely engagement of learners with fee levels increasing to £5500 for full time and £3000 for part time learners. It was noted however that early indications regarding applications are positive in this area.
- Public funding from the agency (HEFCE) has been provided for 2012/13 and is higher than had been forecast at £1.51million, by around £343k. This is a positive starting position, and is likely to provide some flexibility in the recovery of fees amounting to £1.428million, which had been forecast for 2012/13. Current anticipated recruitment levels are strong, though it remains early in the year to make clear conclusions about the College`s recruitment performance.

Pay Costs

- The forecast out turn for College pay is £24,408k for 2011/12 compared to the out turns for 2010/11 of £24,533k and 2009/10 of £24,118k. This is set against a backdrop of restructure at 2010/11 and current forecast position.
- Assumptions included within the forecast for pay provide for a continuation of the automatic incremental increases, coupled with a cost of living pay freeze for 2012/13 and 2013/14, thereafter, a combined 2.5% pay inflation will be applied over the long term of the pay forecast.
- Pay policy remains a decision for the Board to take, and this decision will be made in the lead up to Christmas following reflection of the AoC pay negotiations and College performance. However, the Board should note the assumptions taken in the setting of the budget and financial forecast.

Non-Pay Costs

- Due to the challenges in maintaining quality and continuing the growth of 16-18 apprenticeship programmes, the budget is likely to reflect an increase partner share in any growth of provision. Providing a revenue share of 80/20 in the partner's favour, rather than the current standard 70/30 split in an attempt to attract better quality and more reliable partner providers. This increase in the cost base will have to be set against growth in budgeted income in order to maintain overall contribution levels. This will require that for every

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£1million of partner 16-18 apprenticeship delivery at an 80% split, additional income of £500k to maintain position.

- The non-pay budget will once again assume a zero inflation rate for 2012/13 in general terms across non-pay budgets unless specific evidence suggests otherwise. Any inflationary pressures will be budgeted to be consumed within general efficiency gain.
- Maintenance and running cost budgets will be set against current manageable levels for 2012/13 following the opening of the first phase of the accommodation modernisation in September 2011 and the second phase planned for January 2013. This will be coupled with associated rent and running cost savings for the relocation of the Hair & Beauty curriculum from central Mansfield.
- Further assumption regarding accommodation decisions relating to the Engineering provision will not be built into the submitted forecast until after the Board has made a clear decision on which direction to pursue. As a result, further potential accommodation savings emanating from the change in use of Chesterfield Road will also not at this stage be included in the forecast.
- Non pay budget for the provision of enrichment activity through Schools of Learning will be reduced following the reduction in the College`s transitional protection income level.
- The current and ongoing investment in the IT infrastructure is likely to drive changes to the software and hardware maintenance costs.
- Bank interest will be payable for the whole of 2012/13 financial year and each year of the forecast thereafter. Interest charges could go up to £507k. In subsequent years, depending on the decisions made to maximise the College`s loan exposure, interest will be £656k per annum on the £24million scheme, and up to a further £148k, if the full £17million facility is used.

Capital Transactions

- Expenditure up to the end of July 2011 is forecast to reach £12.2million, with a further £11.8million due for expenditure up to the end of July 2012/13. These values exclude any additional decisions that the Board may choose to make regarding additional capital programmes.
- Interest rate costs for the £8.5million EIB funds will be able to be fixed at a cost of less than 5% over the 16 year term, whilst the remaining facility will be subject to much shorter fixed deals being renegotiable every three years. This will provide for an estimated longer term forecasting uncertainty, but will be included at 6.5% in the financial plan.
- Capital transactions will continue to be subject to the authorisation of the Board, as the scheme progresses through the relevant stages. This includes decisions regarding future proposals for the Estate and in particular the plans to be determined for Chesterfield Road site.
- Capital grants supporting the build programme have now been received to the value of £2.422million.

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It was noted that no proposals are made to change the College`s financial objectives, which are set out at paragraph 61. It was noted that the College`s rating, in relation to its financial health will be no better than 'satisfactory' under the indicators for a number of years, because of the level of borrowing required for the capital programme.

Members reviewed the data in detail and agreed that a very comprehensive set of assumptions was provided.

AGREED: to note the context for the budget for 2012/13.

12.28 FINAL FUNDING ALLOCATIONS 2012/13

Members` attention was drawn to the detail of the written report, in summary the Finance Director confirmed that the allocations were better than expected and he was confident that the College would be able to set an affordable budget.

AGREED: to note the update provided.

12.29 PARTNER STRATEGY

The Finance Director introduced this item and confirmed that the report was presented following a request at the earlier meeting (action point 12.04), the following was brought to members` attention:

- In total, across the first eight months of the current financial year, partners were responsible for the delivery of just over £8.5million of the College`s NVQ and apprenticeship programmes. This represents an 84.88% share of the total income value to date for the combined work based College activity. Of course, within this percentage 11.42% is actually delivered by a College subsidiary, being Safety Plus, but it still represents a big part of the way in which the programme is sustained.
- In general terms, partners are paid between 70% to 80% of income received by College and for the year to the end of March 2012 a cost incurred of £6.329million represents a cost proportion of 75.11% and provides for a gross contribution of 24.89% and £2.118million.

- From the information available the gross contribution of £2.118million for the year to date is offset by direct enabling costs of £1.539million to provide an overall contribution to central overheads in the region of £579k for the period. Across a full financial year this is likely to be scaleable and so a full year figure would be in the region of £869k.

Members noted the data provided and acknowledged the fact that this was a significant element of delivery. The Finance Director confirmed that partnership arrangements were fundamentally vital to the College`s

Signed : ____________________________Chair Date:

	ACTION by whom	DATE by when
business model, and that as a consequence, it was necessary to continue to review and invest. He explained that the longer term strategy is to have fewer partners as the College was finding the high number of partners time consuming and difficult to manage. It was noted that a strategy report regarding partnership working arrangements was to be presented to the Board at its June residential.	VP	June 2012

AGREED: to note the update provided.

12.30 EMPLOYER RESPONSIVE UPDATE

The Finance Director introduced this item and confirmed that the report had been submitted directly to the Board at its meeting last week and that variations to the partnership contract arrangements had been agreed. The one matter to note is the assurance given regarding the localism of College delivery, this being clearly set out at page 80, paragraph 2.

AGREED: to note the update provided.

12.31 TREASURY MANAGEMENT POLICY AND PERFORMANCE

The Director of Finance introduced this item and confirmed that for the full year 2011/12 the combined interest receivable is likely to be:

a) Lloyds TSB current account £4,171,
b) Santander £1million deposit account £5,063,
c) Lloyds TSB £1million fixed deposit account £3500.

The total interest earned up to the end of the year is therefore expected to be in the region of £12,734 and compares to a similar amount recorded in the previous financial year, falling short of the forecast target of £15k. It was noted that interest rates are very low and that as a consequence, the College is not seeing the income derived from this area that it had seen in previous years.

Members` attention was drawn to the Treasury Management Policy reviewed at April 2012, changes were highlighted in red. It was noted that there were no significant changes proposed. The Director of Finance indicated that Internal Auditors were currently looking at the Treasury Management Policy and that should they make any significant changes, they would be brought forward to this Committee for approval, but in the absence of any recommendations, what was presented today was merely administrative changes.

AGREED to:
a) note the report provided, and
b) approve the amended Treasury Management Policy.

Signed : ____________________________Chair Date:

	ACTION by whom	DATE by when

12.32 **AOB**

The Director of Finance raised one item of additional business and this related to a further review of the College`s banking facilities. He circulated a paper, which explained potential consequences of the launch of the National Loan Guarantee Scheme (NLGS). It was explained that this scheme helps businesses access cheaper financing by reducing the cost of bank loans under the scheme by one percentage point. He confirmed that following the launch, several of the banks who had been unsuccessful in the tender process, had contacted the College to revise their tender offer. The Finance Director confirmed that he has in particular, in relation to the Natwest offer, reviewed in detail the implications, as it is much improved and brings it closer to the Lloyds tender, which was accepted by the Board.

On balance, it was felt that the lower risk of the Lloyds facility, which was accepted by the Board, makes it the preferable option, all members of the Committee agreed.

AGREED: to note the review of the revised pricing and recommend that no changes to the Board`s decision are proposed.

12.33 **DATE OF NEXT MEETING**

The Clerk to the Corporation confirmed that the next scheduled meeting was Thursday 28 June 2012.

Meeting concluded at 6.15 pm.

Signed : ____________________________Chair Date: