WEST NOTTINGHAMSHIRE COLLEGE
FINANCE & ESTATES COMMITTEE

Minutes of the meeting held in the Boardroom, Derby Road site on Thursday 26 September 2013 at 4.05 pm

BOARD MEMBERS PRESENT:	Kate Allsop Malcolm Hall Asha Khemka Colin Sawers
ALSO IN ATTENDANCE:	Maxine Bagshaw, Clerk to the Corporation Andrew Martin, Deputy Principal/Director of Finance Tom Stevens, Executive Director: Capital Projects & Estates

		ACTION by whom	DATE by when
13.37	**APPOINTMENT OF THE COMMITTEE CHAIR**		
	In the absence of a number of a number of members of the Committee, it was agreed to defer consideration of appointment of the Committee Chair for the entire academic year 2013/14. It was agreed that, as an interim measure, Malcolm Hall would be appointed as Committee Chair for this meeting only.		
	AGREED: a) To appoint Malcolm Hall as the Committee Chair for this meeting.		
	b) Defer consideration of the Committee Chair for 2013/14 until the next meeting.	Clerk	Nov 2013
13.38	**DECLARATION OF INTEREST**		
	The Acting Chair reminded those present to declare at the start of the meeting any interests that they may have in items on the agenda. No interests were declared.		
13.39	**WELCOME, INTRODUCTIONS AND APOLOGIES FOR ABSENCE**		
	Apologies for absence were received from Terry Dean, Hari Punchihewa and John Robinson. Absent without apologies was Chris Winterton.		
13.40	**MINUTES OF THE MEETING HELD ON 27 JUNE 2013**		
	AGREED: that the minutes of the meeting held on 27 June 2013 were a correct record and were signed by the Chair.	Chair	26 Sept 2013

Signed : ____________________________Chair Date:

13.41	**<u>MATTERS ARISING AND ACTION PROGRESS REPORT</u>**		
	Members reviewed the content of the minutes and the action progress schedule and the following was noted: • Page 4 – the Executive Director: Capital Projects & Estates confirmed that a post occupancy evaluation report was required by the SFA as part of the capital investment criteria. He confirmed that this report would be prepared 12-18 months post completion. He explained that the team were now gathering the data required to compare prior and current performance, eg in relation to energy use, occupation utilisation etc. In addition, the College will also want to evaluate the impact of curriculum in the new facilities and update. He envisaged that the report would be available for June 2014. He explained that the report is a requirement by the SFA and actually influences any future claims for funding. Therefore, if requested, the College may have to complete earlier than the envisaged timetable. • Page 8 – loan facilities approved by the Board at its July meeting. • Page 12 – loan terms reviewed and discussed by the Board at its July meeting. • Pay policy – this recommendation is to be considered by this Committee at its meeting in November and then presented to the Board in the same month for consideration and decision. AGREED: To note the content of the update provided.	ED CPE	June 2014
13.42	**<u>PROPERTY STRATEGY UPDATE</u>**		
	The Executive Director: Capital Projects & Estates introduced this item and drew members` attention to the following: • Cladding six-storey tower and other buildings – LRC, Enviro Block, HE Centre and Relish all complete. External lighting and signage almost ready to be installed. He explained that the external lighting consisted of pathway lights. • Programme is on time, overall expenditure of £1,147,801 plus VAT to the end of August equates to 32% of the contract. • The Committee has approved the tender sum of £3,535,902 plus VAT and for future consideration £262,594 plus VAT 'out of scope works'. This includes installation of external lighting to buildings. He explained that some items had been deferred and deemed as out of scope for this particular stage in development given that they could be retro fitted. However, a decision was taken over the summer to include an element of lighting at this point in time which required installation behind the cladding, rather than to wait to retro fit. • Installation of external lighting to the LRC, Enviro Block and Relish has necessarily been advanced at a cost of £24,486 plus VAT and debited at this stage in the programme against the contingency. It was explained that the College has commissioned down lights rather than the more expensive up lights originally envisaged.		

- More detailed and determined investigation of the six-storey tower found a number of internal/external fans/vents in toilets not connected. To meet building regulations, these required connection at a cost of £8.5k plus VAT. - Thoresby Street and Chesterfield Road – Business and Early Years curriculum are relocated into decant accommodation for the start of the 2013/14 academic year. - Regent Street – the College occupies 1,442m2 of space and will relinquish the lease with effect from the 31 October 2013. Dilapidations are completed and signed off by the landlord`s agent. Extensive work with costs of £31,567 has been required to reinstate the building back to office accommodation from Hair & Beauty salons. Members were advised that this has been a difficult lease to terminate and involved provision of a condition statement. There have been some delays in exiting the property, but this has now been resolved. All the work has been done and signed off by the landlord. - CCIFR2 detailed application for the Engineering Innovation Centre – on 19 July 2013 the College received notification from the SFA that the application for £1.9million to support the £5.8million Engineering Centre had been successful. A revised timetable for the project was prepared with completion scheduled for July 2014 and potential part occupation by Fabrication & Welding post Easter 2014. - Members were advised that the College has developed a two stage tender process and whilst there has been slight slippage in the timetable as a result of redefining the scope of works, given the additional £1.9million funding, matters can now progress. It was confirmed that an update would be given at the November meeting. It was confirmed that the project will be completed on a design and build basis again. Waterman's are the College's consultant on the design and the build. Assurances were given that the College would get what it wants in the design and build project. - Members discussed the tender process for the Engineering Innovation Centre and building contractor selection. It was agreed that discussions in this area would be recorded on a confidential basis. - An order has been placed for the upgrade of gas and electricity to the site to ensure that supply remains on the critical path. The building contractor will be responsible for installation. At this stage the College is at a twelve-week design point. - In terms of the tender process, next week will be the mid-point. - CCIFR3 – a third round was announced by the SFA on 29 July 2013 for expressions of interest to be submitted by 20 August 2013. An expression of interest to provide a new LRC and food court and replace inefficient heating on the Derby Road campus has been submitted to the SFA for consideration. A decision on whether the submission is sufficiently good enough for a detailed application is anticipated on the 10 October 2013. Should the application be successful, a detailed application would be, subject to affordability, by 20 December 2013.	ED CP&E	Nov 2013

- At this stage it is estimated that professional fees in the region of £15k plus VAT would be expended to prepare a detailed application and bid. Members reviewed the detailed schedule at page 23 and agreed that they should be revisited prior to the October Board meeting so that more accurate costs could be considered and approved rather than the estimates provided here. It was noted that the CCIFR3 is a £200million pot of funding and it is believed that applications totalling £315million have been made.
- Studio School – the Secretary of State allocated a procurement budget of £1,339,088 including VAT for Construction, ICT and fit out. Tendering for a building contractor is underway with the expectation that an appointment will be made next week.

Members took the opportunity to discuss in more detail the College`s application for Capital Investment Fund Round 3. It was noted that, at this stage, the bid has been submitted at the highest level to see if the bid criteria can get through the ‘expression of interest’ stage. If this stage is successful then a much more detailed bid will be required. It was noted that all approved projects must be completed and operational by September 2015 ready for the 2015/16 academic year. Similar to previous CCIF rounds, the minimum project value will normally be £3million. In exceptional circumstances colleges can submit applications for projects with a minimum value of £1.5million. Agency contribution would normally be one third of project value.

Members reviewed paragraph 6.12 onwards and noted the detail of the proposed project and estimated fees at paragraph 6.7. As previously discussed, it was agreed that much more clarity was required regarding professional fees proposed and this would be summarised for the Board at the October meeting. Members reviewed the preliminary design images and all agreed that if it could be completed, the LRC in particular would be a fantastic facility for students.

Members discussed the Studio School in more detail and were advised that two contractors on the framework have submitted proposals and at this stage only one is realistic. The Executive Director: Capital Projects & Estates confirmed that he would have further discussions with the contractor next week. It was noted that the DfE have specified the framework list of contractors. This is a brand new Government framework that has been set up and unfortunately does not include any local construction companies.

It was explained that the College provided an invitation to six companies to tender, and only two have said that they were interested. The hope is to appoint a contractor next week and if this is done, the project will complete to timetable. The Finance Director indicated that the Studio School is unable to formally contract until a funding agreement is in place and this is not expected until March 2014, and therefore there will be a lull in activity.

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	Members discussed the Estates report in general and all acknowledged that in future meetings there was a real benefit in having a standing agenda item report on the VWS state. The role of this Committee would be to monitor and offer a guidance role to the VWS Board of Directors.	ED CP&E	Standing Item

AGREED:

a) To note the content of the report.
b) Agree continued support for the pursuance of the CCIF R3 bid.

David Overton left the meeting at 4.50 pm.

13.43 **LONG TERM MAINTENANCE PLAN**

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

- Planned and reactive maintenance for 2012/13 - £637,253.39 committed against a budget of £634,620. Planned maintenance was £235,997.39 and reactive maintenance was £401,256.
- Reactive maintenance expenditure includes £8,930 for dilapidation work prior to termination of lease on Enterprise Court, Hamilton Way, Mansfield.
- All planned maintenance projects for 2012/13 are complete at £235,997.
- Planned and reactive maintenance for 2013/14 – a budget of £600k allocated (reactive maintenance £400k and planned maintenance £200k).
- Planned maintenance 2013/14 – a total of £75,126.15 expenditure is allocated against an approved budgetary expenditure of £174,025.75.
- The provision of a new science laboratory at Derby Road at an estimated cost of £75k is the most significant project. The design is still in the planning stage and a January 2014 start is anticipated.
- The construction of a Derby Road new boundary wall by students and tutors at an estimated cost of £15k will commence in October 2013.

AGREED: To note the content of the update provided.

13.44 **MANAGEMENT ACCOUNTS - DRAFT TO 31 JULY 2013**

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

- The College performance has failed to meet budgeted and forecast targets for the 2012/13 financial year resulting in a loss before interest and depreciation of £185k.
- Whilst the College reported results will remain in surplus before FRS17 charges due to the performance of bksb and the implementation of VWS, there remains concern and actions necessary in order to ensure that the 2013/14 financial year hits target.

Signed : ____________________________Chair Date:

- Annex 1 to the report sets in some detail the College result for the year and highlights a number of areas which must be addressed in order to deliver the planned result for 2013/14.
- Total income for the year of £49.7million is around £1.558million better than had been forecast with the significant factor within this position being the additional activity being delivered through partners, including Vision Workforce Skills.
- Whilst on the face of it, this should be a positive position; the additional income is matched almost entirely by additional costs resulting in no impact on the bottom line. It is fair to say that the pass through of VWS activity supports this position, meaning that the additional income is all additional costs.
- Partner gross margins for the year of £3.657million is £33k stronger than forecast for the year.
- Apprenticeship activity for direct delivered activity of £1.343million fell short of forecast by £265k, all of which results in a direct impact on the bottom line. Plans for 2013/14 will be important to meet as failure to hit target will have a similar impact on profitability.
- Inter company recharge income has been significantly different to the forecast for the year which has been specifically related to the transfer of Safety Plus into the College. The expected volumes of activity in the second half of the year have not been delivered resulting in the surplus from this activity not being available to be transferred to the College. For 2013/14, the costs are now within College and must deliver the anticipated values of activity.
- Pay costs of £25.8million have over spent by £396k.
- Restructuring costs have been significant in the year, with an initial planning assumption that there would be no costs incurred within the year. Expenditure of £213k includes in year responses to requested restructure and some economic decisions taken with specific staffing issues. However, it is not a sound outcome to have incurred such costs when the budget at the start of the year was sufficient to support a staffing cohort with the capacity to deliver the College`s objectives.
- Administrative costs have overspent budget through the payment of bonuses (£75k), and a number of overspend areas which in some cases (Network Management, Marketing, Learner Administration) have been driven by the implementation of Job Evaluation. Overtime has impacted on the Marketing position as has additional invigilation costs for Learner Administration.
- Premises costs have over spent by £90k in the year which is a combination of additional costs for cleaning staff and premises overtime costs (£76k+ on costs, £25k over spend).
- Temporary staffing costs of £286k in the year presents a significant over spend against the mid year forecast and against the original zero budget. £70k has been spent in Directorate (interims for Standards and Employer Engagement), with £46k spent in Care and £57k in Hair & Beauty. Computer Science and Art & Design have sent a further £29k and 20k respectively whilst finance has incurred £27k in costs. To some extent, these costs have an offset in the vacant post but in

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all cases this is either additional cost (sickness) or extra cost due to the flexible nature of appointment.

- Across all pay budgets, it is critical that budget holders spend within the allocated budget which is sufficient for the establishment agreed in 2013/14.
- Non pay costs, setting aside partner costs, have over spent against budget by £853k.
- Over spends in teaching non pay costs are driven largely by the additional equipment and materials costs for Hair and Beauty, accounting for £89k of this variance. Across other areas, travel is a significant drain on non pay budgets and in Work Related Training and Engineering, the use of associate deliverers adds to the problem.
- Budgets have been allocated to schools of learning for non pay in 2013/14 and it is crucial that the importance of operating within such budgets is understood and implemented.
- Consultancy costs have contributed a £64k over spend in year with decisions made to pursue the Studio School, Francesco partnership and IiP impacting. In addition, the problems within Health & Safety have added a further £12k to the adverse position. The use of consultants in most cases is optional and decisions made must only be taken where such costs can be demonstrably supported by clear and defined under spend in other areas.
- The delays in exiting Regent Street have contributed to the overspend on rent of £74k. In this case, a failure to plan ahead for swift exit must be avoided in other exited properties where on-going liabilities could continue.
- Examination & Registration fees of £1.096million have over spent the forecast value by £82k, following an increase from the original budget of £920k. Examination and registration fee budgets are set from the curriculum planning process which should only differ according to mix. In all awarding body considerations, economic value of the qualification should be a key consideration alongside educational suitability as the College does not use the lowest cost awarding body in many cases.
- In order to address the performance of 2012/13 and meet the budgetary targets for 2013/14, the College Leadership Team should understand the requirements clearly moving forwards.
- In any sense, the requirements remain the same for 2013/14 as they have been for any other year with budget holders required to deliver their outcomes within the allocated budgets set. Whilst this was the case for 2012/13, too many decisions have been made due to the circumstances in effect at the time, many of which where deemed necessary to the medium or long term objectives for the College.
- Whilst this may well be the case, the College cannot sustain another year of missed budgetary targets in 2013/14 following the out turn for 2012/13. In this respect, there are a number of key priorities which must be met and monitored during the 2013/14 financial year in order to get back on track and demonstrate financial control to the Board:

(i) Achievement of the direct delivery targets for 16-18 Apprenticeships in particular for the 2012/13 budget of £1.735million (2012/13 out turn of £1.343million).

(ii) Management of the partnership programme within the values set out for both income and costs in order to generate the planned margin. Partner income of £12.421million and costs of £9.385million (75.6% of income).

(iii) Achievement of and operating within all pay budgets for 2013/14, such that decisions for replacement posts should be subject to an appraisal of the operating procedures within the team to determine if the vacancy can be secured as an efficiency gain. The budget for 2013/14 is similar to the actual spend in 2012/13.

(iv) Non pay allocations within teaching departments to be managed within budget across all areas with particular emphasis to be paid to team and schools moving in year or recently moved (Engineering, Hair & Beauty).

(v) Consultancy costs to be minimised with any unbudgeted expenditure to be cleared offset against an identified under spend within other budgets.

(vi) Building exits to be managed and monitored ahead of time to ensure a planned and efficient exit.

(vii) The use of delivery partners outside of the partner programme to be offset against specific and delivered staffing vacancy savings in all cases (Engineering and Work Related Training of particular note).

(viii) An economic assessment of the costs and income associated with the resources now within College for both the RTT project and Safety Plus to determine the extent of resource requirement against the planned and actual delivery caseload. Case loadings and economic monitoring to be carried out on work related learning activity to ensure viability

- As long as all budget holders can manage and deliver within the allocated budgets, the overall target operating surplus before depreciation and interest costs for the College for 2013/14 of £1.2million can be delivered.
- As the College and therefore College Group has not attained its targeted result for the year, it is important to examine the impact on the Group balance sheet and the affordability assessment carried out in support of the College`s capital programme.
- Annex B contains the forecast group year end balance sheet as at 31 July 2013.
- The investment in land and buildings as part of the capital programme has increased group fixed assets to £38.5million, increasing by £20.4million for the capital programme to date.
- Whilst cash balances remain healthy at the group level with £10.5million in the bank, the Group will be reporting net current assets as at 31 July 2013 of £1.99million. This results from a number

of planned actions in delaying the second tranche of borrowing associated with the capital programme and utilising the liquidity within the balance sheet.

- At Group level, a significant sum (£2.4million) has been provided as a liability to meet dilapidations costs within VWS, which will ultimately not be required until the time of the lease break for each property. In addition, the implementation dowry has been received in advance of need, providing further current liquidity and enabling the delay in accessing the second tranche of commercial debt until August 2013.
- Analysis of the expenditure, borrowing and grant receipts demonstrates the front loading of the College reserves contribution at the expense of loan finance. Annex C shows the planned financing of the current agreed programme.
- Annex D sets out the position of financing the programme as at the end of July 2013, with the College`s contribution ahead of its total commitment (due to having access to sufficient liquidity) with sufficient financing available through the second tranche of the commercial loan and confirmed capital grants. Disposal proceeds will provide further funding but are not required as their timing cannot be guaranteed.
- Whilst the performance of the College in 2012/13 is disappointing, the College Group results have managed this in some ways to ensure that an operating surplus after depreciation and interest will be achieved. However, this result falls short of budget and forecast and the issues and causes identified must be addressed into 2013/14 to ensure that the budget is achieved.
- The College has used its liquidity across the Group to push back on accessing its loan finance to support the capital programme and minimise interest charges. Whilst this has had the affect at the balance sheet date of returning a Group net current liability position, there is sufficient access to financing to correct this position, with sufficient affordability to complete the programme as planned.
- It will be important that not only the revenue budget hits targets in 2013/14 but that the capital programme remains within the approved values up to completion in September 2014. The management and monitoring of the capital programme must be sound to prevent any over spend.
- The Board will need to be satisfied into 2013/14 that the College is performing as budgeted in the first quarter of the year, in addition to the performance of all subsidiaries, with a particular emphasis on Vision Workforce Skills, as the dowry implementation income reduces and the true trading performance becomes apparent.

	In general discussion Members commented upon page 36, viii – all acknowledged that the Work Related Training provision is not really working and needs to be reviewed as a matter of urgency. Detailed discussion took place regarding pages 42 and 43 of the report, which gives a summary of the capital programme financing and compares original budget with the variances seen. The Principal explained that if the College includes Station Park, it has made an investment to its estate of £40million. Of this £17million is borrowing, £5million are grants and the remainder is the College's contribution. Despite a difficult year in 2012/13 the College has been strong enough to make this significant investment. Members discussed the Ofsted inspection and the findings in relation to Hair & Beauty. It was explained that some unexpected staffing costs had resulted of the remedial actions required to address the issues raised at inspection. It was noted that a whole restructure had been required and regrettably there had been financial consequences attached to this. The Principal confirmed that the Senior Team, prior to inspection, had been aware of some issues to the provision but did not realise the extent of the underlying problems. It is the Senior Team's belief that the 'on the ground' position was not as reported by the Head of School. Going forward, members agreed that there was a need to more closely monitor the professional standards related to the customer facing areas of provision. They requested that this be an area that the Standards Committee monitor and receive reports on throughout this academic year.		
	Members indicated that Governor links/visits to several customer facing areas may be of benefit and in terms of reports to the Standards Committee, members could ask for more focussed reports on what needs improving. This, hopefully, would tease out the majority of significant issues for review.	Standards Committee	2013/14
	AGREED: To note the content of the update provided.		
13.45	**<u>PROVISION FOR BAD DEBT</u>**		
	The Director of Finance introduced this item and summarised the following: • The College makes the provision for bad and doubtful debts in line with its accounting policy, making full provision for debts over 90 days old and levying a 5% provision on residual sales and student ledger balances. • The College uses a third party debt collection agency to pursue non-payment of debts in line with policy and procedure. • For the year ended 31 July 2013 the College sales ledger balances have reduced from £571k to £484k with the main reduction in the general sales ledger.		

Signed : ____________________________Chair Date:

- However, provision for bad and doubtful debts has increased from £76.2k at the end of 2012, to £136.9k at the end of 2013. As the College has not written off any debts in year, the provision was expected to increase pending the recoverability of specific debts provided at the end of 2012. It was acknowledged that this has had an impact and contributed to the negative variance on the 2012/13 anticipated year-end performances.
- The College policy of full provision after debts become 90 days of age is followed by a decision to pursue the debtor using a collection agency. However, in many cases the debt will be in dispute and the Credit Team will work with the customer in order to recover the debt and resolve the query.
- The total provision at the end of the year of £136.9k has increased by £60.7k in the year, of this increase in the provision, £55.6k is due to specific provisions. Of the £136.9k, £121.2k relates to specific provisions and £84.8k is for Student courses. The College is now carrying a much higher student ledger.
- The increase of provision for 2012/13 and the corresponding reduction in the overall sales ledger balance has meant that the percentage provision has increased from 13% of total debtors at the end of 2011/12 to 28% of total debtors at the end of 2013.
- Analysis of the specific doubtful debt provision reveals a number of disputed debts that are yet to make it to debt collection. In many cases the company or individual has engaged with the College and queries around the position of Student Finance England or securing a valid purchase order are common in holding up collection. In some cases, genuine dispute delays collection and often results from procedure failure at the point of sale. It was noted that debt collection was quite expensive with a cost of 50% of collection being usual.
- With this in mind, the procedure of securing debt to companies has been changed requiring employer declaration to meet the fees at the point of sale. It is anticipated that this will avoid many of the challenges currently being addressed by the Credit Control Team.

In general discussion it was acknowledged that student debt collection may increase going forward given the introduction of 24+ loans. It was noted that the College has not written off any of the debts for the 2012/13 period, but they have all been provided for.

It was acknowledged that some of the issues that lead to delay in collection are internal that need to be addressed. The Director of Finance confirmed that there are some process issues that need to be improved, and it is clear that the College needs to get smarter. The Director of Finance expressed the belief that the processes are in place, but what needs to happen is that they are properly applied.

AGREED: To note the content of the report.

13.46 **TREASURY MANAGEMENT POLICY AND PERFORMANCE**

The Director of Finance introduced this item and confirmed that what was presented was an annual report split into two areas, a) policy and b) performance.

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

- The financial year continues to see interest rate returns remain at historically low levels and as a result the College`s risk averse Treasury Management Policy, coupled with the need for short term answers to liquidity. The treasury management function has not been able to deliver any significant investment income during the year to date. However, the College`s cash reserves have been properly secured and protected as a result.
- Past improvement in longer term returns have diminished in the last six months as liquidity in the market continues to be supported by the Bank of England. As a result, medium term rates have regularly fallen below levels achievable within the Colleges own current account arrangement.
- The College received interest on its current account balance at a level of 0.5% above Bank of England's base rate until 13 April 2013, and for year to date this has generated a modest interest income of £63,553k. From 14 April 2013 the College received 0.5% on cleared current account credit balances in line with a loan tender offer from Lloyds TSB.
- In July 2012, the College placed £2million on deposit with Lloyds TSB Bank PLC, securing a rate of 1.55% for six months. This deposit earned the College interest receivable of £12,056.
- In managing the Group cash resources, bksb Ltd secured a twelve month deposit of £1million at 2.49% on 12 August 2012, being returned on 31 July 2013. For the year to date, the deposit has yielded £27,764. It was noted that twelve-month rates are now down to about the 1% mark.
- The total interest earned up to the end of the year is therefore £103,373 and compares favourably to amounts recorded in the previous financial year, exceeding the forecast target of £55k.
- The College currently has an overdraft facility in place until 30 November 2013 of £1million and does not anticipate the use of this facility for the remainder of the financial year.
- The College continues to explore a number of treasury investment opportunities with the banks listed in the Treasury Policy, and although limited in taking opportunities, will report to the Committee should there be a need to establish deposit facilities outside the current banks with which the College has worked.
- The College has operated within the Treasury Management Policy as agreed by the Committee during the duration of the financial year.

Members` attention was drawn to a specific proposed change at page 60 of the policy, it was explained that given the change in bank ratings, two

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of the banks currently on the list are now to be removed. These are Clydesdale Bank and Yorkshire Building Society. Members were entirely happy with the explanation given and happy to endorse the changes proposed.

AGREED:

a) To note the Treasury Management and Investment performance for the 2012/13 financial year.
b) To note the updated Treasury Management Policy presented.

13.47 PROCUREMENT REPORT 2012/13

The director of Finance introduced this report and confirmed that it is an annual update on performance. Members` attention was drawn to page 67, which sets out a list of achievements for the year. It was noted that targets for 2012/13 year were summarised at page 80. All acknowledged that procurement was an important part of the Finance Team function and there is no doubt that significant benefits can be seen when the appropriate processes are followed.

AGREED: To note the content of the annual report presented.

13.48 BOARD MEMBERS EXPENSES 2012/13

The Clerk to the Corporation presented this item and confirmed that the information was provided to ensure transparency. She confirmed that there was nothing on the schedule which caused concern or that she wished to bring to members` attention.

AGREED: To note the content of the report provided.

13.49 INSURANCE AND RISK 2013/14

The Director of Finance introduced this item and confirmed that his paper sets out the updated information for the Committee in respect of the College Group insurance costs for 2013/14. The annex provides a comparison between the current charges and the proposal received under the crescent purchasing consortium framework current three-year agreement. It was noted that the College insures the group of companies where possible and as a result this includes full coverage in relation to the activities of Vision Workforce Skills Ltd.

Key points noted were:

- The proposals have been provided against information required under the current agreement with Zurich Insurance, who is the College`s contracted provider.
- There are some changes to the level of cover quoted as requested as part of further competition process. Most notably, in some of the insurable values of the College has increased in size over the past few years.

Signed : ____________________________Chair Date:

- The premiums are based on ratings. Some ratings have changed as a result of shifts in the insurance market. The College`s group claims history can also affect the ratings applied, although this does not appear to be a significant factor over the past few years.
- The College will recharge insurance costs in 2013/14 to each of its subsidiaries as part of the agreed Management recharge. The residual insurance costs have been budgeted within the College`s budget financial year

It was acknowledged that this report simply provides assurance to the Board that insurance is in place. On reviewing page 93, it was noted that the schedule of premium gives a total cost for the 2013/14 academic year of £166,527.75.

AGREED: To note the content of the update provided.

13.50 EMPLOYER RESPONSIVE UPDATE

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

- The report provides an update on the methodology used to establish the sub-contractor cohort for the 2013/14 contract year for delivery of work based learning provision.
- During the 2012/13 year, the subcontractor cohort was significantly increased due to two main factors, a) the need to engage with new partners to meet activity and the financial contracts in place, and b) the subsequent acquisition of Pearson in Practice, including the continuing support of 17 sub-contractors, to enable them to complete contracts already in place with PiP and to continue to support learners already in learning.
- The high increase in the sub-contractor cohort was always considered to be a short term measure to assist in meeting funding targets for 2012/13 year, with the intention to vastly reduce the amount of contracts offered for activity in the 2013/14 contract year.
- For the contract year 2012/13 a comprehensive partnership management framework (PMF) was implemented to enable objective assessment of contractor performance throughout the year. The process encompasses three KPI frameworks completed by the contracting team, the quality teaching and learning team and the finance team. The outcomes of all frameworks are individually RAG rated by the respective teams and used to form a judgement on subcontractor performance at given points in the contract year, completed after the closure of quarters one, two, three and four. Outcomes from the performance management framework are then used to manage sub-contractors and inform the risk management process as well as forming the basis for contracting decisions.
- In May 2013 a full review of all partners, based on quarter three results, was undertaken to determine which contractors would not be offered contrast for new activity in 2013/14 contract year based on their performance in the first nine months of 2012/13. As a result

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35 partners are not being offered new activity contracts in this academic year.

- For the 2013/14 contract year an additional four overarching KPI's are being added to the management of sub-contractors, and were considered as part of the strategy for establishing partnership for this contract year, these are
  a) 16-18 apprentices are a priority for the College and sub-contractors who can offer them and help the College meet its SFA 16-18 funding targets will be given priority on growth in adult funded provision,
  b) The College`s vision is to achieve a minimum of 80% success rates across its apprenticeship provision, in order to help the College achieve this goal sub-contractors will be expected to deliver their stated qualifications at or about the national benchmark for each qualification. If they are not currently at benchmark, they must be able to show an increasing quality improvement trend towards the national benchmark. Those contractors who operate at or above the national benchmarks, will be eligible and given priority for growth across funding streams.
  c) Minimum contract value of £200k, however, if during the course of the year a contractor falls below this minimum level then the College will halt any new or additional activity until the minimum is achieved.
  d) Sub-contracted performance against their agreed profile will be measured on a monthly basis if performance is 15%+ below their profile monthly aggregated value then no/additional activity will be agreed until they are within the 15% tolerance.
- It was noted that all partners have to now be on the ROTO list, which again limits some contracts in any event.

AGREED: To note the content of the update provided.

13.51 <u>ANNUAL REVIEW OF STANDING ORDERS</u>

The Clerk to the Corporation introduced this item and drew members` attention to the one minor changed detailed at page 104.

AGREED: To approve the amended standing orders proposed.

13.52 <u>AOB</u>

There were no items of additional business.

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

The Clerk confirmed that the date of the meeting was 14 November 2013.

Meeting closed at 5.50 pm.