WEST NOTTINGHAMSHIRE COLLEGE
FINANCE & ESTATES COMMITTEE

Minutes of the meeting held in Room 274, Derby Road site on Thursday 1 May 2014 at 4.00 pm

BOARD MEMBERS PRESENT:	Kate Allsop Terry Dean, Chair Dame Asha Khemka Hari Punchihewa 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 Lindsay Donnelly, PA to Clerk to the Corporation

		ACTION by whom	DATE by when
14.14	**DECLARATION OF INTEREST**		
	The Chair reminded those present to declare at the start of the meeting any interests that they may have in relation to items on the agenda. No interests were declared.		
14.15	**WELCOME, INTRODUCTIONS AND APOLOGIES FOR ABSENCE**		
	Apologies for absence were received from David Overton (in relation to Estates matters only).		
14.16	**MINUTES OF THE MEETING HELD ON 27 FEBRUARY 2014**		
	AGREED: that the minutes of the meeting held on 27 February 2014 were a correct record and were signed by the Chair.	Chair	1 May 2014
14.17	**MATTERS ARISING AND ACTION PROGRESS REPORT**		
	Members were advised that the risk update requested at page 3 of the minutes was included within the property strategy report at item 5. The content of the action progress table at page 14 was noted.		
	AGREED: to note the update provided.		
14.18	**PROPERTY STRATEGY UPDATE**		
	The Executive Director: Capital Projects & Estates introduced this item and drew a number of matters to members` attention: • Cladding to six storey tower and other buildings – all works to the tower are now complete with the sails installed. Scaffolding will be dismantled and is still running to target.		

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- Renewal of the entrance doors is complete. Bridge refurbishment work is complete but is closed to pedestrians for an extended period whilst the scaffolding on the tower is dismantled. Three storey block is progressing and on target for completion by 14 July 2014.
- The College has closed the Nottingham Road temporary entrance. All agreed that this was a positive step to take, given a number of complaints from residents. All accepted that, whilst the opening of the entrance had been required as a short and interim measure, it was good to see it now closed without any traffic incidents occurring.
- Overall expenditure to end of March 2014 is £3,020,800 (85.4%) of the total £3,535,902 contract. Around £50k behind forecast due to late design and delivery of the sails.
- Credit ratings for J Tomlinson and main sub-contractors KME and Key Clad are all low risk and remain unchanged from previous reports.
- Some decant work underway in relation to the three-storey block with some movement to Chesterfield Road. Mid July finish is expected with the project still running under budget.
- Engineering Innovation Centre – work progressing to schedule on time and on budget with the phase 1 facilities open for Fabrication & Welding students. It was acknowledged that for a short period of time it was felt that opening would be touch and go. However, this was achieved.
- In relation to electricity and gas supply, a generator is on site to provide sufficient power to commission phase 1 of the project of the Fabrication & Welding curriculum. The generator will remain on site until all connections are made. Western Power will not provide a date to upgrade the power supply for Engineering & Motor Vehicle curriculum until legals are agreed and hard copy signatures on all documents have been received.
- Overall, the construction programme is £284k ahead of schedule against forecast final cost. The reason is that Wildgoose are set on completing as much of the project as possible by the first phase handover. Overall expenditure to date is £1,290,576 (50.4%) of the £2,338,017 construction cost. Members` attention was drawn to appendix 1 which provides an updated cash flow forecast from Wildgoose to show the amended expenditure profile. The credit rating for Wildgoose Construction has reduced from a credit rating of 83% to 70% previously reported. A score of 51 – 70 indicates good credit worthiness. Ratings for the contractor and key sub-contractors (Amptron and Garners) are all low risk.
- In relation to the Engineering Innovation Centre, members were advised that the College did have an issue to address when the generator provided ran out of diesel early and, as a consequence, was inoperable for two days. It was acknowledged that this was a manageable issue in the grand scheme of things. The generator position is a quasi-interim arrangement which will be in place for eight weeks with the expectation that permanent electricity and gas will be supplied by June. The decant is to be finalised for a September start date and, as a consequence, the College is looking to ensure engineering works are complete by July at the latest.

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• Further Education (FE) Condition Fund – following approval of works to improve the heating system at Derby Road by the Corporation Board on 5 March 2014, consultant engineers have been appointed to draft a specification for works to be undertaken during the summer vacation.		
• Members were reminded that the College`s estate is classified in the category of 20 – 32% of the estate in conditions C & D (condition C is accommodation not fit for purpose, and condition D is accommodation which is unusable for health and safety reasons). The most recent information indicates that after the completion of the approved estate programme of work underway (Engineering Innovation Centre, Visual Arts Centre, Derby Road Cladding and disposal of the redundant estate) it is anticipated that only around 20% of the estate will be classified as condition C. Members were advised that a full condition survey will be commissioned in October 2014 on completion of the programme to provide updated information to the Committee.	Executive Director	October 2014
• Studio School – decant of College staff from Chesterfield Road started 14 April 2014. The lease is being considered by the EFA, several matters remain outstanding. All parties are looking to finalise completion. In general discussion it was acknowledged that the legal position on the lease in relation to the Studio School has taken an inordinate amount of time and difficulty to finalise, but it is pleasing to confirm that both sides have now signed the contract. Building contractors are currently agreeing the scope of the works required with the EFA. Members were advised that a risk relates to the slight delay in starting the programme, it being the case that the end completion date of 1 September is very important. The Executive Director gave reassurance that the timetable can be managed and the project is deliverable although the timescales are very, very tight.		
• Credit rating for Kier is good.		
• Visual Arts project – following a competitive tendering process J Tomlinson has been appointed. A letter of intent has been issued whilst contract documents are prepared. The contract, subject to final ratification is £1,356,147. It was noted that this project was started on time.		
• VWS Portfolio – it is anticipated that the negotiations regarding the Wolverhampton lease are nearing completion. In relation to the premises in Southampton, it is anticipated that Pearson in Practice will issue a surrender notice on behalf of the College if the College is able to negotiate a surrender fee, which is the subject of current discussions. The Director of Finance clarified that building treatment is a provision in the accounts and will be released when exit terms are agreed for each premises. He confirmed that the current position includes specific provision per lease. Members were reminded that an exit of the Birmingham premises is the only provision forecast in the 2013/14 current year. Other premises fall into the 2014/15 academic year. However, if exits can be secured in year there will be a windfall, these may be particularly in relation to the Newcastle and Banbury premises.		

In general discussion, members expressed some frustration regarding the outstanding position relating to the electricity and gas supply for the Engineering Innovation Centre. The Executive Director: Capital Projects & Estates confirmed that it was very frustrating dealing with Western Power as they are a significant multi-national company with a number of subsidiaries and as a consequence, the processes in place for approval and sign off internally are incredibly cumbersome.

AGREED: to note the content of the update provided.

14.19 **FINANCE REPORT – MARCH 2014**

The Director of Finance introduced this item and drew a number of items to members` attention:

- The overall Group result for the period up to the end of March 2014 is weaker than anticipated in the forecast due to a shortfall in activity within Vision Workforce Skills and a slowing of income levels within the Adult Skills budget within the College.
- Excluding the result of VWS, the College Group (old) has generated an operating surplus before interest and depreciation of £934k for the first eight months of the year. This compares to the forecast of £1,056k and the prior year result of £307k.
- The old Group position continues to be affected by the performance of Work Place Learning within the College, which is £302k behind forecast leading to an operating surplus before interest and depreciation in the month of £49k, an adverse variance of £163k.
- Including VWS, the College Group result before interest and depreciation is a loss of £2,665k, with the VWS loss of £3,598k in the eight months to date being £304k worse than the approved forecast position.
- The College has generated a surplus of £110k before interest and depreciation in the year to date, which is £152k behind forecast, and better than the prior year loss of £455k. The adverse position against forecast has been impacted particularly in the month of March which was £177k worse than forecast and £85k worse than last year due to income being £336k behind target.
- College income for the year to date is £406k behind forecast at £36,100k and £336k behind forecast for the month. The main adverse variance is now adult apprenticeships (£521k adverse for the year to date). Improvement will be needed in April if the full year forecast is to be delivered.
- 16-18 apprenticeships also continue to perform poorly with an adverse variance of £281k for the year to date. College own delivery has weakened over the last few months and is now below phased forecast by £156k. The Adult Skills budget income is below forecast by £700k, with a £381k under performance in month. There remains a disproportionate amount of Adult Learner responsive activity, which had a favourable variance of £84k at £4,971k, sustaining this may have an adverse impact on future Adult Skills contract levels.

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- There were favourable variances within educational contracts (£263k) as a result of partner activity of ESF contracts (although at a very low margin) and other income £290k.
- College pay costs for the year to date are £46k below forecast. There are favourable variances in administration and central services and teaching support of £86k and £115k respectively. Overall, teaching staff (teaching staff and sessional teaching staff) is £60k below forecast at £7,110k. Work Place Learning continues to overspend on pay costs with an adverse variance of £62k, compared to an increased forecast.
- Non-pay costs are better than forecast by £215k as a result of a favourable variance on franchise provision costs of £457k. Excluding franchise costs, non-pay is £242k higher than planned, the main overspends being in other operating expenses (£148k adverse, which relates to ESF partner payments), administration and central services (£188k adverse) and Exams (£33k adverse). The most significant favourable variance is within maintenance costs.
- Most Schools of Learning continue to be close to phased forecast with the only exceptions being an £85k adverse variance in the Lifestyle Academy and a £48k favourable variance in Care & Education Studies.
- Weaker financial performances are the 26.7% contribution made by Business Professional & Continuing Education and the 23.7% contribution of the Lifestyle Academy. Academic, Public Services & Sport Studies continues to produce a strong contribution of 46.5%. All other Schools of Learning made contributions between 32.6 % and 36.1 %.
- Vision Workforce Skills performance has fallen short of the agreed forecast by some margin in March 2014 leading to an accumulated loss of £3,598k before depreciation. This is as a result of income levels falling short in all areas of the plan, whilst fixed costs retained to deliver remain high. In month performance was £329k worse than forecast and could have a continuing impact on the remainder of the year if action is not taken to address the position.
- bksb continues to perform well as a result of consistent growth and strong cost control. The surplus, before depreciation, for the year to date at £847k is above forecast by £59k. Total Income at £1,712k is just below plan of £1,727k.
- Vision Apprentices is showing a loss of £23k, £30k worse than forecast due to the substantially lower than planned income, consistent with the College sales performance in apprenticeships.
- Group borrowing was £17m at the end of March 2014, a draw-down of £8.5m since last financial year end. This has incurred interest costs of £385k in the first eight months of the year.
- Group short term solvency has improved from year end (by £2.092m) as a result of the financing drawn down and receipt of £1.503m of deferred capital grants more than offsetting the capital expenditure of £4.375m and Group losses for the year to date.
- Cash balances excluding VWS at £14.028m are £8.805m higher than forecast, with a significant increase in month as a result of receipt of

	Adult Skills funds on profile, which have not been earned. Cash balances for the group stood at £14.785m In general discussion it was noted that the balance sheet has £6million worth of debts, excluding VWS. Governors questioned whether this was usual at this time of year. It was agreed that the Director of Finance would check prior trends and patterns. It was noted that the College currently has £14million available in the current account, with £6.2million expected to be committed by September 2014. It was noted that the College, through planning processes, has been able to invest £40million in its buildings, including Station Park (£31million excluding Station Park). AGREED: to note the update provided.	Director Finance	May 2014
14.20	**<u>TREASURY MANAGEMENT POLICY & PERFORMANCE</u>** The Director of Finance introduced this item and drew a number of matters to members` attention: • The financial year continues to see interest rate returns remain at historically low levels and as a result the College`s risk adverse treasury management policy coupled with the need for short term access to liquidity, means that 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 and securely protected as a result. • Short to medium term deposit interest rates remain not significantly better than the levels achievable than in the College`s own current account arrangement. • The College received interest on its current account balances at a level of 0.5% on cleared current account credit balances in line with the loan and tender offer from Lloyds TSB. Latest indicative rates from April 2014 indicate that six month notice periods will attract 0.78%, whilst twelve month notice increases to 1%. • The completion of the College capital programme in September 2014 means that six month deposits at the levels required (£1million plus) would not be prudent for the College based on current expected cash levels and trading performance. • The total interest earned up to the end of January 2014 (six months) is solely through interest received on current account balances and amounts to £30,599.25 for the College. The annual forecast for interest receivable is £55k and is weaker than the prior year of £63,258 due to the residual impact of higher yielding deposits. • The College currently has an overdraft facility in place until 30 November 2014 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 Management Policy and, although limited in taking opportunities, will report to the Board should there be a need to establish deposit facilities outside of the current banks with which the College has worked.		

Signed : ____________________________Chair Date:

- The College has operated within the Treasury Management Policy as agreed by the Committee for the duration of the current financial year.

The Director of Finance drew members` attention to minor wording changes proposed in the policy (all of which were highlighted in red by track changes). It was acknowledged that no significant changes were proposed.

AGREED:
a) To note the Treasury Management Investment Performance for the 2013/14 financial year to date.
b) To approve the updated Treasury Management Policy presented.

14.21 CONFIDENTIAL ITEMS

It was agreed that confidential items would be recorded separately.

Colin Sawers left the meeting at 4.45 pm.

14.22 AOB

There were no items of additional business.

14.23 DATE OF NEXT MEETING

The Clerk to the Corporation confirmed that the next scheduled meeting was 26 June 2014 at 2.30 pm.

Meeting closed at 5.05 pm.

Signed : ____________________________Chair Date: