Minutes of the Finance Committee – Tuesday 15 September 2015

Present:  
Mr Jeremy McIlroy - Chair  
Mr Iain Ross  
Mr Nicholas Perryman  
Mr Gurpreet Dehal

Mr David Williams  
Professor Paul Layzell  
Professor Rob Kemp  
Mrs Jenny Febry

In Attendance:  
Mr Stephen Cox  
Mr Mike Berry  
Mr James Willshire – Secretary

Chair of Council  
Director of Estates  
Financial Accountant

1 APOLOGIES FOR ABSENCE

Apologies were received from Mrs Margaret Jack, Mr Paul Blagbrough and Mr Simon Higman.  

2 MEMBERSHIP

It was NOTED that Mr Graeme Robinson had resigned as Director of Finance. The Chair thanked Graeme for the enormous contribution he had made to the committee over the years. Mrs Jenny Febry was present as Acting Director of Finance and Mr James Willshire was welcomed as secretary to the meeting.

3 MINUTES

NOTED that the minutes of the meeting held on 11 June 2015 (FC/15/66-FC/15/136) had been approved by circulation.

4 MATTERS ARISING FROM THE MINUTES

NOTED that the revenue and capital budgets had been APPROVED by Council together with the Financial Forecast which had been submitted to HEFCE.

NOTED that Council had APPROVED the Stage 3 Investment Case for student residences.

There were no further matters arising not covered elsewhere on the agenda.

5 DECISIONS AGREED BY CHAIR’S ACTION AND BY CIRCULATION SINCE THE LAST MEETING

NOTED that no decisions had been AGREED by Chair’s Action or by circulation.
MAJOR ITEMS FOR DISCUSSION AND DECISION

6 CAPITAL PROGRAMME

6.1 The proposed Library and Student Service Centre (LSSC) would provide essential library and study space for increased student numbers as well as other facilities such as exhibition and artwork storage space, café, shop and student services including careers. As such it was anticipated that the LSSC would increase student satisfaction and the College's NSS scores, as well as helping to enhance the employability prospects of graduates. Upon completion of the LSSC, the existing Bedford Library would be repurposed and used to increase urgently needed academic space.

6.2 RECEIVED a paper on the current Estates Development Capital Plan. The Capital Plan had been amended to reflect the cost of maintaining existing buildings (estimated at around £50m) with notionally charges assigned across 5 years. The plan had been updated also to reflect current cost estimates for active projects. The long-term expected cost of the plan was around £236m, beyond current affordability, but this assumed work would continue on all projects and had not been re-profiled to align with affordability. The Capital Planning and Review Committee will review the plan and re-profile projects in line with current priorities and affordability and will come back to Finance Committee in due course.

6.3 NOTED that the Financial Forecast submitted to HEFCE and the Private Placement funding application had been based on the previous Estates Development Plan. AGREED that the Acting Director of Finance would report the information that had been supplied to the next meeting so that the Committee could consider whether any further communication to HEFCE or Pricoa was required.

6.4 RECEIVED a paper on the funding of the LSSC. As the LSSC was the College’s highest priority project, it was recognised that the Private Placement funds and reserves more than covered the cash requirement for the project and other current active projects.

6.5 RECEIVED the stage 3 investment case for the LSSC. It was accepted that the LSSC was essential for fulfilling College strategy however the anticipated cost was shown at £56.5m against a previous estimate presented to Council of £44m.

RECEIVED a report on market conditions in the construction industry. The current market conditions are extremely challenging with more work than contractors and suppliers can handle, leading to increased building costs.

Faithful and Gould, the College’s cost consultants and project lead during the pre-construction phase of the project, had market tested the costs prior to the appointment of Osborne as main contractor. In August, tenders for the M&E (mechanical and electrical) package, which at c£9m was a major component of the cost, had been received and was in line with expectation, giving little indication at that stage that the cost forecast was under-representing the likely final cost.

Subsequently, many of the remaining 50 work packages received had not been in line with expectations or the previous market testing and prices had risen in light of the extreme market conditions. It was REPORTED that work was currently underway to validate tenders and to find ways to reduce costs.
Costs for all the packages had now been received and it was anticipated that the total cost would not exceed £56.5m. Additional tenders for certain packages were still to be requested and tenders already received would be examined to ensure best value was achieved. There could be some scope for value engineering though it was agreed that maintaining quality was essential. VAT advice was being sought to recover VAT where possible.

A final cost would be calculated prior to the Council meeting on 7 October and the contract with Osborne would be signed on 8 October after which point the cost would be fixed and the risk of cost inflation would be passed from the College to Osborne.

The Committee considered the project and its cost and determined that, as the project with the highest priority in College, it was affordable and represented value for money. The Committee RECOMMENDED the project to Council for APPROVAL subject to recommendation from CPAC who would be considering issues beyond the financing.

RECEIVED a paper on an Infrastructure Project designed to increase the supply and resilience of key services, such as gas, electricity and water, particularly for the range of new buildings under construction. A budget of £3.5m for infrastructure upgrade was APPROVED.

7 ANY OTHER BUSINESS

There was no other business not considered elsewhere on the agenda.

8 PUBLICATION

8.1 AGREED that none of the agenda items require broad dissemination around College with the exception of the agreed tuition fees.

8.2 CONFIRMED the designation of papers as exempt from the Freedom of Information Act requirements

DATE OF THE NEXT MEETINGS

Thursday 22 October 2015 at 4pm in the Huntersdale Boardroom.