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FINANCE & GENERAL PURPOSES COMMITTEE

GATESHEAD COLLEGE

THURSDAY 29 MARCH 2012

Report:	**Minutes of a meeting held on Thursday 8 March 2012**
Author:	**Clerk to the Corporation**
Action:	**Approve**
Status:	**Open**

Present: Keith Cann Evans (Chair)
Ivan Jepson
John McElroy
David Mitchell
Richard Thorold

In attendance: John Holt
Judith Doyle
Jackie Doxford
Gwyneth Jones

F/1539 Welcome/Apologies

Keith Cann Evans welcomed everyone to the meeting. Apologies for absence were received from Ian Renwick. Robin Mackie was intending to participate in the meeting via video link but this was not possible for technical reasons.

The Chair invited members to declare any interests on any item on the agenda. No interests were declared at this stage in the meeting; however, members noted that should the direction of debate on any item result in a potential conflict of interest, this should be indicated during the meeting. Members were also reminded to advise the Clerk of any changes to be made to the declaration of interests.

F/1540 Minutes of the meeting held on Thursday 12 January 2012

The minutes of the meeting held on Thursday 12 January 2012 were accepted as a correct record.

F/1541 Matters Arising

***F/1536 Subsidiary Companies* –** A member enquired whether there would be a full report on the Subsidiary Companies at every Finance and General Purposes Committee meeting or just on a quarterly basis. The Director of Finance confirmed that a report updating the Committee would be produced once a quarter.

F/1542 Management Accounts – December 2011

The Director of Finance introduced the Management Accounts for December 2011 and explained that it had been a quiet month for the College. December saw a decrease in revenue, falling to £2,967,000 (target £3,224,000) down from £3,431,000 in November. Revenue for the year to the end of December 2011 totalled £14,992,000, under budget by £1,759,000, of which £476,000 is the result of the delayed transfer of the Plugged in Places project.

RESOLVED to note the contents of the report

F/1543 Management Accounts – January 2012

The Director of Finance introduced the Management Accounts for January 2012. Recruitment was strong in January which led to a significant improvement in revenue at £3,483,000 (target £3,337,000) and is an increase of £516,000 compared to December 2011. Revenue for the year to date totals £18,480,000 and is £1,668,000 under budget of which £437,000 is the result of the delayed transfer of the Plugged in Places project. The adverse variance should be clawed back over the new few months if recruitment on 19+ programmes reaches target. The full year outturn has been revised to £40,629,000 (target £40,745,000).

It was noted that YPLA/SFA revenue is £284,000 over budget in the month at £2,921,000 reducing the year to date adverse variance to £778,000. The shortfall up to Christmas was the result of insufficient in house delivered 19+ activity to replace franchised delivery. In January 2012 19+ enrolments to the value of £2,982,000 have been added which will be recognised over the period January to July 2012. This new revenue has reduced the shortfall against the end of year target of £16,226,000 to £5,511,000. Planned recruitment over the next six months should see the target achieved. 16-18 learner responsiveness also improved with revenue increasing by £412,000 to £11,604,000 against a target of £12,696,000 with headcount now standing at 3062 against a target of 3130. There has not been any significant movement in 16-18 Apprentices.

Overall HE funding is down by 3% against the budget. Education Contracts revenue from 14-16 activity is down as schools are sending fewer groups than previously as budgets grow tighter and their priorities shift away from vocational learning. Revenue from full cost courses was behind budget in the month by £36,000 and for the year to date by £111,000. Revenue was disappointing for both Amacus Ltd and the Commercial Department. Commercial activity will be reviewed over the next few months to ensure its viability. Revenue from Other Grant income totalled £60,000, and was under budget in January by £67,000 and under by £495,000 for the year to date of which £437,000 was related to the delayed transfer of the Plugged in Places project. Tuition fees from FE programmes are over target and expected to exceed the full year target by £100,000. HE fees are currently under budget by around 10% and are expected to be 5% short of target at year end.

Expenditure in January was £196,000 over budget reducing the year to date favourable variance to £1,178,000. The key variance in the month was expenditure on partners which was high in relation to revenue because of increased use of partners to plug the revenue gap in 19+ and costs associated with franchise provision which had previously been identified as in house delivery. Turning to Pay Expenditure, it was noted that the total, whilst under budget for the month and under budget for the year to date, is too high in relation to income. The favourable variance for the year to date should be at least £100,000 higher than the current figure of £559,000. Overall Non Pay Expenditure showed an adverse variance of £189,000 in January, with partner payments over by £350,000 and other expenditure under by £161,000. For the year to date overall there is a favourable variance of £541,000 with partner payments over by £224,000 and other expenditure under by £765,000. The key favourable variances are on teaching and learning costs, premises and student travel. Premises costs are down by £776,000 as a result of the delayed completion of the new Construction Centre, together with efficiency savings generated from the existing estate. Student travel is currently below budget as the Foundation has given out fewer grants than originally planned, but this will be reversed by the end of the year. Central support costs are over budget because of professional fees and associated with acquisitions and marketing of events.

Depreciation charges were over budget in January 2012 as a result of revising the depreciation calculation on a few assets and the full impact of writing down the student laptops. The projected full year total of £3,283,000 allows for fully depreciating student laptops in one year.

A small surplus of £15,000 was generated in January despite the higher partner payments taking the year to date total to £172,000 (target £662,000). Moving into February and March 2012 should show better monthly surpluses and a start to recovering some of the year to date shortfall. Based on current information it is anticipated that the College should achieve a full year surplus of £1,222,000 (target £1,645,000).

A member enquired whether there was confidence on the recruitment of 19+ programmes and the Director of Finance replied that value of the number of starts would be £1 million in February and March 2012. He explained that more franchise partners were being used and that there had been a delay in appointing Business Managers who were now in post and generating business.

RESOLVED to note the contents of the report

F/1544 Funding 2012/2013 and Potential Measures

The report and the record of discussion on it are 'closed to public access' until such time as they are no longer commercially sensitive

F/1545 Property Strategy

The Director of Finance introduced a paper which updated the Committee on the progress with the Phase 2 Property Strategy.

Skills Academy Sustainable Manufacturing

The final account agreed with Mansell Construction is £4,810,976 plus VAT against an original contract sum of £5,167,962 plus VAT giving rise to a saving of £356,986 plus VAT. In addition, further savings of £24,109 have been made on equipment taking the overall cost to £7,974,469 (budget £8,435,280) a saving of £460,811 which is higher than previously reported. The completed SASMI building is performing well with no significant problems identified.

Construction Centre Phase 2

The Hub building at the Construction Centre at Team Valley is now completed and staff and students were able to move into the building over half term. The Modular Building has now been removed with Phase 3 of the project running from 5 March to 26 March 2012 to remove the concrete pad and complete the access road. Phase 4 fit out of the workshops will commence at the end of March 2012 and continue to late June 2012, in time for the new academic year. Initial prices received from contractors are lower than anticipated and are currently being checked. Figures outlining the current financial position of the project were provided and showed that expenditure was in line with the budget.

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Stadium – Academy for Sport

The College is currently in negotiation over the lease for the accommodation within the main Stadium building and it is hoped that this will be settled shortly.

A member commented that it would be interesting to visit some of the College's other sites and the Principal suggested that holding some meetings at other College venues would be a means of facilitating this.

RESOLVED to note the contents of the report

F/1546 Acquisition of Tyneside Training Services Ltd

David Wilkinson and Simon Wormald of Deloittes joined the meeting

The contents of the report and the record of discussion on it are 'closed to public access' until such time as they are considered to be no longer commercially sensitive

David Wilkinson and Simon Wormald left the meeting

F/1547 Franchised Provision

The Director of Finance introduced a report on franchised provision which is required by YPLA/SFA as franchise delivery represents more than 5% of the College's funded activity. In addition, the College also reports on partnership provision.

Figures were provided for the Committee which summarised the franchised and partnership provision as at 31 January 2012, broken down by funding stream and partner with the provision paid to each partner. The College has established a central team to oversee the delivery of contracts at a total cost of £181,199 up to 31 January 2012 and £363,000 for the full year. In addition considerable resources are devolved from the Data & Funding and Finance Teams to the management of provision.

In terms of risk assessment, the first risk is on non-delivery of contracts by franchise partners. The risk is offset by rigorous monitoring by the central team who report to the Managing Director, Business, Innovation and Development. There is sufficient flexibility within the group of partners to remedy any under performance by one or more partners. The second risk is from the potential damage to reputation if a partner delivers poor quality provision or delivers inappropriately. A detailed appraisal of partners has been undertaken and the College has discontinued working with ten partners including Future Strategies Ltd, which held the largest contract.

The Chair enquired about the length of time Future Strategies Ltd had not been performing satisfactorily. The Managing Director, Business, Innovation and Development replied that Future Strategies Ltd had found it impossible to switch to the delivery of apprenticeships and, following a management restructure, became unresponsive to what was required of them. The College conducted a managed exit to enable existing learners to complete programmes successfully.

RESOLVED to note the contents of the report

F/1548 Any Other Business

Equality North East

The Deputy Principal, Curriculum and Quality raised an item referring to the fact that Gateshead College had recently been approached by a small, 'not for profit', company, Equality North East, with a proposal that the College should buy the business. She explained that the company is a training and consultancy business covering equality and diversity. She outlined the possible advantages in acquiring the company which has a small team of four staff who could undertake equality and diversity training for the College.

John McElroy left the meeting

It was noted that the company had recently lost funding sources from One North East and the local authorities and had not taken the necessary action to reduce its cost base. The Deputy Principal, Curriculum and Quality requested agreement from the Committee to take a more detailed look at the proposition. The Principal commented that it was a small organisation with a good reputation for its work on equality and diversity regionally and even nationally and that it had simply fallen on hard times. He said that the College could benefit in a different way, outsourcing training on equality and diversity and selling it back to the community. The Deputy Principal, Curriculum and Quality said that a number of providers were looking to the company to deliver their training.

Members noted that Susan Bickerton, a Governor of the College, is a Board Member of Equality North East.

RESOLVED to approve that the Executive Team explore the possible acquisition of Equality North East further and bring a detailed report to a future meeting of the Committee

F/1549 Date of the next meeting

The next meeting is scheduled for Thursday 29 March 2012.