

FINANCE & GENERAL PURPOSES COMMITTEE



THURSDAY 31 JANUARY 2013

GATESHEAD COLLEGE

Report: Minutes of a meeting held on Wednesday 5
December 2012

Author: Clerk to the Corporation

Action: Approve

Status: Open

Present: Keith Cann Evans (Chair)
Ivan Jepson
John McElroy
Robin Mackie
Ian Renwick
Richard Thorold

In attendance: John Holt
Judith Doyle
Clare Sample
Gwyneth Jones

F/1599 Welcome/Apologies

Keith Cann Evans welcomed everyone to the meeting. Apologies for absence were received from David Mitchell.

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/1600 Minutes of the meeting held on Wednesday 31 October 2012

The minutes of the meeting held on Wednesday 31 October 2012 were accepted as a correct record.

F/1601 Matters Arising

There were no matters arising which were not substantive items on the agenda.

F/1602 Management Accounts: October 2012

The Director of Finance took the Committee through the Management Accounts for October 2012.

- Overall income for the month was £3,180,000 under budget by £181,000 bringing the year to date total to £9,414,000 under by £1,069,000.
- 16 – 18 Learner Responsiveness: revenue is up compared to the same point last year, with an increase in full time numbers with the College on track to achieve its full year target.
- Recruitment for 19+ Learner Responsiveness was down substantially (about

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20%) in September compared to the previous year and continues a long term trend. Learners continue to be put off by the perception that fees will be payable, despite a variety of funding sources to support them. The decline has reduced class sizes in some cases to the point that they are no longer economic and have to be closed thereby reducing income. The shortfall amounts to £1m, which will need to be made up from additional work with the unemployed and employers. Plans are currently being finalised to recover the shortfall and hit the 19+ target.

- 16-18 Apprenticeships are down compared to the previous year, mainly because the College is no longer subcontracting short IT apprenticeships to Baltic Training, as this model of delivery is no longer allowed. A marketing strategy is currently being developed to increase 16-18 apprenticeship recruitment.
- 19+ Apprenticeships are holding up, with significant volumes being delivered in the Warehousing and Shortage sector and Manufacturing, however the revenue per learner is low because they are for large employers, who are not being charged fees, which results in low margins.
- Delivery of NVQs to small employers is performing better than expected, with year to date revenue at £212,000 compared to a budget of £74,000.
- Other SFA Funding is currently under profile but is on track to catch up over the next couple of months.
- HE revenue for both HEFCE and Franchised is currently on track to exceed target.
- Education contracts revenue is down as a result of fewer 14-16 year olds from schools, fewer apprentices undertaking technical certificates subcontracted from other training providers and no international revenue.
- Full Cost Fees are up against budget for the year to date.
- Other Grant Income revenue from projects is down against budget but this will be caught up over the coming months.
- FE Tuition Fees from 19+ Learner Responsiveness funded programmes are down reflecting the reduced recruitment to these programmes. HE Tuition Fees are slightly up for the year to date and are projected to marginally exceed the full year target.
- Interest receivable investment income is slightly up against budget by £5,000 at £55,000.
- Overall expenditure is £846,000 under budget for the year to date, whilst revenue is £1,069,000 under.
- Pay expenditure revenue is 10% down against budget, pay costs are only down by 3%, this is because pay costs are mainly fixed, with the current process of switching hourly paid staff to salaried reducing further flexibility.
- Other Operating Expenses: overall for the year to date there is a favourable variance of £719,000 on a budget of £4,299,000 with payments to partners under by £480,000 and other lines under by £239,000. The saving on partner payments reflects the timing of their activity and it should be caught up over the coming months.
- To date this year the College has spent/committed £120,000 on top of the £104,000 spent last year on the International Strategy, mainly overseas travel and external consultants.
- Depreciation charges are down compared to last year as a result of fully expensing the student laptops, but are over against the budget, this is partly a matter of timing.
- Interest payable on the mortgage continues to remain within budget reflecting low interest rates.
- A deficit of £200,000 has been incurred for the year to date rather than a small

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surplus target of £23,000, this reflects a shortfall of income at this point in the year, which should be recovered in November and December.

A member enquired how the decision was made for a member of staff to transfer from a contracted post to full-time. The Director of Finance replied that the new structure within the College had done away with hourly paid staff. There was increasing use of sub-contractors who managed provision on behalf of the College.

The Deputy Principal Curriculum and Quality advised that fee income was down relating to Adult Responsiveness recruitment. She explained that competitors were setting fees which were undercutting Gateshead College. The Director of Finance indicated that Newcastle College had waived fees on ESOL programmes and so they had taken the market with them. The Principal commented that the College would need to get tougher to deal with the situation.

A member commented that there was a need to review the products Gateshead College provided and the Principal replied that the Leadership Team were looking at the courses offered. Another member indicated that, rather than compete with Newcastle College on fees, the College should concentrate on providing fewer excellent courses rather than volume.

In terms of the Balance Sheet, the Director of Finance indicated that it continued to remain strong. Cash Flow improved in October by £407,000 to £9,177,000 and this will grow further in November with the receipt of £943,000 of Regional Growth Funding, which is mostly income held on account, taking the total temporarily over £10m.

The Principal advised that the College needed to keep an eye on cash levels as in Northern Ireland there had been clawback of cash from colleges which was then distributed to other colleges.

The Director of Finance advised that he had included a summary Monthly Income and Expenditure Statement and Balance Sheet for each subsidiary company including the Foundation in the report.

RESOLVED to note the contents of the report

F/1603 Financial Regulations Update

The Director of Finance introduced a report on the Financial Regulations which are updated each year following feedback from users and auditors. He explained that the changes were shown in italics and red print and covered the areas of Budget Preparation, Management Accounts, Credit Notes and Cancelling Debt, Leases, Capitalisation and Bribery. He advised that, if the College adopted the Carver model of Governance, the document would have to be significantly redrafted.

A member enquired whether individuals within the College recorded hospitality they had accepted. Another member advised that within his organisation even if colleagues declined hospitality they still had to complete a form for it; this was good practice in complying with the Bribery Act. The Director of Finance replied that this could be incorporated into the College's Gifts and Hospitality Guidelines and suggested that someone like the PA to Principal could administer it.

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Another member suggested that approval for overseas travel should not lie only with the Director of Finance and one other staff member, but that the Principal should also be involved.

ACTION: The Director of Finance to bring a proposal on Gifts and Hospitality to the next meeting in January 2013

A member asked whether the Director of Finance had confidence in individuals within the College raising their own invoices. Currently invoices under £2,000 do not require authorisation. He replied that all orders and procurement came in via the Procurement Team which had two staff who were responsible for looking at cheaper options. This system prevented inappropriate behaviour taking place and any regulations being broken.

The Chair indicated that the Finance and General Purposes Committee should be involved in procurement. The Director of Finance replied that larger contracts did come through the Committee.

RESOLVED to approve the revised Financial Regulations

F/1604 Any Other Business

There were no items for discussion.

F/1605 Date of next meeting

The next meeting will be held on Thursday 31 January 2013.