

FINANCE & GENERAL PURPOSES COMMITTEE



WEDNESDAY 5 DECEMBER 2012

GATESHEAD COLLEGE

Report: Minutes of a meeting held on Wednesday 31
October 2012

Author: Clerk to the Corporation

Action: Approve

Status: Open

Present: Robin Mackie (Chair)
Ivan Jepson
John McElroy
David Mitchell

In attendance: John Holt
Judith Doyle
Rowan Ferguson
Clare Sample
Gwyneth Jones

F/1592 Welcome/Apologies

Governors appointed Robin Mackie to act as Chair for the meeting. He welcomed everyone in particular Clare Sample from Dickinson Dees, who would be attending some of the future meetings as Clerk. Apologies for absence were received from Keith Cann Evans, Ian Renwick and Richard Thorold.

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/1593 Minutes of the meeting held on Thursday 27 September 2012

The minutes of the meeting held on Thursday 27 September 2012 were accepted as a correct record.

F/1594 Matters Arising

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

F/1595 Management Accounts: September 2012

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

- Overall income for the month totalled £3,185,000 against a budget of £3,643,000 and for the year to date at £6,221,000 (budget £7,122,000).
- 16-18 Funding: the College should fully utilise its allocation for this year.
- The combined 19+ Single Adult Budget is currently doing less well although FT

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19+ is holding up well. PT has declined significantly and this has resulted in a drop in tuition fees collected. Work based learning appears to be at a similar level to last year with more apprentices offsetting a fall in workplace learning (former Train to Gain)

- Other SFA Funding is slightly below target, however, it is expected to catch this up over the next couple of months.
- On track to achieve overall HE funding with strong performance in some areas offsetting weaker recruitment in others.
- Full cost revenue is strong.
- Overall other grant income is running under budget but should be caught up over the next few months.
- FE Tuition Fees from part time learners are down while HE Tuition Fees are over target for the year to date and on track to exceed the budget for the full year.
- Interest receivable is ahead of target for the year to date and the College should exceed the full year target.
- Overall expenditure was under budget for September and the year to date, reflecting lower salary costs, payments to partners and savings on overheads.
- Depreciation is currently running ahead of target on a month by month basis, but should fall back over the coming months to finish the year in line with the budget.
- The College Group generated a surplus in September which reduced the year to date deficit. The adverse variance reflects the volume of activity at this point in the year and should be clawed back over the coming months.

Members were interested to know why the full cost work was doing well. The Director of Finance suggested this was because these courses were very specific to particular sectors and delivered recognised qualifications.

In terms of the Balance Sheet, the Director of Finance indicated that it continued to remain strong.

A member referred to the Adult Responsiveness Funding and enquired whether there was an intervention strategy in place. The Chair asked when the deadline for recruitment would be and the Deputy Principal: Curriculum and Quality replied that recruitment would be coming to an end but there was potential for picking up further enrolments before that point.

The Director of Finance advised that the College should reach its target by the end of the year. He explained that the College had become aware of the situation earlier this year in comparison to last year and so the target should be easier to achieve.

The Chair expressed the view that more reporting was needed on this area and requested an update for the next meeting of Finance and General Purposes Committee.

ACTION: The Director of Finance to bring a fuller report on this area to the next meeting.

RESOLVED to note the contents of the report

F/1596 Subsidiary Companies

The Director of Finance introduced a report on the Subsidiary Companies which had been prepared by Managing Director, Business, Innovation and Development. The report had been produced following a request by Governors at the previous Committee meeting for the Executive to analyse and develop a paper on Gateshead College's subsidiary companies. The paper also needed to map the companies strategies against the College's strategic objectives. The summary findings to date along with key recommendations were included in the report.

It was noted that with the exception of Amacus Ltd and NEAC Ltd all of the College's subsidiary companies had been acquired or set up within the last twelve months and, therefore, did not have sufficient track record to give meaningful performance measures.

The Director of Finance summarised the performance and purpose of each company as follows:

Amacus Ltd

Amacus Ltd has belonged to the College for four years and during that period has consistently returned a surplus however the Director of Finance indicated that the company had not grown as he had hoped it would. Its increasing costs base has led to a contribution decline, year on year. The company has growth plans and national ambitions for its products and to achieve these it needs investment. Its current performance levels are not enough to generate the surplus required for investment without some further review of operations.

North East Apprenticeship Company Ltd (NEAC)

Until 31 January 2012, NEAC Ltd was a 50:50 Joint Venture with Gateshead Council and was excluded from College accounts on the grounds of materiality. NEAC Ltd became wholly owned at the beginning of February 2012 and has been consolidated from that point onwards. The Business was substantially restructured in Autumn 2011 and a new business plan developed operating on a far smaller volume of business. The business is a key component of the delivery of the RGF bid. The restructure has reduced the annual loss. The business also benefits the College through referrals for training on which it generates a margin and this benefit more than covers the loss made by NEAC Ltd. Going forward the operating costs of NEAC Ltd will be supported through the RGF project, securing its operation for the next few years. Without this business in place the College would need to employ the apprentice employees directly.

Charge Your Car (North) Ltd (CYC)

This Company was set up as a special purpose vehicle to run the Plugged in Places project transferred over from One North East. The Articles ring-fence the assets and liabilities of the project. The surplus is ring-fenced for the low carbon vehicle sector. The project runs until March 2013, however, an extension and additional funding from OLEV has been applied for. The importance of the project to the College is the range of strategic relationships it opens with Government and employers. The College needs to review what it believes the future to be for plug in cars and consider whether it should continue the project after March 2013.

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Zero Carbon Futures (UK) Ltd (ZCF)

Since the establishment of ZCF it has focused primarily on developing projects, bidding for funding and project management for the Gateshead Group. It has very little commercial activity and the college needs to consider how the company can generate a commercial income.

Tyneside Training Services Ltd

This business was acquired on 31 March 2012 and is currently being restructured to raise the quality of provision, develop new provision and achieve efficiency savings. Since acquisition the business has broken even. Work is needed to bring the company up to College standards both in terms of delivery as well as the physical fabric of the learning environment with the intention of developing a new hub for the College.

Equality North East Ltd (ENE)

Equality North East Ltd is the newest member of the Group, only joining in June 2012, the business was acquired at minimal cost as it was loss making and has a negative balance sheet. The main reason for acquiring the business was to support the College with its training needs and to demonstrate its commitment to this agenda. As it is not a commercial operation in the way that other subsidiaries are, the company should perhaps be thought about differently. If the company was placed within a commercial setting the College could run the danger of skewing the strategic reasons behind the acquisition.

The Chair concluded that the companies were diverse with some set up for profit whilst others were clearly not for profit organisations. He suggested that a plan was needed for each company and enquired about the costs of consolidating the companies. He advised that comments on the paper should be sought from the Governor who had requested the information at the previous Committee meeting.

ACTION: The Committee Chair to seek comments from the Governor who requested the information on the subsidiary companies at the previous meeting.

The Director of Finance replied that there were considerable costs involved in maintaining six separate companies. The Chair enquired about what percentage the companies were to the overall College income and the Director of Finance replied that it was 8 or 9%.

Referring to the recommendations, the Chair suggested that there was a need to understand the pros and cons of each one. He enquired why Charge Your Car (North) Ltd was not mentioned and the Director of Finance replied that it would remain a standalone company. Members discussed each of the recommendations and made the following comments:

- Bringing Amacus, TTS and ZCF under one holding company
This would need to be looked at from the employee perspective; compare and contrast options.
- ENE moving to the HR Department within the College
It would be essential to know how to get from the suggestion to actually doing it. The Director of Finance commented on how to get the money back from the

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College loan and indicated that if the College was to write off the debt people would want to know why.

- NEAC continuing to operate as an arm of the Apprenticeship Department
The Managing Director Business, Innovation and Development would need to provide an explanation of the viability of holding onto the company or bringing it into the College and the costs involved.

The Chair referred to Charge Your Car (North) Ltd and indicated that OLEV was in a degree of flux as it along with all other Government departments was currently undergoing a review. A member enquired whether there was any urgency in making a decision and what the timeline would be. The Director of Finance replied that the decision on CYC was more pressing as the project had an end date of March 2013. If OLEV ceased to exist in the future, the Company would not count for much.

The Deputy Principal Curriculum and Quality suggested that the recommendation to move ENE to the HR Department within the College would be more straightforward. The Director of Finance replied that the College would be dealing with negative assets.

A member commented that a plan showing how the companies would fit together and the timeline involved was needed. The Chair advised that members needed to know whether the College was losing anything by undertaking these changes.

RESOLVED that the Managing Director Business, Innovation and Development be asked to bring to the next meeting a clear plan for what the College's strategy should be for a rationalisation of its companies with pros and cons for each element of the proposal.

ACTION: The Managing Director Business, Innovation and Development to prepare the required plan for the next meeting of the Committee.

F/1597 Any Other Business

There were no items for discussion.

F/1598 Date of next meeting

Originally the next meeting was scheduled for Thursday 29 November 2012 but as several members were unable to attend the Clerk suggested dropping that meeting as the Joint Audit and Finance and General Purposes Committee was on Wednesday 5 December 2012 at 4.30pm.

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