

FINANCE & GENERAL PURPOSES COMMITTEE



THURSDAY 28 FEBRUARY 2013

GATESHEAD COLLEGE

Report: Minutes of a meeting held on Thursday 31 January
2013

Author: Clerk

Action: Approve

Status: Open

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

In attendance: John Holt
Judith Doyle
Emma Moody
Gwyneth Jones

F/1606 Welcome/Apologies

Keith Cann Evans welcomed everyone to the meeting. Apologies for absence were received from Mick Brophy and Ian Renwick.

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/1607 Minutes of the meeting held on Wednesday 5 December 2012

The minutes of the meeting held on Wednesday 5 December 2012 were accepted as a correct record.

F/1608 Matters Arising

F/1603 - The Chair referred to the action relating to the Director of Finance bringing a proposal on Gifts and Hospitality to the January meeting as this was not listed on the agenda. The Director of Finance advised that he would prepare a paper on this subject for the February meeting. Today, he would present the paper on travel expenses.

F/1609 Management Accounts: November 2012

The Director of Finance introduced the Management Accounts for November 2012.

RESOLVED to note the contents of the report

F/1610 Management Accounts: December 2012

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

- Overall revenue was £99,000 under budget for the month and £257,000 under for the year to date.
- 16-18 LR revenue continues to improve and the College remains on track to fully utilise its allocation this year.
- 19+ Learner Responsiveness activity has fallen short of the year to date target of £1,220,000 as a result of significant reduction in directly delivered provision in Business, Leadership & Management and ESOL. Some provision has now been withdrawn.
- Additional Learning Support has benefited in December from an extra £250,000 of funding from the SFA as a result of the mix of provision last year. The replacement of Train to Gain by programmes for the unemployed has resulted in a one-off additional payment for last year.
- Other SFA funding continued to out perform the budget with a favourable variance in December of £121,000 and £407,000 for the year to date.
- HE remains on track to slightly exceed its full year target.
- Education contracts revenue from 14-16 programmes for local schools and from technical certificates for apprentices belonging to other training providers is down against last year and the budget for the year to date.
- Revenue from Full Cost programmes held up in December despite the impact of Christmas because of invoicing for work which had been done earlier in the year. Full Cost Fees remain ahead of budget for the year to date by £120,000.
- Other Grant Income was up in December by £85,000 against the budget, reflecting the claims for the Plugged in Places Project and the Regional Growth Fund Project. Collectively they have taken revenue to £36,000 ahead of budget for the year to date.
- FE Tuition Fees remain behind schedule for the year to date, but are slowly improving, whilst HE fees remain ahead of schedule.
- Interest Receivable remains in line with the budget for the month and year to date and remains on track to get to close to the full year target of £200,000.
- Overall expenditure was £71,000 under budget in the month, but is £77,000 for the year to date, compared to revenue which was £99,000 and £257,000 under for the month and the year to date respectively.
- Pay expenditure is now line with the budget on a monthly basis as the new curriculum structure is nearly fully staffed. The impact of the recruitment shortfall in 19+ Learner Responsiveness work together with the impact of the loss of funding for level 3+ from August 2013 will necessitate a review of resourcing over the next few months as the budget for 2013/2014 is developed.
- Other operating expenses were £72,000 under budget in December which reduced the year to date adverse variance to £223,000.
- Depreciation charges continue to run high against the budget by £7,000 a month, but this should start to fall over the next few months as assets come to the end of their economic life.
- The group generated a small surplus of £1,000 in the month compared to a loss of £75,000 in November and a loss of £137,000 in November. The anticipated level of activity in January from new enrolments from partners should result in an increase in the monthly surplus. The full year out-turn is predicted to be lower than originally planned at £794,000 compared to the

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original target of £1,351,000 mainly as a result of the need to engage more franchise partners to offset the shortfall in direct 19+ provision.

The Director of Finance explained that the accounts reflected the position in December 2012 when the College had been adrift but it was now bridging the gap on 19+ and issued members with copies of up-to-date KPIs on Learner Numbers. By end of January it would be at the £2m mark and it was hoped to keep that rate for the next three or four months. He advised that more income would be coming in during the second half of the year.

The Principal explained that a traffic light system had been used for the KPIs showing green as 'go', amber as 'concern' and red as 'adrift'. The Chair enquired what had caused the sudden change in the College's position and the Director of Finance replied that there had been a focus on bringing in activity and meeting the deadline. The Principal advised that the College had been in the same situation in January 2011 but this time they had got the message out that something needed to be done. The Director of Finance advised that the allocation going forward would depend on whether the College delivered what it said it was going to deliver for the SFA and hopefully this would reduce the cuts. Being slightly adrift would not be fatal.

John McElroy joined the meeting

The Principal commented that there was a need to think if some partner activities are capable of being delivered in the Deputy Principal Curriculum and Quality's area. If Gateshead College adopted a different type of Governance model there would be no need to discuss issues which were rated as 'green' just those which were 'amber and red'. The Chair asked how the College was taking action to address these issues for next year and the Director of Finance confirmed that the planning process needed to happen earlier.

The Chair suggested that the College could drum up business when it was not needed. The Director of Finance indicated that the College was trying to aim for between 97% and 100% but it was difficult; he advised that 97.1% was the best place to be for optimum funding. The Chair commented that he was happier about not having future funding under threat. The Principal advised that the College was consistently trying to hit its targets whilst other colleges did not; Gateshead College had a good relationship with the SFA and targets were important. The College continues to out perform on its unemployed programme and was looking to out perform on other areas.

In response to an enquiry about risks, the Director of Finance replied that the key risk was delivering the income. The Chair enquired how much of a warning shot risk assessment was in terms of bank covenants. The Director of Finance explained that it was to do with loans rather than the College; it would allow the College to go into deficit for one year but if it did so it would need to get out of it before it got to a second year. When in good financial health, the Chair said the College should be communicating with the bank. The Chair said that he was reassured that there would be more focus if it got to a second year. The Director of Finance advised that there would need to be 5% or 6% (ie £5m) efficiency savings each year just to stand still. In terms of volume and efficiency the Director of Finance explained that there had been £14m total borrowing with £8.5 cash reserves at the end of the year. The Principal commented that the Committee had not discussed what surplus they wanted the College to generate. A member wondered if the bad weather had had a significant effect on College business but the Director of Finance replied that Tyneside Training Services had been affected but this had only lasted for one week.

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He indicated that December 2012 was always going to be a difficult month as people had deferred activity until January 2013.

In terms of the Balance Sheet, the Director of Finance indicated that it had strengthened in December with net current assets rising by £107,000 to £3,988,000 despite £685,000 of fixed asset additions.

Cash fell in the month as a result of paying down creditors and the purchase of Barmston Court, with the RGF funding being receivable in a few months time. Cash should pick up over the next few months with the receipt of £1.05m from RGF receivable in April. The College's balance sheet continued to remain solvent.

There was a discussion about franchise arrangements with employers. If the College does not use franchises, but instead does it in house, then the risk is that you lose key contacts. It may be possible to acquire some but there would need to be a review of the return on investment and also the risk. The Principal commented that working with franchise partners does not always guarantee quality.

RESOLVED to note the contents of the report

F/1611 Travel Expenses Procedure

The Director of Finance introduced a report on the Travel Expenses Procedure. He explained that at the Joint Meeting of the Finance & General Purposes Committee and Audit Committee on 5 December 2012 it had been agreed to bring the document to the next Finance & General Purposes Committee meeting following a detailed review by a working party. A summary of expenditure on staff expenses was included in the report and this showed a significant jump in travel and subsistence. The growth in 11/12 was the result of more work around the UK in particular Jaguar Land Rover and the International Strategy and Entrepreneurial College.

The Director of Finance advised that the Procedure had been reviewed, updated and simplified in some areas which included: Approval Hierarchy, Air Travel, Late Night Travel Home from Work, Accommodation, Subsistence, Spouse/Part Time Travel and Mobile Phones Data Roaming. He explained the changes under Air Travel, highlighting that "All flights under 5 hours in length must be booked as Economy Class" and "Flights over 5 hours may be booked as Business Class so long as the party consists of at least one member of the Leadership Team, all other flights in excess of 5 hours not involving a member of the Leadership Team should be Economy Class". The justification for this is that members of the SMT would often be going straight into a meeting at the end of a flight and therefore needed to be fresh.

The Deputy Principal Curriculum and Quality enquired whether there was a particular reason for this amendment to the Procedure. The Clerk commented that the wording could be seen as discriminatory and said she would refer the matter to her colleague Claire-Jane Nicol at Dickinson Dees. The Principal confirmed that there would be no need for Union consultation as there was no change to staff ts and cs (indeed the revised policy was more beneficial to staff). The Chair expressed a note of caution on the £200,000 increase in travel costs from 09/10 to 11/12 although he recognised this increase would have been triggered by more travel to London and the Far East.

The Principal suggested seeing how the system went and reviewing the Travel Expenses Procedure each year once the amendments were made. The Director of Finance noted that a sentence about Governors travelling on College Business needed to be included in the document. A member enquired whether the Trade

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Unions had been consulted on the contents and the Principal replied that it was good practice to involve them but it was not a requirement. The Clerk asked whether the revised policy would be published and the Deputy Principal Curriculum and Quality advised that it would appear on DigitalDash, the College's internet page. She indicated that an email would be circulated to staff to inform that the document had been revised.

RESOLVED to approve the revised Travel Expenses Procedure subject to the modifications discussed.

F/1604 Any Other Business

Confidential Item

The report and the record of discussion on it are 'closed to public access'.

Subsidiary Companies

Following discussion the Committee agreed that the paper prepared by the Managing Director, Business, Innovation and Development on 'Subsidiary Companies' should be withdrawn from the agenda for the February Board meeting, but instead referred to the next F & GP meeting.

Board Dinners

The Chair of the Corporation indicated that he had received an enquiry from a Governor about making a contribution to the cost of the dining received after the October and December Board meetings. He had suggested making a donation to the Gateshead College Foundation. It was agreed that a communication on the matter should be circulated to Governors by the Clerk.

F/1605 Date of next meeting

The next meeting will be held on Thursday 28 February 2013.