

# FINANCE & GENERAL PURPOSES COMMITTEE



THURSDAY 23 MAY 2013

GATESHEAD COLLEGE

**Report:** Minutes of a meeting held on Thursday 25 April  
2013

**Author:** Clerk

**Action:** Approve

**Status:** Open

**Present:** Keith Cann Evans (Chair)  
Ivan Jepson  
Robin Mackie  
David Mitchell  
Ian Renwick  
Richard Thorold

**In attendance:** John Holt  
Mick Brophy  
Judith Doyle  
Emma Moody  
Gwyneth Jones

## **F/1633 Welcome/Apologies**

Keith Cann Evans welcomed everyone to the meeting. Apologies for absence were received from John McElroy.

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/1634 Minutes of the meeting held on Thursday 28 March 2013**

The minutes of the meeting held on Thursday 28 March 2013 were accepted as a correct record. David Mitchell indicated that he had left the meeting before the end but this had not been noted in the minutes.

## **F/1635 Matters Arising**

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

The Chair enquired about the diagrams relating to the Subsidiary Companies mentioned at the previous meeting and copies of a structure diagram were circulated to members.

### ***F/1627 – Indicative Funding 2013-2014 and Options to Achieve Savings***

*The record of discussion on this item are 'closed to public access' until such time as they are considered to be longer commercially sensitive*

**F/1630 – National EV Quick Charge Project**

The Chair referred to the National Quick Charge Project as mentioned on page 11 of the minutes and asked for an update. The Director of Finance said the Project was up and running but waiting for £2m from Nissan. The College was working with the lawyers to ensure that acquisition took place in a timely and proper manner.

**F/1636 Management Accounts: March 2013**

The Director of Finance introduced the Management Accounts for March 2013.

He issued members with copies of up-to-date KPIs on Learner Numbers which gave an overview of how the College is doing against its targets. There was positive news as the College had hit both 16-18 LR Headcount and 16-18 LR Funding targets for the year. If the College could pick up a few more learners it would be in a better position and this would lead to better allocations in 2014/2015.

Making good progress with 19+ LR Headcount and for 19+ LR Funding the College is ahead of schedule and should be on track to hit the target for the whole year. The target for 19+ Single Adult Budget was originally £15,787,075 but was increased by £952,272 to £16,739,347 as a result of the College hitting its allocation in 2011/2012. Overall, the College appears to be on track to achieve this target, it has £3m to go to hit the target with £2m from Direct Delivery and £1m from Franchisees. The target for Direct Delivery has been increased from £1.5m to £2.5m for June and July 2013. The Director of Finance explained the colours used on the chart for 'Tracking of the Achievement of the increased Direct Delivery Target'. Red/blue represented what the College had got so far and green/purple represented what was identified and scheduled for the next three months. Plans are currently in place to deliver £2.4m of Direct Delivery and new opportunities have been identified. It was noted that 16-18 Apprenticeship Funding will not hit the target of £1.7m for the year.

The Principal applauded Judith Doyle, Director of Curriculum and Quality and Mick Brophy, Managing Director of Business, Innovation and Development for steps taken and progress made. The College is now more on the right side of the line than a few months back, although could not become complacent. A good discussion in the Leadership Team had led to non-delivered provision being taken away; trends were showing not capable of delivery.

A member enquired about the traffic light system on the KPIs and the use of amber. The Director of Finance explained that amber was currently being used for 19+ but when it got closer to the target it would go to 'green'. The Principal commented that some KPIs were amber because they were not on track.

Judith Doyle said that 16-18 LR Headcount was about yield as well and this would lead to the maximum amount of cash. The Chair of the Corporation asked about the issues affecting 16-18 Apprenticeship Funding. The Principal said that he and James Ramsbotham, Chief Executive North East Chamber of Commerce had met with Matthew Hancock, Skills Minister earlier in the week and had a good discussion. Most partners were struggling to convince employers to take 16-18 year olds. Mick Brophy explained that employers were well rehearsed in saying that this age group were not job ready. Apprentices received a minimum of £100 per week and some SMEs struggled to pay this so a lot of avenues have gone. He was disappointed as he fully believed that the College will not get to the target this year but it will achieve it next year. The Principal commented that £100 for a SME for non-productivity can prove difficult. If an employer is not going to take a person Gateshead College cannot

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do anything about it. Mick Brophy said there had been a lot of shifts around 16-18 year olds – a lot of responsibility for employers and limitations on what they can do. Safeguarding meant this age group could not climb ladders and do shift work; 18-24 year olds are the ideal age group as 18 year olds are not affected by this legislation. A member commented that it would be useful to have planned activity and in which area earlier in the year. The Principal suggested this information could be provided at the Finance and General Purposes Committee meeting in September 2013.

The Director of Finance then ran through the detail of the Management Accounts.

- Revenue in March was just over £4,022,000 against a budget of £3,850,000 taking the year to date total to £30,715,000 (budget £29,385,000).
- SFA/EFA revenue was £235,000 over budget in the month as a result of a favourable variance on 19+ (£19,000) and the Unemployed Programme (£175,000).
- The College is making good progress on achieving its full year adult contract reaching £12,789,000 against the target of £16,739,000.
- The Skills Support for the Unemployed Programme continues to perform well bringing in around £250,000 in the month.
- Higher Education revenue continues to be slightly ahead of the budget, however the projected full year total has been scaled back following receipt of the HEFCE funding reconciliation which indicates it will be £859,000 rather than £900,000 for the full year.
- Education Grants revenue from 14-16 and technical certificates for other apprenticeship providers remained significantly under budget in the month and the year to date.
- Full Cost Fees revenue was down in March at £126,000 against a target of £148,000 reducing the year to date favourable variance to £52,000 at £1,186,000.
- Other Grant Income revenue picked up in March as a result of the Plugged in Places Project which is nearing completion, together with the Regional Growth Fund Project.
- Tuition Fees remain under budget for the month and year to date and the full year total has been revised down by £60,000 as a provision against bad debts.
- Overall expenditure was £4,013,000 in March over budget by £443,000 however when you strip out the partner payments adverse variance of £531,000 other lines collectively were £88,000 under budget and £372,000 for the year to date.
- Pay expenditure continues to run under budget overall, with a monthly variance of £59,000 (£399,000 YTD), however it is higher than it should be as additional staff have been employed in the core college to improve the quality of teaching and learning and the monitoring of performance. The employment of further new staff over the remainder of the year needs to be minimised and leavers not replaced wherever possible. The forecast total for the full year is £21,739,000 (budget £22,232,000) includes allowance for further restructuring costs of £300,000 and FRS17 Pension Adjustments of £360,000.
- Overall Other Operating Expenses were £507,000 over budget with partner payments over by £531,000. Partner Payments remain high in the month and are over budget, but are on a downward trend which is anticipated to continue as the College switches from partner to direct delivery. The planned delivery mix over the remainder of the year has been revised with direct delivery increasing from £1.25m to £2m allowing the full year prediction to be revised down to £10,247,000.

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- Depreciation charges fell again slightly in March to £231,000 reflecting assets becoming fully depreciated together with fewer additions.
- Interest Payable continues to fall reflecting very low interest costs on the Colleges debt.
- The College generated a small surplus of £9,000 in the month, but this hopefully will improve over the coming months as the impact of the planned switch from partner to direct delivery starts to filter through. Full year predicted outturn has been revised upwards to £210,000 from £76,000 as a result.

Judith Doyle advised that that staff restructure had benefited pay expenditure because it had removed the annual hours of 8.00am until 8.00pm which accrued overtime of £100,000 every year. Overtime would be a very small figure, if any, at the end of the year. The Principal commented that Pay Expenditure was slightly less than budgeted for. £10.2m of the College turnover of £45m is being spent on Payments to Partners.

In terms of the Balance Sheet, the Director of Finance indicated that it remained strong. Overall Fixed Assets fell in value by £203,000, with additions of £26,000 and depreciation of £229,000. Current Assets fell in the month by £1,060,000 with cash increasing by £599,000 and debtors falling by £1,659,000. The increase in cash was the result of £1,000,000 of advanced project funding for RGF, with it otherwise being a month of low SFA/EFA/HEFCE receipts, which pushed the underlying position down. Cash will however bounce back in April with substantially higher funding receipts. Debtors fell in March as a result of a reduction in the RGF debt of £552,000, matched by a reduction in income held on account so no P&L impact; a reduction in trade debtors of £212,000 and a reduction in accrued income of £744,000. Current Liabilities fell in March by £681,000 despite the receipt of £1,000,000 of RGF funding held on account. The reduction is mainly the result of releasing income held on account of £1,612,000. Next month current liabilities should fall as a result of the paying down of trade creditors and further release of income held on account.

The Director of Finance explained that a large chunk of the creditors are Franchise Partners, paid between 30-60 days (not paying too quickly in order to assist cash flow for the College). A member observed that the College had in year challenges and challenges for next year but had reserves of £30m. He enquired what the reserves were for. The Director of Finance replied that it was for repayment of Gateshead College's estate. Cash can also be used to pay down all of the debt and loans (£12m of loans); keeping the current ratio good and keeping Gateshead College in surplus and not breaching the bank covenant. The Chair of the Corporation commented that the College was not in deficit yet. If it went into deficit in one year and then there was a gap in between it would clear it.

### **RESOLVED to note the contents of the report**

#### **F/1637 Confidential Item**

*The report and the record of discussion on it are 'closed to public access' until such time as they are considered to be longer commercially sensitive.*

#### **F/1638 Funding Update**

*The report and the record of discussion on it are 'closed to public access' until such time as they are considered to be longer commercially sensitive.*

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**RESOLVED to note the contents of the report**

**F/1639 Confidential Item**

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**RESOLVED to note the contents of the report**

**F/1640 Any Other Business**

There were no items for discussion.

**F/1641 Date of next meeting**

The next meeting will be held on Thursday 23 May 2013 and David Mitchell gave his apologies.