

FINANCE & GENERAL PURPOSES COMMITTEE



THURSDAY 10 OCTOBER 2013

GATESHEAD COLLEGE

Report: Minutes of a meeting held on 27 June 2013

Author: Clerk

Action: Approve

Status: Open

Present: Ivan Jepson
Richard Thorold
John McElroy
Ian Renwick

In attendance: Emma Moody
Mick Brophy
John Holt

F/1651 Welcome/Apologies

Ivan Jepson welcomed everyone to the meeting. Apologies for absence were received from David Mitchell, Keith Cann-Evans (and Robin Mackie subsequently confirmed he was unable to attend the meeting due to the failure of the video conference facility).

The Chair invited members to declare any interest 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 Interest.

F/1652 Minutes of the meeting held on Thursday 23 May 2013

The minutes of the meeting held on Thursday 23 May 2013 were accepted as a correct record.

F/1653 Matters Arising

A member queried what progress had been made in relation to the collaboration with Middlesbrough. The Principal reminded members that the board had agreed to move towards putting together a contract of confederation with Middlesbrough College. The Principal had been working with Eversheds and the Principal of Middlesbrough with a view to bringing back a document to the Board for review. He said he thought a smaller group of governors would need to scrutinise that document along with himself and he would ask the Board next week to form a small working party in order to do this

F/1654 Management Accounts: May 2013

- The Director of Finance introduced the management accounts for May 2013. He issued members with updated key performance indicators for the month.

Agenda No: 2

- On 16-18 Headcount, the College was ahead of target by 300. It was also c.£230,000 ahead of funding target. There were approximately 2,750 full time equivalents and, compared with 2,300 the year before, this was good progress.
- 19+ Headcount is also ahead of last year. 19+ Learner Responsiveness allocation is on track to reach its target. 19+ Employer Responsiveness is on track to hit where the College was last year.
- The College was currently around £15.4 million against a target of £16.74 million, so it still had £1.3 million to go.
- Income for the month totalled £3.76 million up from £3.66 million in April and was under budget by £10k. Year to date total income was at £38.23 million. The full year income is expected to reach £45.96 million which would be ahead of target by £1.35 million.
- In relation to 16-18 Apprenticeship Funding, the target for the end of the year was £1.45 million and direct delivery had secured £800,000 so far. The Director of Finance thought the College would end up in between £1 to £1.5 million by the end of the year. He was working hard with members of the team on getting the College into a projected surplus situation, rather than deficit. There were three months data left to capture for SFA's funding purposes.
- SFA/EFA revenue was £56k over budget in the month at £3 million, taking year to date total to £30.62 million.
- The Skills Support for the Unemployed programme continued to perform well bringing in £346,000 in the month but is mainly delivered by partners where 70% has been paid out. Whilst the College is endeavouring to move towards in-house provision, getting there was rather slower than envisaged.
- In relation to full cost fees, this should pick up over the remaining months of the year and previous trends shows demand for commercial courses tended to fall in TTS, beginning in May and continuing throughout June and July.
- Other grant income has decreased in the month due to the winding down of the PIP Project managed by Charge Your Car North. It will pick up again over the next couple of months with the final reconciliation of the project.
- FE tuition fees were £35k in the month rising to £359k for the year to date. It was expected for a year outturn of £451k, being £30k under budget.
- The HE tuition fees are down as against the budget as a result of lower recruitment and retention of learners.
- Overall, income was over budget for year to date and on budget for the month.
- The College is under its allocation for expenditure for year to date but this would be balanced due to the pending staff redundancy costs.
- In relation to expenses generally, the Director of Finance reported that it had been a "heavy" month in relation to expenditure on legal fees due to Gazelle and the confederation with Middlesbrough and the review of the I & A.

Agenda No: 2

- There was also a number of other payments that had been made although payments to partners were down as the College tried to reduce its reliance on partner delivery.
- The Director of Finance reported that the College should break even by the end of the year but it would be very tight and it would only take one or two items of unexpected expenditure. A member asked if the Director of Finance would be able to move things into next year's allocation where possible and he replied that he would where he could, but this was not always possible due to the nature of the income.
- The Chair asked for confirmation about the risks around the bank covenant and surplus and the Director of Finance confirmed that the College would need to be in deficit for two consecutive years to break the covenant and it was not in deficit last year. However, this was something to keep on the radar.
- The Principal noted that the timings of voluntary redundancy would be crucial. There would be some difficult decisions for the board to make next year in relation to pay increments for example. The government had also indicated that it would put more money into the apprenticeships scheme. The Director of Finance confirmed that there had been some sale of surplus assets at the College which had made a small indent in the figures.
- The Director of Finance also confirmed that there would need to be some accounting for the FRS17 valuation in relation to the pension deficit.
- The Director of Business Innovation and Development noted that there were other contracts which could come off but that income from those contracts may fall within next year's budget.

The Director of Finance commented that the balance sheet of the College remained strong and liquidity was good. There was funding from RGF and from Nissan which would help. This was reflected in the current liabilities of the College which was at 0.3 on its current ratio. It also had £18.25 million of net assets. Cash in the bank at the year end was £10 million but with £3 million already allocated.

RESOLVED to note the contents of the report

F/1655 Budget for Year Ended 31 July 2014

The Director of Finance noted that the College needed to save £1.5 million next year. £960k of this would come from staff redundancies and extra revenue from commercial sales. As well as some savings from the stripping out of some 24 plus course provision.

The College needed to find an extra £1/4 million cost savings so was therefore also operating under a tight budget. There would be some key funding changes on the horizon which the College needed to be alive to.

There would also be less movement in relation to SFA funding. The Director of Finance had built in some allowance for growth in the 16-18 market, he had also built in some capability for learner movement into full-time students which would improve the College's yield.

Agenda No: 2

He noted that the HE provision was continuing on the planned projector downwards. Although HE franchise payments funded by the Universities would be slightly up.

In relation to the College's international work, this will hopefully start breaking even next year. Other grant income will pick up with the Nissan Charger project and more commercial activity will increase income to the College.

On the other hand, interest rates will drop.

In relation to other operating expenses, there will be some savings taken into account, although there will be depreciation due to the site at Barmston Court.

The Director of Finance would forecast a small surplus this year and next.

The Director of Business Innovation and Development said that there were great opportunities was outstanding in employer engagement but this had not been reflected in the Ofsted grading. He said that it was vital that the College looked for a new partner and that partner should be Middlesbrough. He said that he thought that could increase this area by £1/2 million.

Another member commented that it was good to have a planned budget for the next year but he was not sure whether the calculations were bold enough. The Director of Finance replied that if the College was able to push up yield and drive up class sizes then this would obviously create a better return for it.

The Director of Business Innovation and Development said that he thought that this was a sensible and modest target. He was keen to see something more serious in terms of financial reward coming out of the joint venture with Gazelle.

The Chair commented that he thought it was important for the College to consider the management of its reputation in relation to the figures. The Director of Finance confirmed that only years 2 and 3 went to the SFA and there would be a question of the College's credibility if it did not make provision for 19+.

The Principal queried why we should be aiming for surplus income because in any event the College had an obligation to spend its annual income in provision for its learners. Another member commented that the confederation with Middlesbrough would result in more fundamental cost savings.

RESOLVED to recommend the approval of the budget to the Board on 4 July 2013

F/1656 Property Strategy – Barmston Court

This item is closed and the minutes and papers will not be available for publication.

F/1657 Joint Venture with Elektromotive

This item is closed and minutes and papers shall not be published.

F/1658 Acquisition of Group Horizon

This item is closed and minutes and papers shall not be published.

Agenda No: 2

F/1659 Gazelle Update

This item is closed and minutes and papers shall not be published.

F/1660 Any Other Business

There was no other business and the meeting terminated.

F/1661 Date of next meeting

The next meeting will be held on Thursday 10 October 2013 at 12.30pm.