

FINANCE & GENERAL PURPOSES COMMITTEE



THURSDAY 8 MARCH 2012

GATESHEAD COLLEGE

Report: Minutes of a meeting held on Thursday 12
January 2012

Author: Clerk to the Corporation

Action: Approve

Status: Open

Present: Keith Cann Evans (Chair)
Ivan Jepson
John McElroy
Robin Mackie (via video conferencing)
David Mitchell

In attendance: John Holt
Judith Doyle
Jackie Doxford
Gwyneth Jones

F/1527 Welcome/Apologies

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

Robin Mackie participated in the meeting via video link. All participants in the meeting were able to see and hear all other participants for the full duration of the meeting.

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/1528 Minutes of the meeting held on Thursday 3 November 2011

The minutes of the meeting held on Thursday 3 November 2011 were accepted as a correct record.

F/1529 Matters Arising

F/1520 Appointment of a Sabbatical President of the Students' Union - An update was requested on the position regarding the appointment of a Sabbatical President of the Students' Union. It was noted that there had been discussions between the Clerk and Muriel Callaghan, the Director of Learner Services and also with Human Resources. There would need to be changes to the constitution to allow the person appointed as a Sabbatical President to become a member of the Board of Governors.

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F/1530 Draft minutes of the Joint Meeting of Finance and General Purposes Committee and Audit Committee held on 1 December 2011

The Clerk explained that the draft minutes of the Joint Meeting of Finance and General Purposes Committee and Audit Committee on 1 December 2011 were for note only and would be submitted for formal approval at the next joint meeting. Item JFA/57 on page 6 to item JFA/63 on page 13 were relevant to this meeting of Finance and General Purposes Committee.

F/1531 Matters Arising

JFA/59 Acquisition of Tyneside Training Services Ltd (TTS) - The Director of Finance reported that the College had engaged Deloitte to undertake financial due diligence and Eversheds to undertake the legal side. The College is awaiting the outcomes of these investigations before making a final decision on the proposed acquisition.

JFA/62 North East Apprenticeship Company - The Chair said that he had attended a NEAC Board Meeting earlier in the week and arrangements were progressing in line with the decisions made by the Committee. A further NEAC Board Meeting is scheduled for 25 January 2012 after which the official documents will be drawn up. A member sought clarification on whether this was the existing NEAC or if it was the new company (NewCo). The Director of Finance replied that Gateshead Council will resign from NEAC and so it will continue to be known as NEAC; there is no need for a new company.

JFA/63 Amacus Ltd - The Chair of the Corporation commented on the absence of a review of Amacus Ltd. The Director of Finance indicated that this would be included in the agenda for the March 2012 meeting.

F/1532 Minutes of the special meeting held on 8 December 2011

The minutes of the special meeting held on 8 December 2011 were accepted as a correct record.

F/1533 Matters Arising

F/1524 Acquisition of Tyneside Training Services Ltd (TTS) - The Chair of the Corporation asked what the timescale would be in terms of signing off any paperwork relating to the purchase of TTS. The Director of Finance indicated that it was expected that sign off would be by the end of January 2012.

F/1534 Management Accounts – November 2011

The Director of Finance introduced the management accounts for November 2011. The College generated revenue of £3,431,000 and a surplus of £68,000 in the month ending 30 November 2011. Revenue for the year to date totals £12,020,000 and is under target by £1,508,000, of which £546,000 is the result of the delayed transfer of the Plugged in Places project.

It was noted that in terms of YPLA/SFA Income, revenue is £874,000 under budget for the year to date at £9,874,000. This is mainly from employer responsiveness activity where franchised provision has been discontinued, but has not yet been fully replaced by directly delivered activity. The College has new staff in place hopefully to generate business over the remainder of the year. The position will be reviewed in

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January 2012 and in the event that sufficient volume of work fails to materialise there is a fallback position of increasing lower margin franchised activity in the second half of the year.

16-18 Learner Responsiveness activity is roughly 2% down on the same point last year, but the College should still exceed its full year target if the same pattern of recruitment is repeated. Under recruitment has occurred in Automotive, Construction and Sport.

The 19+ Learner Responsiveness element of the combined Adult Budget is up on the same point last year by 2%, this is the result of significant growth in programmes dedicated to the unemployed, partially offset by the anticipated decline in traditional programmes. This decline has been lower than expected because of the Gateshead College Foundation and the late relaxation in the fee remission eligibility rules. Further changes to funding rules in 2012/2013 and 2013/2014 will mean further reductions in traditionally delivered programmes.

Overall HE funding is down slightly against the budget, but it is expected that this will be caught up later in the year with the receipt of additional widening participation funding. Revenue from Educational Contracts is down on the same point as last year with a reduction in 14-16 activity; however, this is in line with expectations. Revenue from full cost courses was behind budget in the month of November by £43,000 at £59,000 and for the year to date at £388,000 under by £22,000. Revenue was lower at Amacus and from the academic departments, but this was partially offset by growth delivered by the commercial team. Revenue from Other Grant Income is under budget by £401,000 for the year to date, however the delayed transfer of the Plugged in Places project accounts for £409,000. Tuition fees are under budget to the end of November, but are on track to exceed the full year budget and are collectively up on the same point last year by £84,000 (+30%). The College expects to finish the year about £120,000 over target on FE fees, with HE on target.

Expenditure in November was £95,000 over budget at £3,363,000 and £1,134,000 under for the year to date at £11,826,000. The delayed Plugged in Places transfer accounts for £530,000 of the favourable year to date variance. Turning to Pay Expenditure, it was noted that the total for the month was over budget by £7,000 and under by £483,000 for the year to date, of which the delayed Plugged in Places transfer accounts for £104,000. The adverse variance in the month is the result of restructuring costs in the teaching departments, the back dated pay award and higher than expected part-time lecturer salary costs. It was noted that overall Non-pay Expenditure had an adverse variance of £105,000 in November which reduced the year to date favourable variance to £562,000. The adverse variance reflects the catching up of exam fees (£50,000), marketing on the big open day (£40,000), development of the international strategy by external consultants (£28,000) and legal fees associated with the Plugged in Places transfer (£13,000), partially offset by savings on premises costs. Excluding Payments to Partners the College has a year to date favourable variance of £464,000. Payments to Partners are slightly below budget for the year to date, but are high in relation to the overall level of post 19 SFA income, reflecting the time it will take for direct delivery to replace franchised activity.

Depreciation charges are under budget for the year to date by £66,000 but this will be reversed over the coming months as the College starts to depreciate student laptops and the Construction Centre extension.

A surplus of £68,000 was generated in November against a target of £146,000 bringing the year to date total to £194,000 against a target of £567,000. The key

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factors in the shortfall are the switch to in-house from franchised delivery, the delayed transfer of the Plugged in Places project and under recruitment in some curriculum areas. Fixed assets increased in value by £708,000 with additions of £934,000 and depreciation of £226,000. The Construction Centre Phase 2 accounts for £690,000 of the additions in the month.

The Director of Finance indicated that the College was still on target for the year if all the activity planned was delivered. He commented that he was quietly confident that the figures at the end of January and February 2012 would show an improved picture.

RESOLVED to note the contents of the report

F/1535 Property Strategy

The Director of Finance introduced a paper which updated the Committee on the progress with the Phase 2 Property Strategy.

Skills Academy Sustainable Manufacturing

The final account agreed with Mansell Construction is £4,810,976 plus VAT against an original contract sum of £5,167,962 plus VAT giving rise to a saving of £356,986 plus VAT. In addition, further savings of £24,109 have been made on equipment taking the overall cost to £7,982,788 (budget £8,435,280) a saving of £452,492 which is highly than previously reported. The completed SASMI building is performing well with no significant issues identified. In response to an enquiry from the Chair as to whether this was the first time that the College had worked with Mansell Construction the Director of Finance indicated that it was. He commented that he would be happy to work with Mansell Construction again; the quality of the firm's work has been exceptional.

Construction Centre Phase 2

Good progress on the Construction Centre Phase 2 project continues and it is expected that fractional completion on the hub building will be achieved on 16 January 2012. This will allow the building to be commissioned over the next four weeks with staff and students able to move during w/c 13 February 2012 in order to start lessons from w/c 20 February 2012. The Modular Building will be decommissioned between 20 February and 24 March 2012 with Phase 3 of the project running from 5 March to 26 March 2012 to remove the concrete pad and complete the access road. Phase 4 fit out of the workshops will commence at the end of March 2012 and continue to late June 2012, in time for the new academic year.

Stadium – Academy for Sport

The College is currently in negotiation over the lease for the accommodation within the main Stadium building and it is hoped that this will be settled at an early date.

RESOLVED to note the contents of the report

F/1536 Subsidiary Companies

Robin Mackie declared an interest in Charge Your Car Ltd (Zero Carbon Futures)

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The Director of Finance introduced a report which updated the Committee on the first quarter performance of the subsidiary companies.

Amacus Ltd

In the first quarter of 2011/2012 Amacus generated revenue of £96,000 and a surplus of £20,000 against targets of £100,000 and £5,000 respectively. This represents a substantial improvement over the same period last year which had revenue of £72,000 and generated a loss of £8,000. A summary of the financial position was included in the report. Net Assets currently total £98,000 compared to £29,000 when the College acquired the business in summer 2008.

Looking forward it was noted that Amacus has secured sales of £315,000 including £96,000 in the first quarter for the year so far against a target of £400,000. In addition, £175,000 is already secured for 2012/2013 and there is £150,000 of potential work in the pipeline. The business is on track to exceed its target revenue of £400,000 and a surplus of £20,000.

Charge Your Car (North) Ltd

Charge Your Car (North) Ltd was established to facilitate the transfer of the Plugged in Places project from One North East. The company did not trade in the first period with the transfer only occurring on 1 December 2011. The transfer of funds and staff from One North East occurred in early December. The Director of Finance said he would be meeting with them later on 12 January 2012.

Charge Your Car Ltd (Zero Carbon Futures)

Charge Your Car Ltd (Zero Carbon Futures) was set up to support the delivery of the low carbon strategy including the Regional Growth Fund bid and the Test Track. It was noted that the company commenced trading on 1 October 2011 with the appointment of the first member of staff. There was no revenue in the first quarter (to 31 October) and expenditure totalled £4,500. A full report will be submitted at the end of the second quarter together with the business plan which is currently under development.

Gateshead College Foundation

In the period from start up to 31 October 2011 the Foundation received the initial contribution of £1,000,000 from the College together with donations of £4,000 from external parties. The College has not yet made its contribution for the year 2011/2012 of £407,000. In the same period £83,000 was distributed, mainly in tuition fees (£64,000) and in course grants/travel awards of £14,000.

In discussion a member asked if the Charge Your Car (North) Ltd company was time-limited. The Director of Finance replied that Plugged in Places would be running for another 15 months until March 2013. The aim was to have a plan in place for it to continue once the contract was ended.

Another member commented that he had found the report very useful and enquired whether NEAC would be included in future reports. The Director of Finance explained that NEAC had not been included as had been the subject of recent reports. He added that there had been slight additional costs since the last report because of severance payments to staff. The Chair indicated that, in his role as Chair of the

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NEAC Board, he had met with the two members of staff who were to take the restructured business forward. He commented that there were currently insufficient apprentices to fill the vacancies they had found. There was discussion on the need for a review of the management arrangements once NEAC is wholly owned by Gateshead College. It is expected that full integration of NEAC with the College should facilitate a good relationship between NEAC and the College's Apprenticeship Department.

A member asked about apprenticeships and the Chair said there was a surfeit of companies who wanted to take people on but there were not enough good quality apprentices. Another member said that young people may decide that what they embarked upon in September 2012 at College is not for them and may decide to look at apprenticeships.

The Chair of the Corporation asked how many apprentices would be needed and the Chair indicated that he understood that 15 – 20 people were required. The Chair of the Corporation suggested leverage through articles in local newspapers rather than buying advertising space to help to accelerate this. The Chair commented that NEAC was already doing this sort of thing but the staff would be consulting the Director of Marketing and Communications about developing the NEAC profile. He also commented that the Managing Director of Business, Innovation and Development would be able to help with advice on promotional activities.

RESOLVED to note the contents of the report

F/1537 Any Other Business

The Chair of the Corporation enquired what was happening in the business development forum. The Director of Finance replied that a report would be included in the agenda for the next meeting.

A member enquired about the land opposite the Baltic Campus which had been mentioned by the Principal at the November meeting as a possible site for the development of additional building. The Director of Finance replied that there was a need to maximise the use of the accommodation in existing sites which did not suggest a strong case for investment in the site.

A member commented that the video conferencing equipment used in the meeting had worked well and the conduct of business had not been disrupted by the new development.

F/1538 Date of the next meeting

The next meeting is scheduled for Thursday 8 March 2012.