

FINANCE & GENERAL PURPOSES COMMITTEE



THURSDAY 3 NOVEMBER 2011

GATESHEAD COLLEGE

Report: Minutes of a meeting held on Thursday 22
September 2011
Author: Clerk to the Corporation
Action: Approve
Status: Closed

Present: Keith Cann Evans (in the Chair)
Ivan Jepson
David Mitchell
Richard Thorold

In attendance: John Holt
Judith Doyle
Jackie Doxford
Gwyneth Jones

F/1503 Welcome/Apologies

Keith Cann Evans welcomed everyone to the meeting. The Principal expressed his appreciation to members for agreeing to the early start of the meeting. Apologies for absence were received from Robin Mackie, John McElroy 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/1504 Minutes of the meeting held on Thursday 30 June 2011

The minutes of the meeting held on Thursday 30 June 2011 were accepted as a correct record.

F/1505 Matters Arising

F/1468 - Gateshead College Foundation - The Principal reported that the Foundation has begun supporting learners. Recruitment for 16-18 year olds is very good and the College expects to reach its contract numbers.

F/1491 - Entrepreneurial College - The Principal explained that the need for the early start of the meeting was to enable him to support 'The Main Event' in Sheffield in relation to entrepreneurial learning.

F/1497 - Plugged in Places - The Chair enquired about progress in setting up the new company to operate the Plugged in Places project. The Director of Finance explained that the College has been asked by ONE to take over all of the pensions and redundancy costs, should the project prove unsuccessful, of the personnel transferring from ONE to the new company. The costs are considered to be onerous and the terms and conditions of service of the staff are much more generous than

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those of College staff. There are concerns that if it is not possible to resolve the issues the College may have to withdraw from the project.

F/1499 - College Companies - reports on Amacus Ltd and NEAC Ltd are substantive items on the agenda.

F/1506 Management Accounts: June 2011

The Director of Finance introduced the management accounts for June 2011.

RESOLVED to note the contents of the report

F/1507 Management Accounts: July 2011

The Director of Finance presented the management accounts for July 2011. Revenue for the year totalled £40,814,000 over target by £2,748,000 giving rise to a surplus of £2,566,000 (6.3%) against a target of £2,471,000 (6.5%). The Balance Sheet strengthened with cash at £14,710,000 and net assets at £52,346,000 including deferred capital grants.

Overall FE funding was over target for the year by £1,378,000, with the one-off SFA project revenue delivering a favourable variance of £1,730,000 and 16-18 provision a favourable variance of £1,019,000 offset by a shortfall on 19+ of £1,450,000. It was noted that the shortfall was the result of putting together a training programme for Nissan in anticipation of a stand down following the Japanese earthquake. However, whilst other Nissan plants in Europe were stood down the UK plant was able to continue production and the training programme was not required. The timing was too late in the year for the College to make up the full contract value. It was noted that the College is trying to reduce this shortfall and it is hoped that a further adjustment will be made in late September.

Turning to Pay Expenditure, it was noted that the total for the year was £18,331,000, £338,000 over budget and £157,000 below the expected out-turn, however if the cost of the Corus payroll carried by the College earlier in year of £367,000 is extracted the College is £29,000 under budget. The good performance reflects effective control over the budget and also restructuring and FRS17 for which costs have come in lower than planned. Overall pay was 47.4% of income compared to the budget of 49.9%. It was noted that overall non-pay expenditure totalled £16,135,000, over budget by £2,718,000 of which £2,178,000 was on payments to partners. Other adverse variances were the result of additional marketing, gaining extra accommodation at Gateshead Stadium mid-year and examination fees linked to higher turnover.

Depreciation came in under budget for the year at £2,266,000 against a target of £2,564,000, the favourable variance was the result of the lower than planned level of capital expenditure with in particular the delays in the SASMI Centre and Phase 2 of the Construction Centre.

The Chair commented that once again there has been excellent, consistent performance from Gateshead College in difficult economic times.

RESOLVED to note the contents of the report

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F/1508 North East Apprenticeship Company

The report and the record of discussion on it are 'closed to public access' until they are considered to be no longer commercially sensitive

Keith Cann Evans, John Holt and Judith Doyle declared an interest as Directors of NEAC.

F/1509 Amacus Ltd

In addition to a paper prepared by the Director of Finance, Christine Hall, Managing Director of Amacus Ltd gave a presentation to the Committee about Business Performance during 2010/2011 and what was next for the Company. In the year to 31 July 2010 Amacus generated revenue of £299,437 and a surplus of £13,954 in difficult trading conditions. It was noted that in 2010/2011 revenue has grown by 30% and Amacus has achieved a turnover of £386,000, against a stretching target of £450,000. The Company has a surplus of £28,000 for the year despite lower than hoped for turnover. This is a profit margin of 7.8%.

In her presentation Christine Hall explained that Amacus had conducted a performance review 2010-2012, created an ILM Accredited Portfolio and delivered Levels 3, 4 and 5 Award, Certificate and Diploma. The Company has developed strategy and policies which cover Quality Assurance, Business Development and Marketing and PR. Rebranding of Amacus has taken place resulting in a new, fresh corporate style and a new website is up and running. Amacus has also created its first newsletter.

The Committee noted that the financial headlines for 2010-2011 were that Amacus had a 22.5% growth in turnover, the highest turnover achieved in a 12 month period, the balance sheet had increased by 29.9% and the current ratio was 1: 2.72. During 2011-2012, Amacus has secured business of £250,000 which includes winning contracts with NHS South of Tyne and Wear and also with Tyne and Wear Fire and Rescue Service. The forward business secured for 2012-2013 is currently £183,000 and for 2013-2014 it is £103,000.

Amacus has six strategic objectives for 2011-2012 and these are: **Finance** – Growth profitably; **Build the Brand** – 'Geared4Success' Portfolio; **Expand and Embed** – Accredited Qualifications; **Review and Embed** – Quality Assurance, Business Development, Customer Care, Marketing and PR; **Business Development** – Maximise existing customers and have a proactive approach to tenders; **Staff Development** – Continue in line with company & individual aspirations.

The Strengths, Weaknesses, Opportunities and Threats for Amacus were highlighted. The Company's key strength is in a capable, competent team who are resilient, hard working and innovative. The main weakness is that this there is only a small core team and it is completely stretched. This limited staff resource means that some of the work gained has to be outsourced.

Christine Hall outlined what was next for Amacus, she indicated that it needs both time and staff resource. The Company has a solid business model that works with expertise and a track record to make things happen. In discussion, members sought clarification on how Amacus fitted with Gateshead College's core purposes. It was noted that Amacus had achieved the surplus target of £28,000 for the year which was a massive achievement.

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RESOLVED to note the contents of the report and the presentation

Christine Hall left the meeting.

The Chair commented that it would be helpful if the Managing Directors from the College's subsidiary companies attended future meetings to provide an update for the Committee. The Director of Finance suggested company representatives attending twice a year to complement his quarterly report on College subsidiaries.

F/1510 Property Strategy: Progress Report

The Director of Finance introduced a report which updated the Committee on the Phase 2 Property Strategy. It was noted that practical completion on the Skills Academy for Sustainable Manufacturing and Innovation (SASMI) was achieved in early August and the final account has been provisionally agreed with Mansell. The cost of the project is likely to be around £400,000 under budget despite the costs of having to work around the NEDL cable which crossed the site and the delayed start to the project. The final account had been expected to be around £150,000 over budget but careful cost control has enabled considerable savings to be made.

Turning to the Test Track it was noted that practical completion has been achieved and that the project will be brought in on budget. The College has received the full £2.5million from One North East.

Work on the Construction Centre Phase 2 is well underway with the new hub building taking shape and the workshop extension completed ready for the College to fit out over the coming months. Student and staff occupation is expected from January 2012.

It was noted that the College has agreed the revised lease to take over the whole of the Academy Building at the International Stadium from Gateshead Council. The five rooms in the new stadium extension have also been completed and the draft lease is awaited from the Council.

Members expressed an interest in a tour of the new buildings and the Principal suggested that some of the Board Meetings in 2012 could take place at the different venues.

RESOLVED to note the contents of the report

F/1511 Any Other Business

There was no other business

F/1512 Date of the next meeting

The next meeting is on Thursday 3 November 2011.

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