

# FINANCE & GENERAL PURPOSES COMMITTEE



THURSDAY 26 APRIL 2012

GATESHEAD COLLEGE

**Report:** Minutes of a meeting held on Thursday 29  
March 2012

**Author:** Clerk to the Corporation

**Action:** Approve

**Status:** Open

**Present:** Keith Cann Evans (Chair)  
David Mitchell  
Richard Thorold  
Robin Mackie (via video link)

**In attendance:** John Holt  
Jackie Doxford  
Gwyneth Jones

## **F/1550 Welcome/Apologies**

Keith Cann Evans welcomed everyone to the meeting. Apologies for absence were received from Ivan Jepson, John McElroy and Ian Renwick.

*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/1551 Minutes of the meeting held on Thursday 8 March 2012**

The minutes of the meeting held on Thursday 8 March 2012 were accepted as a correct record.

## **F/1552 Matters Arising**

**F/1548 Equality North East** - The Chair asked for a brief update on Equality North East and Tyneside Training Services Ltd. The Principal advised the Committee that the College is still in discussions with Equality North East. An update on Tyneside Training Services was provided by the Director of Finance later in the meeting.

## **F/1553 Management Accounts – February 2012**

The Director of Finance introduced the Management Accounts for February 2012. Income increased in February by £97,000 to £3,580,000 giving a favourable variance of £186,000 against the monthly target and reducing the year to date adverse variance to £1,537,000. Overall the College expects to recover the shortfall achieving full year revenue of £40,770,000 in line with the target.

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It was noted that SFA/YPLA revenue from 19+ Learner Responsiveness funding continued to perform well with a favourable variance of £454,000 for the month and £1,368,000 for the year to date. Programmes for the unemployed have performed particularly strongly with new activity in the West Midlands for Jaguar Land Rover contributing £337,000 so far and more activity scheduled over the next five months. 19+ Learner Responsiveness revenue is currently £2.2m over the full year target at £9,369,000 and should reach £12,236,000 by the end of July. Work Place Learning (formerly Train to Gain) also continues to perform well, bringing in £1,278,000 for the year to date and £1,464,000 for the full year. Revenue for apprenticeships is currently much lower than previously predicted with funding being diverted to support programmes for the unemployed within the single 19+ budget. 16-18 apprenticeship revenue has not moved over the last few months staying steady at £1.18m.

HE revenue is down in February as result of the reconciled learner numbers with the University of Sunderland being lower than expected. The monthly figures, therefore, include the impact of a clawback from the University with the full year total being £230,000 rather than £320,000. Education Contracts revenue was under budget by 50% in February as a result of less 14-16 year olds and reduced level of technical certificate provision for external apprentices. Income from full cost programmes picked up from £66,000 in January to £84,000 in February with improved performances by Amacus and the commercial team. In terms of revenue from Other Grant income, the Plugged in Places project has brought in £211,000 in February enabling this line to exceed the target by £148,000 and reduced the year to date shortfall to £347,000. Over the remainder of the year the College should continue to reduce the shortfall to around £200,000. Tuition fees revenue continues to improve with the year to date total now £396,000, £24,000 over target and the full year total is expected to be £724,000, £130,000 over target. Growth in fees has been driven by one partner Premier Training International which has brought in £70,000 so far this year. HE fees are £29,000 under budget for the year to date and are expected to finish the year around £11,000 under, mainly as a result of lower than planned recruitment.

Expenditure in February was £3,537,000 and £242,000 over budget bringing the year to date total to £21,845,000, under budget by £937,000. Overall expenditure is high in relation to income as a result of higher than planned reliance on collaborative partners and excessive use of hourly paid teaching staff, action is being taken to address this. Turning to Pay Expenditure, it was noted that the total was £112,000 under budget at £1,604,000 benefitting from action taken to reduce the use of hourly staff, minimal restructuring costs in February, strike deductions taken from November 2011 and it being a very short month for hourly paid staff claims. Casual pay costs are over budget because of the programme for the unemployed with Jaguar Land Rover. Pay expenditure is currently £671,000 under budget at £11,162,000 for the first seven months of the year; the variance is expected to rise to £817,000 by the end of the year after allowing for an additional spend of £346,000 on restructuring payments. Overall Non Pay Expenditure was £333,000 over budget in February of which £223,000 was down to partnership provision, the remaining £110,000 mainly related to consultancy costs in developing the International Strategy and professional fees associated with the purchase of Tyneside Training Services. Examination and Registration fees are also running above budget as a result of the recent recruitment of 19+ learners and it is expected that the budget for the year will be exceeded.

Depreciation charges were £30,000 over budget in February as a result of the student laptops and commencing depreciation on the Construction Centre extension. Depreciation for the full year will total £3,281,000 with the laptops fully depreciated in one year. Interest payable in February was £8,000 under budget at £39,000 with a

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year to date total of £287,000, £39,000 under budget. The College continues to benefit from the low interest rates.

A surplus of £43,000 was generated in February against a target of £98,000 bringing the year to date total to £220,000 against a target of £820,000. The shortfall is the result of increased use of franchised partners to secure the 19+ funding line; higher than planned use of hourly paid staff; and investment in developing new business streams. It is anticipated that a surplus will be generated for the full year of £1,112,000 against a target of £1,645,000 provided all revenue opportunities are maximised and all expenditure minimised as appropriate. The Director of Finance advised the Committee that March should show a continuation of improvement and that the monthly figures will hopefully be ahead of target. The Balance Sheet remains strong.

The Chair enquired about the advantages of depreciating the costs of student laptops over more than one year. The Director of Finance explained that the decision was taken to depreciate the student laptops before they were lost or damaged. A member raised the subject of Gateshead College Foundation supporting students with fees and the Director of Finance replied that these were still classed as Fee Income and not classed separately. He informed the Committee that Post 19 Education had caused concern before Christmas 2011 when it was £8.5m below target and that £4.5m had been cleared since the beginning of the year with £4m to be delivered over the next four months. Members noted that 19+ recruitment is more challenging than 16-18 recruitment because the market includes people in employment who need release from work and/or support from employers in order to pursue their chosen course.

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

### **F/1554 Subsidiary Companies**

The Director of Finance introduced a report which updated the Committee on the second quarter performance of the College's subsidiary companies.

#### **Amacus Ltd**

Amacus got off to a good start in the first quarter of 2011/12 generating revenue of £96,000 and a surplus of £16,000. In the second quarter revenue slowed to £71,000 with a drop in the surplus to a deficit of £3,000. The downturn in revenue is mainly accounted for by the Christmas period with customers deferring training until the new year. Revenue picked up in February and looking forward it was noted that Amacus remains on track despite a low second quarter to achieve the full year target of £400,000 with a surplus of £20,000.

#### **Charge Your Car (North) Ltd**

Charge Your Car (North) Ltd manages the Plugged in Places project transferred from One North East. The project transferred on 1 December 2011 and at that point the College received £884,000 in cash and prepaid expenditure of £1,845,000. At the point of transfer the project had received £5,679,000 out of a potential £7,287,000 of funding. A summary of the financial position once the opening adjustments were made was included in the report. In the first three months since the transfer the project has performed well with revenue of £349,000 generating a small surplus of £17,000. December was affected by the disruption of the transfer together with the Christmas break. Looking forward it was noted that revenue is expected to improve

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further over the coming months as a major programme of conversion of existing posts to the latest standards is undertaken. The Office for Low Emission Vehicles (OLEV) has also increased its contribution to the installation of posts by the Local Authorities from 50% to 75% which should assist take up in the future.

### **Zero Carbon Futures (UK) Ltd**

Zero Carbon Futures (UK) Ltd was set up to support the delivery of the low carbon strategy including delivery of part of the Regional Growth Fund (RGF) project on behalf of the College. The business is currently overseeing the due diligence process for the RGF project and developing plans for the various elements for the project in particular the access road and new facilities at the Test Track. In the period to 29 February 2012 total revenue was £16,674 which was from staff recharged to Charge Your Car (North) Ltd and the College. To date during this development phase there have not been any external sales. Expenditure to date totals £77,697 leading to a loss of £61,023. In order to fund this business the College initially loaned Zero Carbon Futures (UK) Ltd £50,000 and this was increased by a further £50,000 in February 2012. The business has sufficient funding to cover March and April 2012 by which time the College hopes to be in a position to access funding from the RGF project. A bank account is being opened to hold the full £6.3m from BIS but the College will only be able to draw down funding on a quarterly basis in advance with BIS consent. The account will also have a charge on it in favour of BIS.

### **Gateshead College Foundation**

To 31 January 2012 the Foundation has received £1,200,000 from the College and a further £5,362 from donations. Donations are far lower than projected and therefore, the Board of Directors of the Foundation has agreed to appoint a Fund Raiser on an initial twelve month contract to grow this revenue stream. Expenditure over the same period has been lower than expected at £122,000 and this is down to fewer awards being made for 16-18 travel and 19+ tuition fees. In the latter case the late revision of the fee remission rules reduced demand on the Foundation. The underspend this year means that the Foundation can allocate funding early for next year for returning learners and make tuition fee awards out of this year's budget for next year.

### **NEAC**

NEAC transferred to full control by the College at the end of January 2012 at which point the company had lost £22,401 over the six month period which increased to £106,909 once SFA subsidy, E2E funding relating to the previous year and redundancy costs are removed. In February following the restructuring, revenue was £41,499 whilst expenditure was £41,292 leading to a small surplus of £207.00, however once the subsidy from the SFA is removed this turned into a loss of £2,901. Looking forward it was noted that the College expects to reduce the loss over the coming months as it continues to reduce unnecessary expenditure entered into by the former Managing Director, improve systems to collect revenue from training providers and grow the number of apprentices.

The Chair of the Corporation commented on the impressive turnaround in performance by NEAC and expressed his wish to have his comment 'well done and keep up with the good work' passed on to the two members of NEAC staff who had taken on the operation of the company. The Principal commented that they had worked exceptionally hard and their efforts were worthy of note. The Chair of the Committee indicated that the College had learnt a lot about how to set up and

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manage subsidiary companies and suggested having a brief report to the Board explaining the work undertaken by each one.

### **Tyneside Training Services Ltd (TTS)**

Although not contained in the report, The Director of Finance updated the Committee on the latest position regarding Tyneside Training Services Ltd. He explained that following Board approval on 22 March 2012 for the acquisition of TTS for the sum of £565,000, documentation had been finalised and this would be signed off at the end of the Finance and General Purposes Committee meeting. Early accounts for February and March had shown an improvement in performance with a surplus of £7,000 in February.

### **Equality North East**

The Director of Finance informed the Committee that Due Diligence and Finance reports on Equality North East would be completed by the Finance Manager, David Keetley and himself. He explained that as Equality North East is only a small venture, Gateshead College could undertake this work in house.

### **Entrepreneurial College**

In response to a query from a member about the company established to develop the Entrepreneurial College project, the Director of Finance explained that £500,000 had been set aside by each of the participant colleges but to date Gateshead College had spent only £50,000. The Principal explained that another eleven colleges had joined the wider Principals' Group increasing the funds of the Gazelle Group. He indicated that as a result the College may not need to spend the entire £500,000 which has been set aside. The Director of Finance reminded members that the Entrepreneurial College project is operated by a joint venture company in which Gateshead College has a share. It is not a Gateshead College subsidiary company and whilst the accounts will come to the Financial and General Purposes Committee for scrutiny in due course they are 'not material' in accounting terms and will not be consolidated into the College's accounts.

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

## **F/1555 Any Other Business**

### **Barmston Court**

The Director of Finance explained that following the joint launch of the Memorandum of Understanding and Zero Emission Centre of Excellence between Gateshead College and Nissan on 23 March 2012, the College was now looking at what other premises were available close to the Test Track as accommodation at the SASMI building is almost at full capacity. He informed the Committee that a building adjacent to the current Test Track has become available and distributed details and maps of the area showing its location. The building, Barmston Court, which was formerly used by the Home Office Forensic Science Service, occupies a site which includes 6.4 acres of land. It was put on the market in November 2011 after the closure of the FSS but does not appear to have attracted potential purchasers. Following valuation of the site by Lambert Smith Hampton at £1.7m an initial offer of £350,000 has been made by Gateshead College, subject to Board approval.

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Acquisition of the site would enable a core of facilities to be developed for the Test Track and will also provide detachment from the Nissan site and therefore make use of the Test Track more attractive to other vehicle manufacturers. Members noted that current access to the Test Track is via a route shared with Nissan. The Barmston Court site is within the Enterprise Zone and is therefore not subject to restrictive planning requirements. The Director of Finance outlined the principles behind charging rates for use of the accommodation by tenants which would ensure that the operation of the building would not require a contribution by the College.

The Chair of the Corporation enquired whether it would be possible to negotiate a long term lease on the building with an option to purchase. The Director of Finance indicated that he had not considered this but would review the situation when a response was received to the initial bid.

The Chair asked about the nature of the companies which had taken accommodation at the SASMI building. The Principal replied that they were mainly businesses which had links with Nissan and wanted a base close to the Nissan plant. The acquisition of Barmston Court would provide an opportunity for firms to be accommodated which wished to be associated with the College's operations at SASMI but which did not wish to be too close to Nissan. The land would also provide a site for the dynamometer close to the Test track.

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

### **F/1556 Date of the next meeting**

The next meeting is scheduled for Thursday 26 April 2012.