

BOARD OF GOVERNORS



THURSDAY 14 OCTOBER 2010

Report: Minutes of the meeting held on Thursday 1 July 2010

GATESHEAD COLLEGE

Author: Clerk to the Corporation

Action: Approve

Status: Open

Present: Robin Mackie (Chair)
Susan Bickerton
Catherine Donovan
Keith Cann Evans
Chris Macklin
John McElroy
David Mitchell
Jo Ray
Ian Renwick
Alan Reynolds
Allan Steele
Mark Taylor
Richard Thorold

In attendance: John Holt
Judith Doyle
Jackie Doxford
Mick Brophy

1410 Welcome/Apologies

Robin Mackie welcomed everyone to the meeting. Apologies for absence were received from David Chesser, Carlie Devlin, Louise Docherty and Kevin Fitzpatrick.

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 on the agenda 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.

1411 Minutes of the meeting held on 6 May 2010

The minutes of the meeting held on Thursday 6 May 2010 were accepted as a correct record.

1412 Matters Arising

1398 Safeguarding Children and Vulnerable Adults: Annual Report – it was noted that Governors will be contacted towards the end of the summer vacation about the arrangements for CRB checks.

1413 Franchised and Partnership Provision

The Director of Finance introduced an annual report on franchised provision which is required by the LSC/SFA as franchised provision represents more than 5% of funded activity. The report also reported on partnership provision. Details were included on a provider by provider basis on all franchised provision in 2009/2010 to date. This included the number of learners, training delivered to date and the value of funding generated, by funding stream, for each franchise partner. The report included sections on partnership provision in 2009/2010 with details of learner numbers and funding generated on a course by course basis. It also included commentary on each partnership arrangement. Members noted the significant part played by the College's Strategic Partnership with NAC Partnership which generates revenue from the Adult Learner Responsiveness, Apprenticeships and Train to Gain funding streams.

It was noted that the College has established a central team to oversee the delivery of franchised and partnership contracts at a total cost of £291,934 to 31 May 2010 and £350,000 for the full year. A risk assessment indicated that the main risk is non delivery of contracts by the franchise providers. The risk is offset by rigorous monitoring by the central team which reports to the MD Business, Innovation and Development. It was noted that there is sufficient flexibility within the group of providers to remedy any underperformance by one or more providers.

RESOLVED to note the contents of the report

Ian Renwick joined the meeting

1414 Property Strategy: Progress Report

The Director of Finance introduced a report which updated the board on the sale of Durham Road and progress on the Skills Academy for Sustainable Manufacturing and Innovation.

John McElroy joined the meeting

Considering a supplementary report on the sale of Durham Road the Board was advised that following the College's questioning of additional claims for abnormal costs made by Grainger plc the claim had been reduced by £3,041,593. The current offer from Grainger plc in settlement of the College's claim for the outstanding balance for the sale of the site is for a final payment of £1.6million which should be paid in October 2010. The Board was advised that the offer represented the best possible outcome for the College against the considerable risk presented by court action. If the offer is accepted by the Board the total receipts in respect of the site will be £16.015million. This is the sum of the initial payment of £12million and the final settlement of £1.6million from Grainger plc and £2.415million towards the Construction Centre received from the LSC as a result of the sale proceeds of Durham Road being £12million rather than £17.15million. The price originally offered by Grainger plc was £17.15million. Members expressed the view that in the present economic climate this was a good settlement. The Chair of Audit Committee indicated that proposal had the support of Audit Committee. It was noted that Grainger plc is to put the site up for sale as it no longer wishes to develop it, having decided to concentrate its operations in the south of England.

Turning to the Skills Academy for Sustainable Manufacturing and Innovation it was noted that there has been a slight delay whilst additional site exploration work is

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undertaken related to contamination and the war time use of the site as an airfield. The report set out the costs for the development to 31 May 2010 against the forecast and total budget. The Board also noted the progress on the Team Valley Construction Centre project which is awaiting a decision from the Gateshead Council Planning Committee. UK Land and Gleeds are currently working on the initial cost plan for consideration by Finance and General Purposes Committee. The fitting-out of the ATA Centre is well under way and will be completed in time for a September launch.

RESOLVED

- i) to note the contents of the report**
- ii) to approve the proposed resolution of the dispute with Grainger plc over the sale of the Durham Road site for a payment of £1.6million in full and final settlement**

1415 Principal's Report

The Principal presented a report which advised the Board on recent developments in the College and highlighted items of particular interest. Members were particularly interested to learn of the recent visit of Geoff Russell, CEO of the SFA and Simon Waugh, CEO of the National Apprenticeship Service (NAS). The visit had provided an informative overview of where public funding is going and how the SFA views the strategic direction of the sector. Both visitors had been very complimentary towards the College, its staff, buildings and success especially with regard to employer engagement.

RESOLVED to note the contents of the report

1416 Draft Board Calendar 2010/2011

The Clerk introduced a report to which was appended the draft calendar of Board and Committee meetings for 2010/2011. Members indicated their support for the proposal that the afternoon of Thursday 14 October 2010, before the first meeting of the new academic year, should be devoted to a development and review session.

RESOLVED

- i) to note the contents of the report**
- ii) to approve the Board Calendar for 2010/2011**

1417 Governance Matters

The Clerk introduced a report which advised the Board of progress in the review of the Board Skills Audit proforma, plans for the Board Self Assessment and proposals for Board Development.

RESOLVED to note the contents of the report

1418 Board Membership

The Clerk introduced a report which advised the Board of the outcome of the recent election for a Support Staff Governor, arrangements for the election of a Teaching Staff Governor and two Student Governors, a vacancy for a Governor to be appointed under the terms of Clause 2(1)(a) of the Instrument and Articles of Government 2007 and a vacancy for a co-optee on Audit Committee. The Clerk advised the Board that following the discovery of a flaw in the electronic election process used in the Support

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Staff Governor elections the result had been declared null and void and the elections would be rerun in September 2010.

RESOLVED to note the contents of the report

1419 Report of the Clerk

The Clerk introduced a routine report which advised the Board of Governor activity since May 2010 and of documents signed under seal.

RESOLVED to note

- i) the contents of the report**
- ii) that Common Seal of Gateshead College was affixed to the following collateral warranties which were signed under seal on 27 May 2010 in the presence of the Clerk by Robin Mackie, Chair of the Corporation and Richard Thorold, in his capacity as Governor:**

Baltic Campus: Main Building:

Sub-Contractor warranties between Gateshead College, Shepherd Construction Limited (main contractor) and:

Balfour Kilpatrick Limited (relating to mechanical and electrical installation);

Finley Structures Limited (relating to structural steelwork);

Kone Public Limited Company (relating to lifts);

Roofdec Limited (relating to cladding);

Solaglas Limited (relating to curtain walling, windows and doors; and,

Kingspan Limited (relating to access floors)

Baltic Campus: Multi-Storey Car Park:

Balfour Kilpatrick Limited (relating to mechanical and electrical installation);

Barclay Roofing Limited (relating to eternit and polycarbonate cladding);

Finley Structures Limited (relating to structural steelwork);

Kone Public Limited Company (relating to lifts); and

Solaglas Limited (relating to curtain walling, windows and doors)

Baltic Campus: General

Bison Concrete Products Limited (relating to pre-cast concrete stairs)

1420 Minutes of Committees

The Board received the minutes of the following Committees:
Governance and Search Committee held on 21 January 2010
Academic Standards Committee held on 28 April 2010

Jo Ray joined the meeting

1421 Strategic Plan and Budget Presentation

The Principal commented on the recent visit of Geoff Russell, CEO of the SFA, whose brief is to look at underperforming colleges. He also commented on the possibility of a merger of SFA and YPLA into an FEFC style organisation.

The Principal, Deputy Principal Curriculum and Quality, Director of Finance and the MD Business, Innovation and Development gave a presentation, 'Our Sustainable

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College', as a background to the College's Strategic Plan. The Deputy Principal Curriculum and Quality began the presentation with the Staff Conference 2010, attended by 479 staff, which had used the theme of the sustainable college. The Principal commented on the definition of a sustainable college, in control of its own destiny and on the Strategic Plan which was set out on a single sheet of A4. Moving on to Finance, the Director of Finance gave a short resume of the 3 Year Financial Forecast and referred to the revised funding allocation for 2010/2011 following successful appeals to the LSC. He commented on the financial health of the College which will remain 'outstanding' for the duration of the Strategic Plan, despite the identified key risks. Turning to growth in business opportunities, the MD Business, Innovation and Development explored the opportunities for growth through current funding streams, innovation in response to emerging initiatives and business growth in the core curriculum areas. The Board noted the demand from employers for Train to Gain provision and the need to pace activity as funding becomes available. The College is moving forward from Train to Gain into apprenticeships to meet the challenges and demands of the new Government. There are plans for 'lean' developments, for the Nissan Test Track and for low carbon buildings and vehicles.

In summary, the College plans to keep the momentum going and to build on the success next year and beyond. The College has a reputation as the college of choice and employer of choice and for its people, environment, quality, finance and values. It is 'Our Sustainable College – fit for the future'.

A member enquired what provision the College had made for pay over the period of the Strategic Plan. The Director of Finance indicated that the allowance was 1.5% plus contractual increments. The Chair indicated his support for this and commented on the need to incentivise people to ensure that the College maintained its position. The Principal commented that school teachers are to receive a 2.3% pay award in September 2010 and that he would wish to keep Gateshead College pay in parity with this. Members of the Board indicated their agreement with this. It was noted that the public sector pay freeze proposed by the Coalition Government was for 2011/2012 and pay increases for 2010/2011 were being awarded. The Vice Chair enquired why, if teachers are to receive 2.3%, Gateshead College staff are to be offered between 1% and 1.5%. The Principal commented that the College needed to be careful about what it could afford. Currently the College is generating a surplus of £3-3.5million per year and the Board needed to decide whether it wanted the surplus to be available for investment or whether it wished to give the staff more. Another member indicated his wish to see more information on how the College would propose to take this forward in terms of staff pay. The Chair of Audit Committee indicated his concern about future requirements in terms of pension provision.

RESOLVED to note the contents of the presentation

1422 Strategic Plan 2010/2013

The Principal presented the Strategic Plan 2010/2013 for consideration and approval by the Board. The Plan captures at a very high level the strategic direction of the College. It builds upon the Strategic Plan for 2009/2012 and is more precise and focused, taking into account a series of parameters and a broad framework which will be used to develop further and inform the roll forward of the College's Strategic Plan in the future. The report commented on the Board's recent consideration of a number of strategic implications for the College over the next three years in terms of the availability of public funding and its impact on the College's finances and strategies. It was noted that as part of the planning process the Executive Team has engaged with the YPLA, SFA, the local authority, NAS and other stakeholders including Gateshead

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Council, the Education Improvement Partnership and regional Universities to develop the strategy. Details of the 2010/2011 proposed budget and the 3 Year Financial Forecast are contained in a separate document.

RESOLVED to approve the Strategic Plan for 2010/2013

1423 3 Year Financial Forecast and Budget to 31 July 2013 including Risk Management Plan 2010/2011

The Director of Finance introduced the Budget 2010/2011, 3 Year Financial Forecast to 31 July 2013, Capital Expenditure Plan 2010/2011 and the Risk Management Plan for 2010/2011. It was noted that the budget to 31 July 2011 and the forecast to 31 July 2013 are based upon the Strategic Plan set in the context of the current funding environment. The budget sets an income target of £38,066,000 with a surplus of £2,471,000 for the year to 31 July 2011. The forecast sees income falling to £35,046,000 and the surplus declining to £937,000. Despite this, the College's financial health over the period of the plan will remain in the top category of 'outstanding'. A risk assessment shows that the key risk is that cuts in Government spending will have greater impact on the College than forecast.

RESOLVED

- i) to approve the Budget for the year ended 31 July 2011 and the forecast to 31 July 2013**
- ii) to approve the minor capital expenditure budget for the year to 31 July 2011 of £750,000**
- iii) to note the extract from the Risk Management Plan**

1424 Capital Expenditure Strategy

The Director of Finance introduced a report which set out the options for capital expenditure over the next twelve months in the context of the current external funding environment. The report outlined the current position; at 31 May 2010 the College had cash held of £13,712,000, borrowings of £13,845,000 and a Lennartz VAT liability of £3,155,000 leaving a net cash position of -£3,288,000. Bank loan and Lennartz VAT repayments due within 1 year total £799,000. The end of year cash balance is expected to fall to £12,090,000. The forecast cash position at 31 July 2011, if no further capital expenditure is undertaken, will be £12,128,000. It was noted that the College needs to maintain a reasonable level of working capital, at least £3,000,000.

The report included six options for discussion: Annual equipment and minor works plan at a cost of £750,000; Team Valley Construction Centre Phase 2, at an estimated cost of £9,500,000; Stadium Development Option A at a cost of £750,000 (including £250,000 contingency) and Stadium Development Option B at an estimated cost of £2,000,000; Early repayment of debt; Repayment of outstanding Lennartz VAT; and Acquisitions and Mergers both to acquire and to invest after acquisition. It outlined the proposed strategy, considering the impact of proceeding with the full phase 2 project at the Construction Centre and the options available if the Construction Centre project is halted after planning consent has been secured. The Board noted that the fine detail of the plan was a matter for consideration by Finance and General Purposes Committee.

RESOLVED to note the contents of the report

David Mitchell left the meeting

1425 Financial Performance of North East Colleges

The Director of Finance introduced a report which provided the latest financial data on colleges in Northumberland, Tyne and Wear and County Durham. It was noted that in 2008/2009 there was a sharp deterioration of college finances with five colleges out of ten in deficit. The largest deficits were at Northumberland College (£2,495,000) and Tyne Metropolitan College (£3,431,000). The strongest performing colleges in 2006/2007, 2007/2008 and 2008/2009 were Gateshead, Newcastle and New College Durham. The average surplus of the ten colleges was 1.55% in 2008/2009 compared with 3.33% in 2007/2008 and 4.4% in 2006/2007.

The Chair of Audit Committee commented on the current consideration of 'going concern' and the financial position of some colleges which may hasten the situation regionally for poorly performing colleges. Other members commented that the information was interesting and requested the report should be repeated annually. There was a question regarding the comparatively low figure for Gateshead College in respect of pay as a percentage of turnover and it was noted that this was because the College used franchised partners for delivery of some courses.

A member expressed concern about the position of Gateshead College if Newcastle College were to take over learners from Northumberland and Tyne Metropolitan Colleges and also if similar situations arose to the south. She enquired how this would affect Gateshead College; although the College is strong it could be faced with two huge institutions to the north and the south.

RESOLVED to note the contents of the report

1426 Other Business

Finance and General Purposes Committee

The Chair of Finance and General Purposes Committee expressed concern that both the May and June meetings of Finance and General Purposes Committee had to be cancelled because they were inquorate. He requested that the Board should consider a return to a membership of 7 in order to provide a greater 'pool' from which to draw a quorum.

RESOLVED to approve an increase in the membership of Finance and General Purposes Committee to 7

Board Correspondence

A member requested that a letter should be sent to David Cheetham, the former Principal of the College thanking him for the work he had done in preparing the College for its 'outstanding' achievements.

1427 Chair's Review of Business

The Chair thanked the Executive Team on behalf of the Board for the work in getting the College to its current position and to maintaining the momentum and keeping it moving on. He also thanked the Board members for giving up their time in the service of the College.