

# BOARD OF GOVERNORS



THURSDAY 18 OCTOBER 2012

**Report:** Minutes of the meeting held on Thursday 5 July 2012

GATESHEAD COLLEGE

**Author:** Clerk to the Corporation

**Action:** Approve

**Status:** Open

**Present:** Robin Mackie (Chair)  
Rebecca Anderson  
Susan Bickerton  
Kevin Fitzpatrick  
Ivan Jepson  
Aziz Kouame  
Chris Macklin  
John McElroy  
David Mitchell  
Ian Renwick  
Alan Reynolds  
Alex Rutherford  
Allan Steele  
Mark Taylor  
Richard Thorold

**In attendance:** Mick Brophy  
Jackie Doxford  
Judith Doyle  
John Holt  
Gwyneth Jones  
Ismael Bamba

## 1666 Welcome/Apologies

Robin Mackie welcomed everyone to the meeting and introduced Rebecca Anderson, Sabbatical President of the Students' Union who was attending her first meeting of the Board. He also introduced Ismael Bamba, new 16-18 Student Governor who would be taking over the role on 1 August 2012. Apologies for absence were received from Keith Cann Evans.

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. He referred to his declaration of interest that Smith Electric Vehicles had leased space at SASMI which he had made at the Board meeting in May 2012.

## 1667 Minutes of the meeting held on Thursday 10 May 2012

The minutes of the meeting held on Thursday 10 May 2012 were accepted as a correct record.

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### 1668 Matters Arising

There were no matters arising which were not substantive items on the agenda. The Chair clarified that an update on the Acquisition of Barmston Court would be covered by the Property Strategy Update which featured later on the agenda.

### 1669 Draft Strategic Plan 2012-2015

The Principal introduced a report to which was appended the Strategic Plan 2012-2015 for final consideration, comment and approval. It was noted that the Strategic Plan builds upon the previous Strategic Plan 2011-2015 and takes account of comments made by Governors at the 10 May 2012 strategic planning session. It captures at a very high level the strategic direction of the College over the next three years. The report invited the Board to approve its content including how the College is responding to the national and regional priorities coming from the coalition Government and from the funding bodies for FE namely YPLA, SFA, NAS and BIS. The plan takes account of the potential implications of the recent budget and the impact of the economic recovery over the next three/four years as well as the impact of Government priorities.

On 10 May 2012 the Board had considered a number of strategic implications for the College over the next three years in terms of available public funding and its likely impact on the College's finances and key objectives and the College has already engaged with key stakeholders such as Gateshead Council, the Education Improvement Partnership, regional Universities as well as local and regional employers as part of the planning process. The College's Mission represents the College's core purpose and the Board noted the intention to retain the current Mission Statement '*Success for all through learning*' as approved in 2010 which is consistent with the Government's drive towards a more demand led FE system.

The College's Vision Statement for 2012 to 2015 is '*To be a college that is wholly entrepreneurial in spirit and action. We will be known for providing the best experience for students, staff and employers, which is unique from others in our sector*'. To guide the College towards the achievement of its Mission, it will continue to embed its values that were agreed and approved by the Board in July 2009.

The Principal indicated that he had circulated the draft Strategic Plan to Governors having revised it to incorporate comments and outcomes from the recent Ofsted inspection. The Chair of Academic Standards Committee commented that actions arising from the inspection needed to be given a higher profile to meet the challenge of where Gateshead College wants to be for the next Ofsted inspection in 12-18 months time. The Principal replied that priorities coming out of Academic Standards Committee needed to be highlighted; it was not just about results but also quality of provision. The Chair enquired whether the wording needed to be changed or strengthened but members agreed that the content of the plan was fine.

#### **RESOLVED to approve**

- i) The Mission Statement - '*Success for all through Learning*'**
- ii) The Vision Statement:**  
***"To be a college that is wholly entrepreneurial in spirit and action. We will be known for providing the best experience for students, staff and employers, which is unique from others in our sector"***

**iii) The Strategic Plan 2012-2015**

**1670 Budget and Three Year Financial Forecast**

The Director of Finance introduced a report which set out the draft budget for 2012/2013 and the three year financial forecast to 31 July 2015. The draft budget was presented to the Finance and General Purposes Committee on 21 June 2012 which recommended its approval. The report set out key funding changes and the Board noted that the College has secured substantially better funding allocations for 2012/2013 than originally allocated by the SFA/YPLA. The cut in the 19+ single budget was reduced from £3,469,407 to £52,325 when compared to the original 2011/2012 allocation. However, the College did secure an extra £500,000 in 2011/2012 for 19-24 apprenticeships and had £1,210,000 carried over from 2010/2011 which means on a like for like cash basis funding recognised if the account falls from £17,439,000 to £15,677,530 a reduction of £1,762,000. Based on the original allocation for 2012/2013 this would have been a cash fall of £5,179,000. The Board noted that the initial cut in 16-18 funding of £1,626,000 in 16-18 Learner Responsiveness has been reduced to £728,000 as the Education Funding Agency (EFA) formerly (YPLA) has introduced a new form of transitional protection. The EFA has limited the fall in yield any institution can experience to 5% and, therefore, the College has in effect received an extra £898,000 in its allocation. In 2011/2012 the proportion of 16-18 year old learners studying on a full time basis fell significantly resulting in a drop in yield. It was noted that the College needs to increase its yield per learner in order to consolidate this extra funding in future years and it also needs to utilise as much of the 2011/2012 allocation as possible as this will inform the College's 2013/2014 funding. 16-18 Apprenticeship funding is forecast to grow from about £1,500,000 in 2011/2012 to £2,056,000 in 2012/2013 of which £356,000 is from TTS leaving the core college to grow by £200,000 to £1,700,000. The overall volume of activity is expected to grow to £2,400,000 by 2014/2015. ESF funding of £2,369,000 per annum for unemployed training has been secured for the next three years which will help compensate for the movement in the main 19+ budget line. This funding ends 31 July 2015. In addition, the College has £340,000 of NEET ESF funding for 2012/2013 only.

Turning to HE, the Board noted that overall HE activity will reduce from £2,094,000 in 2011/2012 to £2,044,000 in 2012/2013 falling to £1,914,000 in 2013/2014 and £1,974,000 in 2014/2015, with less from HEFCE and more from fees. At this stage a figure of £2,044,000 for 2012/2013 is believed to be cautious but it will depend on the level of recruitment of new first years. The sensitivity is around +/- £300,000.

Educational Contract revenue increases next year with the inclusion of 12 months of North East Apprenticeship Company rather than six, in 2011/2012, together with International Revenue and Regional Growth Fund related income. 14-16 provision is forecast to decline as schools send fewer learners to College and the ending of the Young Apprenticeship Scheme.

Full Cost fees will rise from £1,250,000 in 2011/2012 to £1,770,000 in 2012/2013 with £300,000 coming from the full year inclusion of TTS and £220,000 from growth in in-house activity. Further modest growth of £50,000 has been assumed in each of the following two years.

Other Grant Income will increase next year with growth in activity through Charge Your Car (North) Ltd which delivers the Plugged in Places Project. Most of this funding has already been received from either OLEV or ONE. The project ends in

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March 2013, hence the drop of £2,400,000 in 2013/2014 which is matched by expenditure reductions on the pay and non pay lines in particular under premises.

FE Tuition Fees revenue is forecast to be lower in 2012/2013 as the College has simplified its arrangement with Premier International Ltd which used to collect fees and forward them to the College, and receives a percentage of the SFA funding and fees. The new arrangement is that Premier International will keep the fees and receive a lower percentage of the SFA funding drawn down. In subsequent years the introduction of loans at level 3 to replace SFA funding will impact significantly on the number of learners recruited and therefore fees collected. HE Tuition Fees will grow over the next three years reflecting the introduction of full fees for new students with existing learners continuing on the current regime. Students enrolled through the College's franchise with the University of Sunderland will pay fees directly to the University which will then pay the College a higher franchise payment instead of the College collecting fees.

The forecast included details of expenditure. The overall pay expenditure is expected to grow by £2,176,000 in 2012/2013 of which NEAC accounts for £480,000, TTS £280,000, International £200,000 and the Regional Growth Fund Project £216,000. In addition, the College expects to switch provision from franchise partners which will increase pay by £1,528,000, make savings from Voluntary Severance of £921,000 and savings from other efficiencies of £700,000. It has also allowed for the full year impact of posts created in 2011/2012, contractual increments and a small pay award. It was noted that the switch from partners will generate redeployment opportunities for staff. In 2013/2014 and 2014/2015 further savings of £800,000 have been assumed each year including £550,000 per annum for severance and a switch from franchised to in-house delivery of £1,000,000 and £500,000 respectively costing £500,000 in 2013/2014 and £750,000 in 2014/2015. Pay expenditure related to Plugged in Places has been removed from 2013/2014 onwards as the project ends in March 2013. Non Pay Expenditure will increase by £1,881,000 from £9,401,000 to £11,282,000 which reflects the inclusion of NEAC (£52,000), Regional Growth Fund (£285,000), International (£200,000), growth in the Plugged in Places Project of (£600,000), TTS (£336,000), the write down of the investment in Gazelle Global (£100,000), and increased student travel/support costs of £315,000. In addition, further savings of £200,000 from the running of the existing estate have been identified and these will help cover the cost of the extension to the Construction Centre. The growth in student support costs reflects an increase in awards made by the Foundation to students coming to the College.

Depreciation charges will fall year on year with the full write off of the student laptops in 2011/2012 instead of spreading this over 2011/2012 and 2012/2013. The College has allowed for capital expenditure of £500,000 each year on equipment and facilities together with £319,000 and £2,275,000 in 2012/2013 and 2013/2014 related to the Regional Growth Fund Project which will be fully granted funded.

The surplus is forecast to be £1,350,000 for 2012/2013 which equates to just 3% of turnover. The surplus is after contributing 1% of turnover to the Gateshead College Foundation. In subsequent years the surplus will fall below the 3% threshold required to contribute to the Foundation and, therefore, further action will be required to bring it back up to at least 3%. The key factors driving down the surplus are: reductions in the overall volume of funding; declining funding rates per qualification, with no inflationary increase each year; non pay inflation; contractual pay increments and pay awards.

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A member commented that grant funding was fading away and enquired whether there was an underlying issue. The Director of Finance replied that it was tight in years 2 and 3 when the voluntary severance was factored in for both years. In September 2013 the abolition of level 3 funding for adults would mean a brand new funding methodology for adults. He indicated that he would be attending a conference about adult funding next week.

Another member commented that the forecast was a sign of the times with the most disadvantaged students finding it difficult. The Director of Finance replied that the mechanism of contributing 1% of turnover to the Foundation was a useful discipline for the College. The Chair enquired about other ways of supporting the Foundation and the Principal mentioned that there was a high profile fundraising team at Durham University; he indicated that he would discuss this in more detail with Anthony Garnett, a co-opted member of Audit Committee who is employed by Durham University. The Deputy Principal Curriculum and Quality highlighted a recent fundraising event which had been organised by Alex Rutherford, Support Staff Governor, and which had raised £6,000 for the Foundation. Members thanked Alex Rutherford for his work for this event.

The report set out details of the balance sheet and the College's financial health. It was noted that using the SFA modelling software for assessing financial health the College is expected to retain its 'outstanding' status over the period of the forecast.

### **RESOLVED to approve the Budget for the year to 31 July 2013 and Three Year Financial Forecast**

#### **1671 Risk Management Plan**

The Director of Finance introduced a report which set out the strategic section of the Risk Management Plan. He explained that each risk is assessed in terms of potential impact and probability of occurrence to give a Gross Risk score. Against each risk the mitigating controls are assessed to give a control score and the Net Risk calculated as Gross Risk divided by the control score. The Gross Risk and Net Risk are colour coded in a traffic light system.

The Chair of Audit Committee explained that the Risk Management Plan had been discussed on a regular basis at Audit meetings and expressed the view that credit should be given to the Director of Finance and his team for their work. He indicated that auditors were looking at the document being embedded in the College and the Chair clarified that auditors had seen the document and were happy with the content. A member of Audit Committee indicated that at the last meeting on 13 June 2012 there had been a suggestion of adding an extra column, 'acceptable risk', to the plan. The Chair indicated that he thought this would be a good idea which would allow people to contribute.

### **RESOLVED to approve the Risk Management Plan**

#### **1672 Capital Plan**

The Director of Finance introduced a paper which provided details of the Capital Expenditure Plan which is incorporated in the Budget for the year to 31 July 2013. The Budget and 3 Year Financial Forecast allow for expenditure of £819,000 in 2012/2013, £2,775,000 in 2013/2014 and £500,000 in 2014/2015.

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The remaining £500,000 is to be utilised to support the replacement of old IT equipment and resources for teaching and learning. £194,000 will be used for IT equipment and the remaining £306,000 will be used to support other curriculum developments such as Games Design and Land Based Industries. Individual expenditure plans will be presented to Finance and General Purposes Committee when required.

**RESOLVED to approve the overall capital expenditure plan of £819,000 in 2012/2013 and note the planned expenditure of £2,775,000 in 2013/2014**

### **1673 Safeguarding**

The Principal introduced a report prepared by the Director of Student Services which requested approval for the revised Safeguarding Children and Child Protection Policy and the revised Safeguarding Vulnerable Adults Policy. He explained that Muriel Callaghan, Director of Student Services had retired from Gateshead College on 22 June 2012 and commented that she had been a safeguarding expert in the region. He expressed his personal thanks to Muriel Callaghan for leading on the safeguarding agenda along with David Mitchell, designated Governor. He indicated that John Gray had now assumed responsibility as the designated manager for Safeguarding. The Chair suggested that a letter should be sent to the former Director of Student Services to thank her for her efforts and this idea was supported by the Board.

**RESOLVED to approve**

- i) the revised Safeguarding Children and Child Protection Policy**
- ii) the revised Safeguarding Vulnerable Adults Policy**

### **1674 Board Membership**

The Clerk introduced a report which advised the Board of the resignation of Governors, sought approval for reappointments and the initial appointment of Governors based on the recommendation of Governance and Search Committee.

#### **Resignation of Governors**

Susan Bickerton has tendered her resignation from the Board and the meeting on 5 July 2012 will be her last meeting. Norcare Ltd has recently joined the Fabrick Housing Group and in addition to being Chief Executive of Norcare Susan is taking on a new role leading the development of housing support across the group as a whole. Susan has been a Governor since October 2007. She is a member of Audit Committee and Chair of the Board of Directors of the Gateshead College Foundation.

Alan Reynolds has tendered his resignation as Teaching Staff Governor as he is retiring from the College on 13 July 2012. Alan has served as Teaching Staff Governor since September 2006. He is a member of Governance and Search Committee, a member of Academic Standards Committee and a member of the Board of Directors of Gateshead College Foundation.

Aziz Kouame will complete his term of appointment as 16-18 Staff Governor 2011/2012 at the end of the Summer Term 2012. Aziz is leaving College on completion of his A level studies and will be going on to university to read Marketing.

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### **Reappointment of Governors**

Chris Macklin will complete his current term of appointment in December 2012. Chris served as a co-opted member of Audit Committee for several years before becoming a Governor in December 2008. Chris is Chair of Audit Committee and serves on the Boards of Charge your Car (North) Ltd and Zero Carbon Futures (UK) Ltd. Governance and Search Committee considered Chris' reappointment to the Board on 24 May 2012 and recommended that the Board should approve his reappointment for a second term of four years.

Ian Renwick will complete his current term of appointment in December 2012. Ian joined the Board in December 2006 and was reappointed for a term of two years in 2010. He is a member of Finance and General Purposes Committee and is designated as the Board's Entrepreneurial Champion. Governance and Search Committee considered Ian's reappointment to the Board on 24 May 2012 and recommended that the Board should approve his reappointment for a further term of four years.

### **Appointment of Governors**

On 24 May 2012 Governance and Search Committee considered five candidates for appointment to two vacancies on the Board. The candidates were:  
Emily Cox, Andrew Haddon, Sally Hancox, Kevin Robson, Owen Watson

The Committee considered many factors in arriving at recommendations for appointment using the information collected in the Board Skills Audit in October 2011 to highlight any gaps in the Board Skills Matrix. Women and ethnic minorities are under represented on the Board. There are no representatives of the legal or financial sectors, no HR specialists and no members with links to the building and construction industries or to low carbon projects other than the development of motor vehicles.

Governance and Search Committee recommended the appointment for a term of four years of Emily Cox, Head of Employment Law and Employee Relations and a member of the Senior Leadership Team at Virgin Money plc. Emily is a qualified and experienced lawyer with experience of working in leading law practices before joining Northern Rock on secondment from Dickinson Dees in November 2008. She became Assistant Director (Employment) of the bank in September 2009 and was involved in the restructuring of Northern Rock and its sale to Virgin Money. Emily is a Governor of Benton Park Primary School where she Chairs the Finance and Staffing Committee and the Appeals Panel and is Governor with responsibility for Safeguarding.

Governance and Search Committee also recommended the appointment for a term of four years of Sally Hancox, Director, Gentoo Green. Sally has a background in social housing and was appointed Director of Sunderland North Housing Company in 2001 where she was responsible for the management and maintenance of 6,500 social rented homes. In 2007 Sally was appointed Director, Gentoo Green. She was awarded an MBE for services to Low Carbon Social Housing in February 2012.

### **Board, Committee and Board of Director Vacancies**

The resignation of Susan Bickerton leaves a vacancy for a Governor to be appointed under the terms of Clause 2(1)(a) of the 2007 Instrument and Articles of Government, a vacancy in the membership of Audit Committee and a vacancy for a Director and

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Chair of the Board of Directors of the Gateshead College Foundation nominated by the Board of Governors.

The resignation of Alan Reynolds leaves a vacancy for a Teaching Staff Governor for which elections will be held in College in September. Alan's resignation also leaves vacancies on Governance and Search Committee and Academic Standards Committee and a second vacancy on the Board of Directors of the Gateshead College Foundation for a Director nominated by the Board of Governors.

### **RESOLVED**

- i) to note the resignation of Susan Bickerton**
- ii) to note the resignation of Alan Reynolds**
- iii) to note the resignation of Aziz Kouame**
- iv) to note the vacancies on the Board, Audit Committee, Governance and Search Committee, Academic Standards Committee and the Board of Directors of the Gateshead College Foundation**
- v) to approve the reappointment of Chris Macklin as a Governor for a term of four years ending in December 2016**
- vi) to approve the reappointment of Ian Renwick as a Governor for a term of four years ending in December 2016**
- vii) to approve the appointment of Emily Cox as a Governor for a term of four years ending in July 2016**
- viii) to approve the appointment of Sally Hancox as a Governor for a term of four years ending in July 2016**

### **1675 Draft Board Calendar 2012/2013**

The Clerk introduced a report to which was appended the draft Calendar of Board and Committee meetings for 2012/2013. The draft followed the established pattern with some amendments and additions to reflect the timing of Easter 2013 and the changing needs of the College.

Members noted the proposal that the afternoon of Thursday 18 October 2012, before the first meeting of the year, should be devoted to a development session at which Eversheds will be commissioned to do a briefing and updating on all things current and likely to affect the College/Board during the year ahead. The time will also be used to undertake the Governance Healthcheck (Board Self Assessment).

The Clerk highlighted that following consideration of the outcomes of the recent Ofsted inspection Academic Standards Committee had requested an increase in the number of meetings from three per year to six. The Deputy Principal Curriculum and Quality indicated that having two meetings per term would allow a greater focus on success rates in the first term.

**RESOLVED to approve the Calendar of Board and Committee meetings for 2012/2013**

**1676 Governance Healthcheck 2012**

The Clerk introduced a report which advised the Board of an alternative to the current in house Board Self Assessment process which also includes the benefit of benchmarking against other colleges. The Governance HealthCheck service is offered by Druines Ltd, who are well respected consultants in education offering a range of services including recruitment and management development.

Druines Governance HealthCheck is designed to enable Boards of Governors to evaluate their work against the inspection framework, identify their skills mix and simultaneously benchmark results against a substantial group of colleges (currently 19) rated as good to outstanding in their most recent Ofsted reports. Colleges currently participating include some of Gateshead College's Gazelle partners and local colleges e.g. East Durham College.

Druines Governance HealthCheck tool is based on an on-line questionnaire which keeps every Board members' response confidential; it also carries out a limited skills evaluation of Board members. Results are presented graphically with easy to understand analysis which supports further work by the Board to identify areas where improvement can take place or where the Board is already strong. The Governance HealthCheck covers the following areas: Purpose & Role, Structure & Support, Decision Making, Capability & Behaviour plus Stakeholders, Owners & Senior Post Holders. Colleges have the added benefit of six customisable questions to tackle local issues too.

Druines carry out all administration and research and will provide the Board with a full, written report. The cost of the service is £795 plus VAT taking the HealthCheck as a standalone exercise including a full report and benchmarking analysis. Using one of Druines experienced consultants acting as guide and facilitator is an additional £600 plus travel costs and VAT. The 'full service' including VAT will therefore cost in total in the region of £2000.

Outsourcing the Board's annual self assessment will allow Gateshead College access to benchmarking data which to date has proved impossible to obtain. Other college Boards who have expressed an interest in benchmarking use completely different formats for their self assessment exercises and 'like for like' comparison is not feasible. Based on the costs of staff time and the demands on senior College staff at an exceptionally busy time of year plus the benchmarking facility the Governance HealthCheck appears to be a cost and time effective method of carrying out a thorough Board evaluation.

The current Gateshead College system for Board Self Assessment is effective in obtaining the views of Board members and the way in which it is conducted as an interactive exercise enables individual responses to remain anonymous. The Clerk explained that responses had been used to draw up a Quality Improvement Plan, a copy of which was appended to the report. The QIP developed from the 2011 Self Assessment still has some gaps and many actions have yet to be carried out. Year on year in house comparison of responses is possible and progress against the QIP can be assessed. However, the College has no way of knowing how it compares with other colleges or of knowing whether it is ahead of the mainstream or trailing behind.

A member commented about the benefits of having cross organisation comparators and enquired what flexibility the College would have with the process. The Clerk

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replied that it was a fixed package with six options at the end however, Druines Ltd would be happy to build in more options for an additional cost.

The Chair indicated that he thought using the Governance HealthCheck service was a good proposal and members agreed that the Principal, Deputy Principal Curriculum and Quality and the Clerk should meet with a representative from Druines Ltd.

**RESOLVED to approve the commissioning of the 'full service' Governance HeathCheck for 2012 from Druines Ltd and the associated costs, estimated to be £2000**

### **1677 Ofsted Report and Action Plan**

The Deputy Principal Curriculum and Quality introduced a report which set out the grades awarded to the College following the recent Ofsted inspection. The summary Main Findings and areas identified for improvements were also included, following the information feedback given at the end of the inspection and that which is contained in the now published report. She indicated that the full report was now available on the Ofsted website and that copies would be sent out to Governors. A Draft Action Plan was prepared for Academic Standards Committee on 20 June 2012 and approval had been sought on the actions. However, following discussion at the meeting members had decided that the plan should not be approved formally until after publication of the final report on 22 June 2012.

The Draft Action Plan will be approved at the Academic Standards Committee on 19 September 2012 and will then be brought to the Board. It was noted that a lot of the Ofsted comments made were based on data which is two years old and not on current year data. Members of Academic Standards Committee had decided that more meetings should be held in the academic year.

A member expressed the view that the Board had confidence in the Deputy Principal Curriculum and Quality to work on the Action Plan. The Chair of Academic Standards Committee commented that he was surprised and considerably disappointed with the report from Ofsted. The College was rated outstanding in 2008 and was now graded satisfactory and knows that it must demonstrate that it has the capacity to improve. He expressed the hope that the College will be rated as good, if not outstanding, when Ofsted come back to inspect again in 12-18 months time. The Principal indicated that the College had been graded as outstanding for employer engagement at the recent inspection and was the only college to achieve this. He expressed his thanks to all staff who had worked hard during the week of the Ofsted inspection in May 2012.

The Chair concluded that the College had learnt a lesson about focus and the principal reason for the outcome was because not enough attention had been paid to core college work. A member commented that the Board was culpable as it had not pushed enough for regular reports on teaching and learning and had concentrated on other areas such as finance. In 18 months time, the College would be inspected again and there was a need to push forward on how to become outstanding and better. She indicated that if staff think it is just an Ofsted agenda where is the incentive; the balance of the reports brought to the Board needed to change. Another member commented that employability was the College's 'unique selling point' and he urged everyone not to lose sight of this fact.

**RESOLVED to note the findings of the recent Ofsted Inspection and the Action Planning process**

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### **1678 FMCE/PFA Inspection Report**

The Director of Finance introduced a report which updated the Board on the outcome of the SFA Audit undertaken alongside the Ofsted inspection. The SFA Audit was undertaken and provisional grades given prior to moderation in light of the Ofsted inspection outcomes. The FMCE grades are reduced where the College gradings from Ofsted are not good or outstanding irrespective of the outcome of the FMCE Audit. The gradings prior to the impact of Ofsted were included in the report and showed that outstanding grades had been reduced to satisfactory and good. The overall FMCE Grade had been Outstanding but was reduced to Good.

He explained that some of the recommendations for improvement had already been implemented and these included bringing the monthly Management Accounts to the Board in addition to Finance General Purposes Committee. A member commented that the College had to take its lead from Ofsted and then hopefully it would get the results it deserved. The Chair expressed his thanks to the Director of Finance and his team for their hard work.

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

### **1679 Entrepreneurial College Update**

The Principal introduced a report which updated the Board on progress which had made on the Entrepreneurial College development. At the Board meeting on 14 April 2011, Governors had debated, considered and approved the concept of developing an initiative called 'The Entrepreneurial College'. The following aspects of the proposal had been considered: concept of 'The Entrepreneurial College'; the benefits to Gateshead College; Partnership and Investment; Strategic Planning and Preparation. The proposal was in response to a number of factors including cuts in funding, the Wolf report on Vocational Education, the need to do more for less and the desire to lead a fundamental shift in the way that high performing modern colleges prepare students for the world of work. The Principal and Deputy Principal Curriculum and Quality have worked with the Principals and senior staff of City College Norwich and North Hertfordshire College in order to develop the "Entrepreneurial College" concept.

The Principal advised that the Entrepreneurial Forum in the North East had agreed to back a Gazelle Local Launch at Gateshead College on 3 July 2012.

Babson College, a leading entrepreneurial university in America, is keen to develop an entrepreneurial leadership programme with Gazelle's five colleges. A meeting with Governors' representatives from the five Boards will be taking place in Nottingham on 13 July 2012. The Chair acknowledged the support that Ian Renwick and Ivan Jepson, Entrepreneurial Champions, had given to the Entrepreneurial College initiative.

A member advised caution when working with Pearsons, a world leader in publishing and qualifications, which has expressed interest in the Entrepreneurial College project. The Principal replied that he had been advocating caution with the other colleges as it is possible that Pearsons' interest is in acquiring the brand.

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

**1680 Property Strategy Update**

The Director of Finance introduced a report which updated the Board on progress with the Phase 2 Property Strategy. Phase 4 fit out of the workshops at Construction Centre Phase 2 commenced at the end of March and will continue to late June 2012, in time for the new academic year. The project is on track and on budget. The account with UK Land, for Phases 1-3 is currently being finalised with discussions over a small extension of time claim. The College is on track to bring this part of the project in under budget by £72,000. Figures summarising the current financial position of the project were included in the report and showed that expenditure is in line with the budget.

**Acquisition of Barmston Court**

The Director of Finance advised that the College had submitted two bids as follows:

£552,000 with the overage clause removed  
£502,000 with the overage clause retained

However, he had since learned that following the deadline, another bid was received from a previous bidder and therefore the bidding process had been re-opened. The College was invited to revise its bid and submit it by close of play on 22 June 2012. Advice was taken from Eversheds on the implications and subsequently two revised bids were submitted as follows:

£600,000 with the overage clause removed  
£560,000 with the overage clause retained

The ERDF bid which would fund 50% of the purchase price has been successful at the first stage so the College will put forward a 2<sup>nd</sup> stage bid by the end of August 2012.

A member enquired what the timelines were for finding out the result of the bids and the Director of Finance replied that the College should know the outcome within the next couple of weeks.

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

**1681 Franchise Provision**

The Director of Finance introduced an annual report on franchised provision which is required by YPLA/SFA because franchised provision represents more than 5% of funded activity. In addition, the report also included details of partnership provision. The report summarised franchised and partnership provision as at 31 May 2012, broken down by funding stream and partner with the proportion paid to each partner. It was noted that the College has established a central team to oversee the delivery of contracts at a total cost of £303,893 up to 31 January 2012 and £364,672 for the full year. In addition, considerable resources are devolved from the Data & Funding and Finance Teams to the management of provision.

A risk assessment indicated that the first risk is on non-delivery of contracts by franchise partners. The risk is offset by rigorous monitoring by the central team who report to the Managing Director: Business, Innovation and Development. It was noted that there is sufficient flexibility within the group or partners to remedy any underperformance by one or more partners. The second risk is from the potential

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damage to reputation if a partner delivers poor quality provision or delivers inappropriately. A detailed appraisal of partners has been introduced and as a result the College has discontinued working with ten partners including its largest partner, Future Strategies Ltd.

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

#### **1682 Management Accounts**

The Director of Finance introduced the Management Accounts for May 2012. Income was up slightly compared to April, with an increase of £49,000 to £3,948,000 and was substantially over target by £499,000 which has almost wiped out the year to date shortfall reducing it from £548,000 to £49,000. Revenue for the year to date totals £33,835,000; the College expects to achieve £41,579,000 for the full year, £834,000 over target if all the planned recruitment comes in.

Overall EFA/SFA revenue was £498,000 over budget in May, which increased the year to date favourable variance to £561,000. 16-18 Learner Responsiveness revenue is released in line with the budget; however the actual delivered volume is £11,632,000, an increase of £110,000 in month, but still well short of the allocation of £12,698,000. The College has exceeded the learner number target, but the yield per learner is down as fewer full time learners have been recruited. The yield from current learners needs to be increased through enhancing programmes and increased recruitment; however the College will not now make up the shortfall. Close achievement of the target allocation is essential to maximise the allocations for 2013/2014 and beyond. 16-18 apprenticeship revenue increased in May with new starts and achievements. Currently they are vacancies, but a shortage of good candidates. It is hoped that this will ease as young people either leave school or complete FE courses and therefore become available. 19+ single budget revenue continued to grow with the shortfall against the full year target falling from £8.5m at 31 December 2011 to £2.9m at the end of April and £2.4m at the end of May. The recent OFSTED Inspection temporarily diverted attention from recruitment; however plans are in place which should see most if not all of the shortfall made up.

HE Revenue continued to be under budget as a result of lower recruitment to programmes franchised from the University of Sunderland. Education Contract revenue continued to be under budget reflecting fewer apprentices from other managing agents and reduced levels of 14-16 learners from local schools. Full Cost Fees picked up in May at £111,000 following a disappointing April at £95,000 and the strong performance in March at £148,000. In part this was due to Easter together with March being boosted by organisations spending budget with the College before their year end. Revenue in the month benefited from a stronger performance by Amacus. Revenue for the year to date is £942,000 against a budget of £1,025,000, and the full year total is expected to be around £1,150,000. In Other Grant Income, revenue from projects, in particular the Plugged in Places project run by CYC(N) Ltd decreased in May, but there was still a favourable variance of £36,000 in the month and £70,000 for the year to date. It is expected that the PIP project will lift revenue for the full year to £1,725,000 over target by £204,000. It was noted that all the PIP revenue was included on this line rather than being split with Other Income. Tuition fees revenue for the year to date is £47,000 over budget, with FE over and HE slightly under. Lower recruitment has hit HE whilst FE has benefited from support from the Foundation. In terms of Other Income, this continued to be under budget and this was partly due to all PIP income being allocated to the Other Grant Funding line. The remainder is due to lower levels of rental income than planned from the Test Track and SASMI.

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Expenditure was £316,000 over budget compared to £499,000 for income for the month. Expenditure for the year to date is £447,000 over budget, whilst income is now just £49,000 under. The main causes for this situation are under utilisation of some salaried teaching staff and over use of hourly paid teachers; under utilisation of trainers and assessors in the earlier part of the year, as insufficient work was generated, especially for the Productivity Team. The College had to subcontract more than it had intended in order to utilise fully its 19+ funding allocation. In effect this has meant paying for the same provision twice. Savings have been achieved in other areas such as in facilities, but have not been sufficient to fully offset the above. Turning to Pay Expenditure, it was noted that overall pay was £66,000 over budget in May, reducing the year to date favourable variance to £581,000. The high use of casual staff is linked to the large scale delivery in the West Midlands and on Merseyside for Jaguar Land Rover. The use of casual staff whilst more expensive than salaried staff reflects the potential short term nature of this work. The use of hourly paid teaching staff within the College also remains too high, but is slowly being reduced. An attempt to even out the utilisation of salaried teaching staff to move hours from over utilised to underutilised lecturers wherever possible is being made, to minimise annual overtime claims. Other operating expenditure was £220,000 over budget in the month of which £209,000 was from partner payments, linked to the favourable variance on 19+ single budget delivery of £479,000. The College is delivering more provision through partners than was originally planned as a result of failing to generate the planned level of direct delivery. Other non-pay expenditure is over budget by £11,000 in the month, compared to £252,000 in April. In the month there was a reduction in expenditure by both the College and the subsidiaries. In the previous month there was significant expenditure on professional fees associated with the development of the International Strategy. The expenditure on the International Strategy was not planned in the budget for the year. Overall for the year to date other operating expenses including partner payments were £1,008,000 over budget with the adverse variance on partner payments £1,202,000. The favourable variance on non-partner payments has been achieved despite professional fees which have been high this year as a result of acquisitions and the International Strategy.

Depreciation charges are currently running above budget by £33,000 in the month and £73,000 for the year to date as a result of the student laptops and new accommodation developments. The full year total is forecast to be £510,000 over budget as the College intends to write off the laptops fully this year rather than spread across two years. This will benefit the budget next year. Interest payable continues to remain under budget by £4,000 at £42,000 in the month and by £52,000 for the year to date at £414,000.

A surplus of £311,000 was achieved in the month up from £45,000 in April and against a target of £128,000. The surplus for the year to date now totals £653,000 against a target of £1,149,000, the out-turn is now expected to be a surplus of £916,000 on turnover of £41,579,000.

The Director of Finance indicated that the Balance Sheet continued to remain strong. Fixed Assets fell in value by £113,000 in May with additions of just £157,000 and depreciation of £270,000. Current Assets fell in value by £326,000 to £14,430,000, with cash falling by £352,000 to £9,659,000 as a result of increased creditor payments. Net Assets increased by £311,000 to £22,797,000 which increases to £53,160,000 once deferred capital grants are added back.

In terms of cashflow, cash decreased in the month by £352,000 to £9,659,000 as a result of lower receipts in the month and a large payment to suppliers. Cash is

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expected to fall to about £8.0m at the year end with completion of the Construction Centre capital projects.

The Chair advised that the Director of Finance was happy to discuss the Management Accounts separately with any Governor who was not familiar with them and he would continue with this for new members of the Board.

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

### **1683 Principal's Report**

The Principal presented a report which advised the Board on recent developments in the College and highlighted items of particular interest. Over the period of the 16 – 22 June the Principal travelled, with the permission of the Chairman and Vice Chairman to the global Centre for Entrepreneurial Education at Babson in the USA to participate in the annual meetings of global partners. The meetings were informative and will lead to further international initiatives. On 26 June the Principal attended a lunch time meeting of the Franco British Council chaired by Baroness Quin. The discussions centred around the celebration events that will take place in October.

The Principal indicated that the International Strategy was progressing well and referred to the progress highlights which were included in his report. The partnership with VTC Hong Kong is developing well and the College is building a strong relationship as a platform for to market its services in Hong Kong and mainland China, and to provide an international experience for its students. It will also provide valuable learning for the College, as its first major inter-continental partnership. The College will commence student and staff exchange in Catering and Hospitality, and Automotive Engineering, in early 2013, with a visit by College staff in late September to agree details of these exchanges. The partnership with ITE Singapore is also proceeding, with a timescale set for 3 months following VTC. A very strong set of activities are developing with Indonesia and there is very significant market potential, with over 550 Colleges to be built over the next 3 years and an increase of 1.5 million being trained annually. The Principal advised exchange of students would take place later in 2012.

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

### **1684 Report of the Clerk**

The Clerk introduced a routine report which advised the Board of Governor activity since May 2012.

It was noted that Keith Cann Evans and the Clerk had attended an Association of Colleges regional support forum for Chairs, Governors and Clerks on *'Rising to the Challenges of New Challenges, New Chances in Times of Austerity'* at New College Durham on 21 May 2012.

Members of Remuneration Committee had participated in a development and updating workshop on 20 June 2012.

Work continues on the NUS Student Governor Support Programme.

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

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**1685 Minutes of Committees**

The Board received the minutes of the following Committees:  
Governance and Search Committee held on 23 February 2012  
Academic Standards Committee held on 7 March 2012  
Audit Committee held on 14 March 2012  
Finance and General Purposes Committee held on 26 April 2012  
Finance and General Purposes Committee held on 31 May 2012

**1686 Review of the Year**

A member commented that if the College challenged the Ofsted Report it would find itself in a worse position and advised on not challenging further than it needed to go. Staff needed to get in a better position to get a better result at the next Ofsted inspection in 18 months time.

Aziz Kouame, 16-18 Student Governor expressed his pride at being named 'A' level Student of the Year at Gateshead College and thanked Board members for their appreciation saying that he had been inspired by them.

Another member commented that Board meetings were more like financial meetings rather than being at a College. He suggested undertaking staff and student surveys to establish what people thought of Gateshead College.

The Principal indicated that the College needed to concentrate on looking at the basics.

*Jackie Doxford, Gwyneth Jones, Aziz Kouame, Alan Reynolds, Alex Rutherford and Mark Taylor were asked to leave the meeting before the next item was discussed*

**1687 Senior Postholder Severance**

*The report and the record of discussion on it are 'closed to public access'.*

**1688 Any Other Business**

There was no other business.

**1689 Date of next meeting**

The next Board meeting will be held on Thursday 18 October 2012 commencing with lunch at 12 noon, followed by a Board Development Session, Board meeting at 5.30pm and dinner in Enfields at 7.30pm.

**1690 Chair's Review of Business**

The Chair reviewed the business transacted and commented that everyone was disappointed about the Ofsted results but the College is where it is and it will have to improve. The College has a fabulous team of staff and the Action Plan will address the issues identified by Ofsted. The focus should be on the improvements which need to be made in the College.