

BOARD OF GOVERNORS

THURSDAY 27 MARCH 2014



GATESHEAD COLLEGE

Report: Minutes of the meeting held on Thursday 12 December 2013

Author: Clerk

Action: Approve

Status: Open

Present: Robin Mackie (Chair)
Rebecca Anderson
Keith Cann Evans
Emily Cox (via Telephone)
Catherine Dennis
Judith Doyle
Sally Hancox
Darren Heathcote
Ivan Jepson
Chris Macklin
John McElroy
David Mitchell
Ian Renwick
Mark Taylor
Simone Wood

In attendance: Mick Brophy
John Gray (For Item 7 only)
John Holt
Mike Hopkins (CEO of the Federation)
Gwyneth Jones (Minutes)
Emma Moody (Clerk)
Mark Thompson

1817 Welcome/Apologies

Robin Mackie welcomed everyone to the meeting. Apologies for absence were received from Kevin Fitzpatrick and Nadine Hudspeth.

1818 Conflicts of Interest

Members were invited 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 declaration of interests.

The Chair advised that item 5 (Ofsted update) and item 6 (Draft SAR) were confidential documents and were not for discussion outside of the Board meeting. It was noted that John Gray, Strategy Manager, Learner and Customer Services had been invited to join the meeting for item 7 (Equality and Diversity Report).

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1819 Minutes of the meeting held on Thursday 24 October 2013

The minutes of the meeting held on Thursday 24 October 2013 were accepted as a true record.

1820 Matters Arising

There were no matters arising which were not substantive items on the agenda.

1821 OFSTED update

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

John Gray joined the meeting at 4.20pm

1822 Draft SAR

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

1823 Equality and Diversity Report (2012/2013)

The Principal advised that in the past the Equality and Diversity Report had been put together by the Deputy Principal: Curriculum and Quality but this year's report had been produced by John Gray, Strategy Manager, Learner and Customer Services and Mark Thompson, Director of People and Organisation Development.

John Gray advised that he was joint Chair with Mark Thompson of the College's Equality and Diversity Steering Group. Good progress had been made with objectives for 2012/2013; information around Equality and narrowing achievement gaps was being developed, for example, Revised Fitness to Study Procedure and additions to working with disabled students. They were responsible for student discipline so would be taking students with learning needs through this procedure to ensure fairness.

The Chair asked if this system had been tested and John Gray replied that it had and it had worked well. Equality required public bodies to review the Single Equality Scheme and reflect current practice. The new plan would further embed Equality and Diversity and the College was making sure staff were aware of their responsibilities in relation to The Equality Act 2010 eg closing gaps for females, disabled and older persons. It was noted that new applicants would be asked to disclose religion/belief, caring responsibilities, gender at birth and sexual orientation.

The new Equality Impact Assessment tool had been introduced towards the end of the last academic year. It was a challenging document and was meant to be that way. Equality was everyone's responsibility not just the Equality and Diversity Steering Group or the Board.

A Governor observed that the Equality and Diversity policy could be seen as a legal document and wondered how the College positioned it, for example, linked to the Strategic Objectives. The policy needed a broader view of what she saw inclusion as being eg social inclusion, higher deprivation such as coming from families of the long-term unemployed. John Gray agreed and said the College shaped students to become good citizens. Student Services had changed and was now about

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increased support re: attendance and retention. There was specialist support available which included a Welfare Advisor (homeless or debt), Finance Adviser (student debt and removal of benefits), and a Mental Health Service which had been developed for students who self-harm or have suicidal thoughts.

The Governor responded that she thought the policy needed to be brought to life and demonstrate the impact of what the College did and how we were better than others. The policy was about the type of college Gateshead College wanted to be. John Gray replied that the policy went beyond compliance. The Governor replied that if the College was doing great things for learners then the policy should say that.

Another Governor commented that she thought the document was quite dry and that the College must have some living examples about what difference it had made. John Gray replied that last academic year he had produced an Equality statement to go on the website; this made it real and it had a more personal feel. The Chair thought that equality should be celebrated more and given value.

A third Governor said he would make the same point about including stories. He congratulated the Board on bringing the Equality and Diversity Report in an open fashion but thought information about retention rates for students who fell into this category would improve it as it was currently only statistics and outcomes. John Gray replied that they had the information for 2012/2013.

The Chair thanked John Gray and Mark Thompson for their work on the Equality and Diversity Annual Report (2012/2013).

RESOLVED

- i) to note the content of the report**
- ii) to approve the amendments made to the Equality and Diversity Policy**

1824 Board and Committee Appointments

The Clerk confirmed that following recent Student Governor Elections, Simone Wood had been elected as the 16-18 Student Governor and Mark Taylor had been re-elected as the 19+ Student Governor.

She advised that Nick Hurn, Head Teacher of Cardinal Hume School had been suggested as a prospective Governor at the last Governance and Search Committee meeting and at the last Board meeting. She was aware of the lack of education experience on the Board. Nick Hurn had met with the Principal and the Chair of the Corporation and he had shown a willingness to become a Governor.

Ian Renwick declared an interest as the Queen Elizabeth Hospital was involved in joint work with Cardinal Hume School.

The Clerk proposed the appointment of Nick Hurn as a Governor and said the next step might be to appoint him as a member of Academic Standards Committee. She also proposed for Ivan Jepson to become a member of the Federation Board.

RESOLVED

- i) to approve the appointment of Simone Wood as 16-18 Student Governor**
- ii) to approve the re-appointment of Mark Taylor as 19+ Student Governor**
- iii) to approve the appointment of Nick Hurn as a member of the Board of Governors**

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iv) to approve the appointment of Ivan Jepson as a member of the Federation Board

1825 Internal Audit Annual Report 2012/2013

The Director of Finance introduced a report which sought Board approval for the Internal Audit Annual Report 2012/2013. It was noted that Price Waterhouse Coopers (PWC), the College's Internal Audit Service providers, had prepared an annual report on their work in accordance with the College's internal audit plan, which was designed to allow them to make a statement on the adequacy and effectiveness of the College's risk management, control and governance processes. A copy of the Internal Audit Annual Report 2012/2013 was appended to the report. The Board was advised that the Annual Report had been considered and approved by Audit Committee at a meeting on 16 October 2013.

During the year PWC had completed seven internal audits. This had resulted in the identification of six medium, three low and one advisory risk findings. The internal auditors had looked at the whole scope of the College including subsidiary companies and commercial activities. Page 5 of the report contained details of the follow up work which had been undertaken by PWC during the year to validate the action taken by management against previously agreed actions.

The Chair of Audit Committee explained that when the auditors were satisfied with the work they used the word 'adequate'; you never got auditors saying 'absolutely fantastic'. This report provided the Board with an assurance beyond the traditional audit territory. It had provided the added value which had been looked for when the College had changed its internal auditors.

RESOLVED to approve the Internal Audit Annual Report 2012/2013

1826 Audit Findings and Financial Statements Management Letter for the year ended 31 July 2013

The Director of Finance introduced a report prepared by Baker Tilly, the External Auditors on the Statutory Financial Statements Audit for the year to 31 July 2013. The Audit Findings and Financial Management Letter for the year ended 31 July 2013 was considered at the joint meeting of the Audit and Finance and General Purposes Committees on 4 December 2013. The joint meeting recommended to the Board that they approve the audit findings for the year to 31 July 2013 and also approve the letters of representation for signature by the Chair and the Principal.

The Financial Statements Auditors had concluded that an unqualified audit opinion would be issued for the College's Financial Statements for the year ended 31 July 2013 and for the Regularity Audit. The audit was completed in the timescales agreed with auditors with the process going smoothly.

The work undertaken by Baker Tilly covered Gateshead College, seven subsidiary companies and two Joint Ventures so it was a bigger report than it had been in the past. Page 3 of the document highlighted the issues and how they had been resolved. The audit adjustments which related to bad debts were included in the report. The funding information had not been available but the final information had been received this morning. The auditors had been unable to identify any areas for improvement relating to internal controls. There were two letters of representation which needed approval for signature by the Chair of the Corporation.

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The Chair of Audit Committee explained that the document had been discussed at the joint meeting on 4 December 2013. The auditors had looked at the group structure and page 11 of the report showed how complicated this was. He asked for the minutes to record his thanks to the Director of Finance and also David Keetley, Financial Controller, who had attended the joint meeting. He thought it had been good for David to see the degree of detail that the Audit Committee went into regarding the document.

The Principal indicated that she had a conversation with the Lead Auditor who had set out her responsibilities. They had identified the issue of subsidiary companies and their complex nature and she was looking at this as part of her comprehensive review of business.

The Director of Finance advised that two subsidiary companies, Tyneside Training Services Limited and Equality North East Limited, had been incorporated into the College.

RESOLVED

- i) to approve the Audit Findings for the year ended 31 July 2013**
- ii) to approve the Letters of Representation in respect of the Audit of the Financial Statements and Regularity Audit for the year ended 31 July 2013 for signature by the Chair and the Principal**

1827 Report and Financial Statements for the year ended 31 July 2013

The Director of Finance introduced a report which presented the audited financial statements for the year to 31 July 2013 for Gateshead College which had been approved by a joint meeting of Audit and Finance and General Purposes Committees on 4 December 2013. The Financial Statements will be submitted to the SFA prior to the deadline of 31 December 2013.

It was noted that the statements were very much in line with the July 2013 Management Accounts which had previously been presented to the Board. Turnover had increased to £48 million (£42 million in 2012) and the College had generated a surplus of £66,000. The share of profit in the Joint Venture was £32,000. A small amount of tax £4,000 had been paid so the surplus on continuing operations of Group and Joint Venture after depreciation of assets and tax was £94,000. The balance sheet remained strong with net assets of £50,092,000 after taking into account the provision for Local Government Pensions liabilities of £10,230,000.

The FRS 17 pension deficit had doubled from £217,000 to £500,000 by the end of the year. Gateshead College had no control over the figures; it had to set aside an extra £1 million each year which it had not had to do a few years ago.

The Chair of Audit Committee referred to the issue about pensions and said it was a public sector issue; he advised that the Director of Finance had been tasked with being on the 'front foot' to develop coping measures. The Director of Finance commented that generous severances had been provided in the 1990s; £400,000 had originally been set aside for pensions but now £800,000 was needed in the pot due to people living longer and pension provision being inadequate.

The Chair of Audit Committee referred to the issue about covenants and said that Gateshead College were the only college who had already sought assurances from the bank that the covenant would not be affected by pension provision in the

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accounts. This demonstrated the ability of the Director of Finance and his team to keep on the 'front foot'.

RESOLVED to approve the College Financial Statements for the year ended 31 July 2013

1828 Annual Report of the Audit Committee 2012/2013

The Chair of Audit Committee introduced the Annual Report of Audit Committee for the period 1 August 2012 to 31 July 2013. In accordance with the requirements of the Audit Code of Practice, the report was addressed to both the Board of the Corporation and to the Principal in her role as the Accounting Officer for the College. The report provides advice on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes and securing economy, efficiency and effectiveness (value for money).

The report was a year in the life of the Audit Committee and referred back to the letters of representation. It had been a year of transition in terms of membership with the appointment of Neil Weddle in April 2013 and the temporary appointment of Darren Heathcote to the Committee.

The report provided a summary of the work of both the Internal and External Auditors. The Chair of Audit Committee highlighted that at each Committee meeting members considered the latest Risk Management Plan and Register and he found the traffic light system in place useful and the document was embedded in the College. At almost every meeting risks were removed and new risks added on. This provided a degree of consistency in approach.

The Financial Health and Going Concern of the College had been looked at by the SFA and they had concluded that it remained in a positive position. A Governor referred to 'common themes' and asked if there were any themes coming through eg a customer satisfaction audit. The Chair of Audit Committee replied that there were no trends within individual audits; no high issues had been reported, many were low and there was a smattering of medium. One of the risks identified related to Academic Standards, this had been copied to David Mitchell, and had been addressed. Many risks identified had been addressed by the time they got to the Audit Committee.

RESOLVED to approve the contents of the report

1829 Financial Management & Control Evaluation Report

The Director of Finance introduced a report which presented the completed Financial Management and Control Evaluation annual return. He explained that the SFA had discontinued the mandatory return, however, the Audit Committee had decided to continue completing it each year as it helped ensure effective controls were in place. Any future SFA audit of financial management would expect to see it completed. The document had been reviewed by the Audit Committee on 4 December 2013 and had confirmed its agreement to the proposed grades.

RESOLVED to note the contents of the Financial Management and Control Evaluation Report

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1830 Internal Audit Strategy and Annual Plan 2013/2014

The Director of Finance introduced a report which sought approval for the Internal Audit Strategy and Annual Plan 31 July 2016. Price Waterhouse Coopers, the College's Internal Audit Service, undertook an audit needs assessment and prepared the document each year. It was a three year plan which the auditors had and following discussions with Audit Committee it provided an annual plan and timetable for the audit work to take place.

A Governor asked whether the Plan targeted issues raised in the Self-Assessment Report and the Chair of Audit Committee replied that it was linked to risks which it believed the College would face, however, some auditor days were held back so a bespoke audit could be created if needed.

It was noted that the Internal Audit Strategy and Annual Plan for 2012/2013, a copy of which was appended to the report, had been considered and recommended for approval by the Board at the Audit Committee on 16 October 2013.

RESOLVED to approve the Internal Audit Strategy and Annual Plan for the year to 31 July 2014

1831 Reformation of Board Reporting Systems and Governance

The Principal introduced a report on Quadrant Reporting, the purpose of which was to give the Board further information on the likely makeup and content. At the previous Board meeting and the last Governance and Search Committee meeting it was agreed that a suggested format for 'Quadrant Style' reporting at future Board meetings should be brought to today's meeting.

She had been charged by the Chair of Governance and Search Committee to create a template front sheet for future Board reports. Since the last meeting she had met with the Executive Team to further explore the quadrant concept and how it might work in practice. She had also met with the Chair of Governance and Search Committee to consider reporting formats and mechanisms.

A template attached to the report was a first iteration of what it looked like and related to the Finance & Corporate Services Quadrant; each quadrant would produce a similar layout against the appropriate KPIs. Behind each Quadrant sheet there could be additional data which would provide various supporting information/content. The Board was requested to consider the proposed template and approve the trialling of 'Quadrant' style reporting from January 2014.

The Chair of Governance and Search Committee said that the principle was to make the system as easy as possible across four new Quadrants of the College. It had a RAG rating system which would show whether it was performing well or not and it would allow the Executive Team to comment and the Board to drill down. The Board would be focused on areas for concern, not on areas performing well.

A Governor said that he fully supported what was being proposed and another Governor thought the template was a great first stab. The Principal said it was important for the College not to be so internally focused. A Governor asked when the Board would get to discuss the development of young people at Board meetings as she felt the 'people side' was missing. The Principal said this would be looked at.

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Emily Cox terminated her telephone link to the meeting at 5.35pm

The Chair commented that he was very much in favour of the quadrant system and the credit for this should be given to Emily Cox. The Chair of Academic Standards Committee said a lot of time had been spent on how information was reported on at the meetings and the use of RAG rating. The Principal thought that the College was three-quarters of the way there but more information was needed around destinations. A Governor thought it might not be possible to get the Quadrants to look the same. The Chair said the Business Quadrant had been discussed at the Remuneration Committee. The Principal said that unlike the issues with Dropbox, it would be possible to click on the reporting page and drill down onto the information behind which would give clarity and focus. This would be a task for the Director of Finance.

Ian Renwick left the meeting at 5.40pm

The Clerk referred to her paper which proposed that the preparation of the minutes of meetings should follow a more concise format. The way that minutes were currently presented meant that minutes were lengthy and often included a verbatim narrative of the meeting itself along with significant wording lifted from the report which was presented to the meeting itself.

RESOLVED

- i) to approve the trialling of 'Quadrant' style reporting from January 2014**
- ii) to approve the preparation of minutes on the basis of the format outlined in the report with effect from meetings commencing at the start of the next calendar year**

1832 Changes to Instrument & Articles of Government

The Clerk indicated that at the last Board meeting on 24 October 2013, members had agreed to the introduction of a non-executive contract for Board members, setting out what was expected of them in terms of their role as a College governor and charity trustee. Board members noted that they would be asked to sign their contract at today's meeting. Future Board members would be asked to sign the document prior to their appointment to the Board.

She explained that in order to ensure that the document had recognition and a legal basis within the Instrument and Articles, it was proposed that the Instrument of Government be amended so that:

1. a condition of a member being appointed as such is that they sign a declaration of willingness to act and also agree to the terms of the non-executive Board contract by signing a copy of it;
2. if a Board member acts in breach of the terms of that non-executive contract or any other codes of conduct relating to the conduct of members, that will be grounds for the termination of their office

RESOLVED to approve the amendments to the Instrument of Government to take effect from today's meeting

1833 Principal's Report

The Principal explained that the purpose of her report was to give an update on the activities she had undertaken since her appointment on 1 August 2013. She had

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worked on a number of key priorities and initiatives and these included meeting with all Staff in early September and late November to set out her expectations and to communicate her vision and aspirations for the College, in line with the new strategic plan. One of her top priorities was to continue to improve the standards of teaching and learning across the College which led into Ofsted readiness. The recent Ofsted Support and Challenge visit had provided her with welcome and timely feedback. She was undertaking a 6 month comprehensive review of College business with particular emphasis on International work, Gazelle and the work of the subsidiary companies. A report on the outcomes of the review would be brought to the next full Board meeting in February 2014.

She had met with Key Strategic Partners and Stakeholders such as Ian Mearns MP, Jane Robinson, CEO of Gateshead Council and NECC where she had made a speech at their annual dinner in October. She had also met with representatives from CBI, Principals from other Colleges in the region, representatives from the LEP, as well as attended her first meeting as a board member of NGL. She had also attended the first meeting of The Federation and other meetings linked to its activities.

She was leading on the development of the new model of corporate business/governance reporting and organisation, around a 'quadrant' structure. She was being visible around the College, encouraging and supporting staff engagement at all levels of the organisation. She was working with the recruitment panel on the appointment of a new Deputy Principal.

She had engaged with students at all levels in both a formal and informal way; making herself known to them, seeking their feedback and helping them to understand what they could expect from the College. These activities had included: leading the *Job Pursuit* induction process/event for all 3,200 16-19 students. This morning she had been presenting gold medals to students in relation to the World Skills Competition in Popular Music.

Central to all her work this term had been ensuring that all of the new students were settling into college life and ensuring that returning students continued to be on track to be successful. Destination analysis was showing that many students were successful when they left the College; a detailed report on this would be brought to the next full Board meeting in February 2014. Students had acquired places at university, some students took up specialist places such as The Italia Conti Stage School in London and The London Studio Centre. The number of students applying through UCAS increased by 12% compared to the previous year. 75% of the 552 students who applied, successfully gained a place at the university of their choice. 44 students secured places at Russell Group Institutions with 2 students gaining places at Cambridge University.

It was very encouraging that student performance would improve in 2013/2014 coupled with increased numbers of students coming to the College, indicating that the funding target will be met across both EFA and SFA contracts. The Executive Team had met with representatives from the SFA last week; Mick Brophy, Managing Director of Business, Innovation and Development and John Holt, Director of Finance, had worked hard to develop that relationship.

A Governor referred to the relationship with students and asked where the end point was. He mentioned Virginia Mason School in the USA where students had to "give to get" and he suggested having a system whereby students at Gateshead College would be told what they would get in return for what they would give. The Principal

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replied that was exactly what was involved with the *Job Pursuit* process. Gateshead College will give you this and students will sign up to it. The 16-18 Student Governor asked if there were 12,000 students and the Principal replied that there were 15,000 students. The 16-18 Student Governor thought that 44 students securing places at Russell Group Institutions was great but it could be better and the Principal agreed.

A Governor mentioned the recruitment of the appointment of a new Deputy Principal. The Chair replied that at the moment Judith Doyle was not only CEO/Principal but also carrying out the tasks of the Deputy Principal: Curriculum and Quality. He suggested that the Principal and David Mitchell should sit down and look at this. There was one internal candidate interested but they needed to look at the process and consider how they were going to approach the situation in the new year.

RESOLVED to note the contents of the report

1834 Management Accounts: October 2013

The Director of Finance introduced a report which updated the Board on the financial position of the College at the end of October 2013. It was noted that the recognition of income remained difficult as the SFA software had now been issued but had significant teething problems and, therefore, the College had had to use its own modelling to projections.

- Revenue for the month was over budget by £137,000 at £3,803,000.
- The main areas of underperformance were HE fees due to lower than planned recruitment of learners and lower revenue from full work with strong recruitment of 19+ Apprenticeships and direct delivery 19+ FE.
- Pay costs continued to be over budget reflecting the carrying of costs associated with the Voluntary Severance scheme, higher pension provisions and additional staff to support English and Maths and the switch from franchised to direct delivery, in particular growth of apprenticeships.
- The College generated a small surplus of £66,000 in the month reducing the year to date shortfall to £717,000.

John McElroy left the meeting at 5.55pm

A Governor asked about the issue of software and the Director of Finance replied that there were two versions of the software. It was noted that this needed to be concluded asap as we did not want inadequate software to be blamed for any errors in the forecasting.

Another Governor asked about FRS 17 and the Director of Finance replied that £50,000 per month was being put aside for pensions.

Mike Hopkins said that he had been talking to a senior person in the SFA the other day and they had advised that the EFA used the same software. The Director of Finance replied that £13 million of turnover was reliant on the software. There were a lot of calculations behind it; a 5% error on £10 million was £0.5 million so even though it appeared small it could have a huge impact. A Governor thought there had to be a point at which a letter was sent off complaining about the lack of software despite being well into the new term. He acknowledged that it was a cross-sector issue but potentially a 5% error rate could be the difference between success or failure.

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The Principal agreed that the Governor was correct and they needed to think about how to do this. The Chair indicated that he would like to be kept up to speed with this.

RESOLVED to note the contents of the report

1835 Property Update

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

1836 Review of Federation activity

Mike Hopkins, CEO of the Federation, attended to provide an update to the Board.

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

1837 Any Other Business

Gazelle

A Governor enquired what was happening at Gazelle and the Chair replied that it was part of the Principal's comprehensive review. He had attended a meeting in London last week but there were question marks as it was a long way behind where it should be.

Governor Appraisals

The Clerk advised that only four Governors had responded to her request for comments re: the proposed Governor Appraisal Form which she had circulated in November 2013 and their comments had been included in the revised form. She said the majority of Governors were happy with the form and it would be presented for approval at the next G & S.

1838 Date of next meeting

The Clerk enquired whether Governors would prefer to have one strategy day with an early start which would maximise time for discussion. Keith Cann Evans replied that he would prefer an overnight stay eg two day strategy meeting. This was endorsed by others.

1839 Chair's Review of Business

The Chair said he was encouraged by the Ofsted letter. He thanked David Mitchell for his ongoing support for initiative.

He commented on the Director of Finance's great financial stewardship.

He was encouraged by the first five months of Judith Doyle's tenure as Principal.

The Quadrant system was very important and how it operated.

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The Principal said on behalf of the College she wanted to thank all the Governors for their contribution throughout the year.