



MEETING OF THE BOARD OF GOVERNORS

THURSDAY 2 JULY 2020

Report: Minutes of the meeting held on Thursday 28 May 2020
Author: Clerk
Action: Approve
Status: Open

Meeting held via Microsoft Teams

Present: John Hogg (Chair)
Andy Cole (Interim Principal / CEO)
Simon Ennew
Martin Gannon
Darren Heathcote
Andy Lorimer
Chris Macklin
David Mitchell
Claire-Jane Rewcastle
Sarah Stewart

In attendance: John Gray
Nadine Hudspeth
Ivan Jepson
Keith Oxspring
Mark Thompson
Chris Toon
Steve Champion
John Taylor (ESFA)
Emma Moody (Clerk)
Suzanne Clark (Minutes)

3073 Chair's welcome, apologies, conflicts of interest

The Chair welcomed everyone to the meeting. Apologies were received from Martin Hedley, Aneela Ali and Kirsty Paterson.

The Chair welcomed Simon Ennew to his first meeting as Teaching Staff Governor.

The Support Staff Governor gave an update on the recent student governor elections. Sarah McBean was elected as 16-18 student governor and Georgina Moroney was elected as 19+ student governor.

Governors received and endorsed the appointment of Sarah McBean and Georgina Moroney.

The Chair invited members to indicate if they wished to raise a question by using the notes feature of MS Teams.

No governor declared any conflict of interest at this stage but governors were reminded that if a conflict arose during the meeting, they should declare it as soon as they became aware of it.

3074 Minutes of the last meeting dated 27 April 2020

The minutes of the Board meeting held on Thursday 27 April 2020 were agreed as a correct record.

3075 Matters arising

Updates were given on the matters arising recorded at the meeting on 27 April 2020.

The Clerk confirmed that the action tracker has now been shared with RSM and will be sent to them on a regular basis.

The Interim Finance Director confirmed that note 21 of the financial statements has been updated.

The Clerk advised that a further meeting of the finance task and finish group will be arranged at an appropriate time when in a position to sign off the financial statements for y/e 2019. The group will be kept updated in relation to progress and set a date for this meeting.

The Clerk confirmed that a statement was circulated to governors following the last meeting seeking formal agreement of the resolutions in relation to the College's 'going concern' statement.

The Interim Principal / CEO reported that work completed in relation to scenario planning for a return from Covid-19 will be shared in the report later in the meeting. The College is currently planning for a return later in June.

The Clerk confirmed that she had sought the endorsement of the College's business case documents from governors.

The Clerk reported that some changes had been made to the action tracker and that further changes will be made to show any trends (up or down) in the RAG rated column.

3076 Management Accounts and update on financial impact of Covid-19

The report was presented by the Interim Finance Director.

It was reported that the College's deficit position will likely be increased from £5.8m to approximately £6.2m when factoring in the impact of Covid-19. The College continues to perform in-line with revised financial expectations otherwise; in other words, the baseline position (pre COVID 19) remains stable. The Interim Finance Director added that the College is likely to require another £1.3m from the ESFA for the next 12 months. This figure is included in the cash flow forecast but members were advised that it has not yet been agreed by the ESFA.

A member asked whether there was any clarity in terms of sector support for Covid-19 costs and the impact this may have on College finances. The Interim Finance Director advised that the College was accessing support via the governments furlough scheme and there has been some support from the AEB which is continuing to be paid as normal. He was not aware of any support in addition to this. In response to a question from the Chair, the ESFA representative indicated that there was no additional support currently in relation

to apprenticeships but he stressed that it is currently an evolving picture indicating that it was important to continue to look at support and guidance available as it is communicated by the agency.

A member questioned the status of the Corporate Service Committee given that they would normally undertake a detailed scrutiny of the College's accounts. The Clerk advised that as reported to the Board recently, the membership of the Corporate Services Committee had depleted in number and it had been agreed that monthly management accounts would be received and reviewed by the Board as a whole until the committee structure was revived. The Clerk stressed that scrutiny of the accounts was currently the responsibility of the Board until the Corporate Services Committee resumes its business. The Chair recognised this and indicated that the Board was currently meeting more regularly than normal to ensure that the College's recovery plans are on track. It was suggested that governors unable to attend this meeting (in particular Aneela Ali and Martin Hedley) should be asked to comment specifically on the management accounts as this was within their area of expertise. Members were advised that further questions can be raised outside of the meeting with the Interim Finance Director should there be any clarity required.

Action: Clerk to ask members absent from the meeting to review the monthly management accounts and raise questions/highlight concerns as appropriate.

The report was noted.

3077 Update on Furloughing of staff

A verbal update was given by the Director of People and Organisational Development.

The Director of People and Organisational Development referred back to the report presented at the previous meeting outlining the governments job retention scheme. Following the meeting approval was received for the College to 'top up' the salary of anyone furloughed from 80%. It was reported that the scheme has now been extended until the end of October but there are some changes anticipated from August which will likely include higher employer contributions and staff being allowed to return to work on a part-time basis. Further information is expected to be communicated soon in relation to this.

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The report was noted.

3078 Update on preparations for mobilisation from Covid-19

The report was presented by the Interim Principal / CEO.

The Interim Principal / CEO indicated that he would welcome some discussion with ESFA colleagues in relation to the local Covid-19 context. His current understanding is that the 'R' rate is between 0.72 and 0.77 but he is very conscious this is the national figure. He is aware that there are sub-regional differences. The ESFA representative advised that he has requested further information and is following this up. Any information received will be shared with the Interim Principal / CEO as soon as possible. A member who also sits on the Board of a local NHS trust advised that all health bodies are receiving daily briefings and trusts are currently publishing daily updates. The documents contain highly sensitive and confidential information so cannot be shared but the member indicated that he would check whether publicly available information was available to support the College's decision making in this regard. The Interim Principal felt that it was essential that the College have access to this level of information in order to make an informed decision on when it is safe to reopen.

The Chair commented that recent government advice suggests that we seem to be moving to a position where plans and restrictions will be on a much more local level. A member thought that the report was very thorough and indicated that he would welcome some detail on the College's safeguarding arrangements for when it reopens.

Action : The Interim Principal / CEO would share the College's risk assessment for re-opening, currently in draft, with members.

The Director of Student Experience reported that government advice has been followed in relation to safeguarding. Information has been added to College's safeguarding policies to reflect the advice. There will be a rota of designated safeguarding officers who will be available on site when the College reopens and telephone contact details are available on the website and in College if advice is needed at any time.

The report was noted.

3079 Update on Recovery

Draft 2020/21 Budget

The report was presented by the Interim Finance Director.

The ESFA representative referred to appendix 3 and questioned how realistic the forecast for the year to 31 July 2021, for the impact of Covid-19, was. He noted that the significant areas of impact (over £100k) were retail and apprenticeships. The Interim Finance Director advised that the biggest areas of concern are these two areas. The ESFA asked how realistic it was to assume that other areas would not be affected.

The Deputy Principal: Curriculum & Quality confirmed that all lines have been scrutinised. The College has moved to an online product for AEB. The Interim Principal / CEO has challenged the team, particularly in relation to HE learners and it was confirmed that the College is not currently expecting to see a reduction in this area. Members were advised that forecasting is always a challenge but the team feel that they have AEB products in key sectors and are not seeing any reduction in this area. Apprenticeship funding stabilising more than expected. There are some concerns in relation to apprenticeships in Automotive and Construction and the College is currently not expecting to have an intake in these areas in September. The digital curriculum offer is still performing strongly. More analysis is required and the Interim Finance Director stressed that it is very difficult to forecast with certainty. The Interim Principal / CEO added that there will be further stress testing and scenario modelling as part of the work ongoing with the FEC team on the income lines. This is very much an ongoing process and the team feel fairly close to finalising the data. Further areas for consideration are likely to emerge at the FEC steering group meeting. The Chair commented that there is a need to take the best national and local intelligence to ensure that the FEC team is aware that updating is taking place on an almost daily basis. The ESFA representative recognised the difficulty in producing the forecasts and indicated that he was very interested in what has informed the risk for future years.

It was reported that this information has also been shared with the PMO which is poised to undertake an IBR (Independent Business Review). This is likely to take place in June. The Interim Principal / CEO advised that he had, earlier this week, engaged in an introductory call with FRP who have been appointed in relation to the IBR. They have a target start date of 8 June 2020. The Clerk reminded members that governors had previously looked to engage FRP independently to provide governors with assurances on the College's solvency in December 2019. The Interim Principal / CEO reported that the scope of the IBR is currently being agreed between the PMO and FRP. A catch-up call is planned to take place week commencing 1 June 2020 and the Interim Principal / CEO indicated that he would look to share the scope with members following this call.

The Interim Finance Director advised that the IBR is to verify what the College is presenting and is intended to give comfort to the PMO and the bank. The Interim Principal / CEO indicated that the IBR report would be shared with the Board prior to publication. A member asked whether there was a link between the IBR and the FEC strategic options process. The Interim Finance Director reiterated that the intention of IBR is to give comfort to the bank and the PMO in relation to future funding adding that the bank will not advance any funds to the College until the strategic options appraisal review is complete.

Action: Interim Principal / CEO to share the scope of the IBR with members once received.

The report was noted.

Non-pay paper

A verbal update was given by Steve Campion (*interim strategic finance support*) who confirmed that the report will be circulated after the meeting.

It was reported that the paper will show where substantial savings have been made including savings in both curriculum and support areas. He advised that further areas are being investigated with the College's senior team and additional savings include memberships, subscriptions and marketing spend.

The report was welcomed and noted.

Action: non pay savings report to be circulated after the meeting.

Estates update (property sale)

A verbal update was given by the Director of Marketing & Communications

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The report was noted.

Subsidiary companies paper

The report was presented by the Interim Finance Director.

It was confirmed that there is a local board for each subsidiary and any changes would first need to go through their respective boards. All options for potential transfers of business should be explored.

Sarah Stewart declared a potential conflict of interest in relation to any transaction with **THIS ITEM IS CONFIDENTIAL AND NOT FOR PUBLICATION** as she sits on Court and various committees there. The Clerk confirmed that this would be noted and that if there was a need to circulate any further information in relation to this proposal Sarah would not receive the same.

The Deputy Principal: Curriculum & Quality advised that projects previously being undertaken by subsidiaries were being given to larger companies. This highlights the competitive market place in relation to their area of specialism.

The Clerk confirmed that a further report to the Board would be required in relation to any transfer of business as the subsidiaries are owned by the College. Members would need to have a fully informed position where they have a clear understanding of the proposed transaction and assess the same based on the best interests of the College.

The report was noted

The Clerk reported that following recent changes in management personnel at the College the boards of the College's subsidiaries are depleted in number. It was proposed that the Interim Finance Director be appointed as company secretary for the subsidiary companies. The Clerk also proposed that the Interim Principal / CEO and Interim Finance Director be appointed as directors of all of the College's subsidiary companies with the exception of the Gateshead College Foundation. This ensured that administrative matters could be actioned and also that some assessment of the subsidiaries at local level could be undertaken. This would need to be effective from February 2020 in order to ensure paperwork could be filed at Companies House from this time. Therefore, the Clerk was seeking retrospective approval of the same.

Members approved the appointment of the Interim Finance Director as company secretary for the College's subsidiary companies and the appointment of the Interim Finance Director and the Interim Principal / CEO as directors of the College's subsidiary companies (with the exception of the Gateshead College Foundation).

Update on 18/19 financial statements and sign-off

A verbal update was given by the Interim Finance Director and Clerk.

It was reported that all documentation approved at the last meeting was submitted to RSM. RSM has raised further questions and requested further information. The Clerk is supporting the Interim Finance Director in preparing this. RSM has put a deadline on the signing off of the statements of 31 July 2020. The Interim Finance Director confirmed that 31 July is a longstop date and he is looking to provide RSM with the necessary information earlier to enable the signoff to happen sooner.

Members noted that they would need to consider future external audit work and agree whether to re-engage RSM or go out to tender. This would be discussed in due course.

The report was noted.

Action tracker

The report was presented by the Clerk.

The Clerk advised that she would be updating the report to include any upward or downward trends. Members were advised that some of the required actions in relation to governance will be covered by a report being presented later in the meeting where it is proposed that a task and finish group be established. Members were assured that the red action in this area is due to not meeting a self-imposed deadline, rather than highlighting an acute or significant risk. The Chair felt that the tracker should be not only a standard item on the agenda for every meeting but also used as a working document between meetings.

Action: Clerk to update the action tracker to include any upward or downward trends.

The report was noted.

3080 Update on Gateshead College Foundation

The Director of Marketing & Communications and Support Staff Governor left the meeting at 11.45am due to their conflict of interest as directors of the Gateshead College Foundation.

The report was presented by the Clerk.

Members approved the proposed draft terms set out in the Heads of Terms which sets out the basis on which the Foundation's funds will be repaid by the College.

Members agreed to delegate authority to the Chair and the Interim Principal / CEO to oversee the negotiation and agreement of the Heads of Terms with the Foundation's lawyers and the agreement of the subsequent loan document for and on behalf of the Board, and to then present the proposed loan terms to the Board for final approval

The Director of Marketing & Communications and Support Staff Governor re-joined the meeting at 11.50am.

3081 FEC SPA Steering Group Membership

A verbal update was given by the Chair.

The FEC team led by Richard Atkins were keen to conduct and complete the strategic options appraisal to culminate in a meeting on 17 September 2020.

The Chair advised that he was looking for 2 members to join the FEC steering group alongside himself, the Interim Principal / CEO and Clerk. This group would work with the FEC team and oversee the process undertaken, and contribute from the College's perspective and what was in its best interests.

The Chair added that he would appreciate it if any members who would wish to put themselves forward for this could send an expression of interest to the Clerk.

The Chair confirmed that the first steering group meeting is planned for 9 June 2020. A further 'stock take' visit is planned for 25 June 2020. The commitment required is likely to be 3 meetings. The Interim Principal / CEO indicated that he would advise the FEC team that they will receive details of the group members during week commencing 1 June.

Action: members to confirm if they wish to take part in this FEC Steering Group.

The report was noted.

3082 Governance Task and Finish Group

The report was presented by the Clerk.

It was confirmed that the Clerk was looking for members to be part of the group who would review and consider the current governance structure. The group would include the Chair, the Interim Principal / CEO and the Clerk. The Clerk would welcome expressions of interest from up to 4 other governors. The Chair indicated that this group will also look at the position of Vice Chair which is currently vacant and also succession planning more broadly.

The Chair recognised that this is an additional commitment but stressed that it is a very important piece of work. The commitment involved for this group is likely to be 2-3 meetings. Expressions of interest should be sent to the Clerk. Members were asked to confirm their interest as soon as possible as it was hoped to confirm membership of both the FEC Steering Group and the Governance Task and Finish group by week commencing 1 June.

Action: members to confirm if they wish to take part in this governance task and finish group.

The report was noted.

3083 Any other business

There was no other business.

3084 Date of next meeting

The date of the next scheduled meeting was confirmed as Thursday 2 July 2020 at 12.30pm. This may be brought forward by a week if required. Members will be kept updated of progress by email.

CONFIDENTIAL ITEMS – staff and student governors and the Executive Team were asked to withdraw from the meeting prior to these reports with the exception of the Interim Finance Director and Director of People and Organisational Development who were required for the restructure update.

Darren Heathcote, Simon Ennew, John Gray, Ivan Jepson, Nadine Hudspeth, Chris Toon and Suzanne Clark left the meeting, 12.00noon.

3085 Update on Restructure

A verbal update was given by the Interim Principal / CEO.

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3086 Update on Senior Leadership and recruitment strategy

The Interim Finance Director and Director of People and Organisational Development left the meeting.

A verbal update was given by the Chair and the Clerk.

The Interim Principal / CEO left the meeting for the latter part of this item.

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