



MEETING OF THE BOARD OF GOVERNORS

FRIDAY 2 OCTOBER 2020

Report: Minutes of the meeting held on Thursday 2 July 2020
Author: Clerk
Action: Approve
Status: Open

Meeting held via Microsoft Teams

Present: John Hogg (Chair)
Andy Cole (Interim Principal / CEO)
Aneela Ali
Simon Ennew
Darren Heathcote
Sarah McBean
David Mitchell
Georgina Moroney
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)

3087 Chair's welcome, apologies, conflicts of interest

The Chair welcomed everyone to the meeting. Apologies were received from Martin Gannon, Andy Lorimer, Martin Hedley and Chris Macklin.

The Chair apologised for the late circulation of some of the papers and suggested that, to give members additional time if required, members could ask questions outside of the meeting if required.

The Chair welcomed Sarah McBean and Georgina Moroney to their first meeting as student governors.

The Chair recognised the contribution to the Board of both Kirsty Paterson, who has recently left the employment of the College, and Mark Thompson who was attending his last meeting as part of the College's Executive Team.

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.

3088 Minutes of the last meeting dated 28 May 2020

The minutes of the Board meeting held on Thursday 28 May 2020 were agreed as a correct record.

3089 Matters arising

Updates were given on the matters arising recorded at the meeting on 28 May 2020.

The Clerk confirmed that the management accounts had been circulated to members who were not in attendance at the previous meetings. Some follow up questions were received and the Interim Director of Finance responded to those.

The Interim Principal / CEO confirmed that the College's risk assessment for reopening and the scope of the IBR both had both been shared with members.

It was confirmed that the non-pay savings report had been circulated to members.

The Clerk confirmed that the action tracker had been updated to include arrows which would identify any upward or downward trends.

The Chair confirmed that expressions of interest for the FEC steering group had been received. Membership was confirmed as John Hogg, David Mitchell, Martin Hedley, Andy Cole and Emma Moody. Richard Atkins, Teresa Kelly, Martin Sim and Bob Smith represent the FEC team, John Taylor and Karen Sherry attend on behalf of the ESFA and Dean Ardron represents the PMO team. The Chair advised that the Schools Commissioner has an entitlement to be part of the group but have yet to take this up.

The Clerk confirmed that the Governance Task and Finish Group has now been set up. Membership was confirmed as the Chair, the Clerk, Sarah Stewart, Claire-Jane Rewcastle, Aneela Ali, David Mitchell and Andy Cole.

3090 Update on FEC SPA and stocktake visit

A verbal update was given by the Chair.

It was reported that the FEC SPA process had commenced the previous week. This initial meeting went through the protocols that will be followed. A further steering group meeting is planned to take place on Monday 6 July 2020. The Chair indicated that it was initially planned that the FEC team would undertake a 'strategic options appraisal' but this has now been confirmed to be a SPA (structure and prospects appraisal). The Chair felt that this was understandable considering the scale of recent issues. Expressions of interest have been received from colleges who are interested in a potential merger. The steering group will look at these expressions of interest at the next meeting and a decision will be taken on which colleges to invite to make a formal proposal at the next stage. Formal propositions are being invited by the FEC alongside the College's submission of a stand-alone position. Governors will be kept informed of progress during the process. The Chair

is expecting a follow-up meeting to take place in August and members were advised that a final decision is expected on 17 September 2020.

The Chair reported that the stocktake visit on 25 June 2020 was largely very positive. Positive engagement took place with curriculum managers. The Chair stressed that the College's curriculum plan is very much a key document in informing these discussions. The Chair felt that there has not been very much engagement with governors previously in relation to the plan and reported that he has asked that this be given significant focus at a Board and/or committee meeting in the new academic year. At the stocktake visit discussion also took place around cashflow and future solvency.

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The report was noted.

3091 Management accounts to end of May and projected out-turn

The report was presented by the Interim Finance Director.

The Interim Finance Director outlined that the College needs to secure additional short-term funding, in the region of £1m, which has not yet been approved by the ESFA. Members were advised that the accounts presented do not include this additional funding. If this is approved by the ESFA the College will no longer be in a deficit position and will achieve a surplus of just over £300k.

A member commented that she was reassured in knowing that the debtor's policy is under review and asked for an indication of when this will happen. The Interim Finance Director explained that he expects the policy to be reviewed and in place around the start of the new academic year. The member stressed the need for ensuring that a robust process is in place in relation to management of aged debtors. The member commented that she very much appreciated being able to see the cashflow profile.

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The report was noted.

3092 Draft budget 2020/21

The report was presented by the Interim Finance Director.

The ESFA representative commented that he was very aware of the points made in relation to the impact of Covid-19 and he recognised the challenges in forecasting. The Clerk indicated that a member with financial expertise would review the budget after the meeting and make contact if she has any further questions.

The Clerk recognised that the Interim Finance Director has presented the position as it currently stands and advised that there are still two further sets of management accounts before the end of year. It was confirmed that June and July accounts will be circulated to members by email. This allows Governors to keep track of final performance for the year.

A member was reassured to know that the management accounts would be circulated by email and asked what other information will be provided following the meeting and when confirmation of the additional funding would be received. She asked whether members should await this information prior to approving the budget. The Interim Finance Director advised that the PMO team are currently providing cash as and when it is needed. It is thought that additional funds will be required around November. The additional funding request is very much dependent on the outcome of the SPA process. If agreement is given for the stand-alone position then it is highly likely that the additional funding will be given. Steve Champion added that he and the Interim Principal / CEO have a weekly

meeting with the PMO team. The additional funding requirement has been raised as part of these discussions and is being considered by the Minister. The Chair assured members this is normal behaviour and that the PMO have an obligation to protect public funds. The Chair suggested that formal approval of the budget could be deferred until members have reviewed and responded to the report.

The Interim Finance Director reiterated that the additional financial support required from the ESFA will not be confirmed until the outcome of the SPA process is known. Governors agreed with the approach of reviewing the report and having the opportunity to ask questions and were happy to approve the budget subject to these caveats. The Interim Principal / CEO gave additional assurance that the PMO will not give additional funds any earlier than needed and this is likely to be December 2020. The PMO will consider the impact of Covid-19. He added that performance could be better than forecasted thereby reducing the level of support needed but also, the impact could be more significant. He would expect to know by October the decision around the additional support.

Action: Management accounts for June and July to be circulated to members by email after the meeting once available.

The report was approved subject to members having additional time to review the report, ask questions and have the responses to these questions circulated.

3093 2018/19 accounts status

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

It was reported that a meeting was held with RSM on Wednesday 24 June 2020 and constructive dialogue took place. Following the meeting the College has received an updated list of requirements and the team are now working through this. The Interim Finance Director added that he felt they were getting close to reaching the necessary position and that he was looking for this to conclude by 31 July 2020. RSM are aware of this timeframe and all are working together towards achieving this. The Chair added that he and the Interim Principal / CEO had met with RSM on Tuesday 30 June 2020 and RSM have sent proposed wording that can be used in relation to previous accounts. The Interim Principal / CEO advised that a significant issue is that there is likely to be a restatement of the previous accounts, particularly for 2017/18 academic year. The Clerk commented that it is extremely important to consider all elements of what is required to enable the signing off of the accounts.

The report was noted.

3094 Review of subcontractor and partner arrangements

A verbal update was given by the Interim Principal / CEO and the Director of Business Development.

It was reported that it was originally planned to present a paper on this item but there has been a recent change in policy which has impacted on this intention. The Interim Principal / CEO advised that the paper would have outlined subcontractor requirements for the new academic year and governing body approval of this is a requirement. The paper was in draft form as there is currently an audit being undertaken by PWC so it included a number of caveats. The government published reforms to subcontracting arrangements on Tuesday 30 June 2020. It is clear that there will be significant reforms which will be phased over two years and some of the reforms will have an immediate impact. The Board will need to consider the rationale behind subcontractor arrangements and this needs to be done by 31 October 2020. The Executive Team will present a paper outlining the rationale for subcontractor arrangements in the new academic year. It is clear that a number of relationships currently in place will no longer be compliant and it will take time

to consider the College's response to these reforms. The Interim Principal / CEO advised that he had commissioned an external review of these arrangements prior to the announcement to ensure that existing arrangements are compliant. Some provision currently being ran by the College, including the national rail provision, will become subcontracted provision but the timescale is currently unclear. The Director of Business Development added that as part of the reforms the ESFA will introduce a subcontractor standard and failure to comply with this standard will lead to intervention. The College must also review existing activity and look to reduce the volume of subcontracting activity over the next three years. The ESFA will apply a cap on this type of activity as part of the reforms. The Interim Principal / CEO advised that this item will be come back to the Board in September with an update. The ESFA representative explained that guidance in relation to this has only just been published and dialogue will take place with organisations. The Interim Principal / CEO indicated that he would provide a copy of the reforms document to the Clerk to be circulated to governors.

Action: Interim Principal / CEO to provide a copy of the reforms guidance to the Clerk to be circulated to members.

The report was noted.

3095 Property leasing arrangements

The report was presented by the Director of Marketing & Communications.

The Clerk indicated that, if approved, the legal documents would require execution and would require the College seal to be applied. Members were asked to check availability for next week as 2 governors are required to be present when the seal is applied and confirm with the Clerk if they are available.

The Director of Marketing & Communications confirmed that the potential purchaser of the Future Technology Centre is aware of the leasing arrangements in place and that this is included in the heads of terms. They have indicated that they have no concerns in relation to the leasing arrangements and see this very much as a positive.

Action: Members to check availability for week commencing 6 July 2020 and confirm with the Clerk whether they are able to attend the Baltic Campus to allow the seal to be applied to necessary documents.

The report was approved.

3096 Updates on financing arrangements

The report was presented by the Clerk.

The Clerk indicated that relevant finance documents will be circulated to members directly after the meeting. These documents have been reviewed by Square One Law, who have provided the advice presented to this meeting, to ensure the governors have a full understanding and appreciation of the various financing arrangements and security over College property being put in place. The Clerk advised that she also would circulate the wording of the precise written resolutions seeking governor approval for the arrangements once the legal documents were made available to her.

Action: Clerk to circulate individual finance documents and written resolutions for Board approval.

The report was noted and the terms of the financing arrangements were understood.

3097 Gateshead College Foundation loan

The Director of Marketing & Communications and the Support Staff Governor left the meeting at 11.20AM due to their conflict of interest as directors of the Gateshead College Foundation

The report was presented by the Clerk.

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The delegation of authority to the Chair and Interim Principal to execute the Foundation settlement and loan agreement was approved.

The Director of Marketing & Communications and Support Staff Governor re-joined the meeting at 11.25am.

Aneela Ali left the meeting at 11.25am.

3098 Action tracker

The report was presented by the Clerk.

Members were advised that some items have been closed since the previous meeting. The review of creditors has already been included and the Clerk indicated that the debtor review will be added.

Action: Clerk to add debtor review to the tracker.

The report was noted.

3099 Governance Task and Finish Group

A verbal update was given by the Clerk.

The Clerk reported that the newly established Task and Finish Group had met on 18 June 2020. The group agreed to take forward two specific items. The Clerk and the Interim Principal / CEO will be producing an annual cycle of business. The group also agreed to review committee terms of reference to determine whether they should be amended or updated or potentially whether any of the committees should be merged to be more effective on the time of governors. They are hoping to meet again during week commencing 6 July 2020. The group will also look at the Board skills matrix and member recruitment. The Chair commented that the purpose of the group is not to do anything revolutionary, but to ensure the arrangements were fit for purpose and facilitated College business. The group will provide feedback to the Board on the proposed changes.

The report was noted.

3100 Board and committee meetings for next academic year

The Chair and the Clerk outlined that the Governance Task and Finish Group were currently reviewing the calendar of meetings and asked that the group bring back a proposal to the Board. Members were in agreement with this approach.

The Chair felt there needed to be a source of communication in place during August as there are many meetings planned with the FEC and ESFA and he had an awareness that approval will be needed for some items. He suggested that members see how July unfolds and asked that members consider whether a meeting is needed in August or whether they would be happy to receive an update report acknowledging that

operationally, lots of activity is planned in the coming weeks and recognising that governors will want to be kept informed on the SPA and ESFA case conferences. It was agreed that approval could be sought on individual matters by email/written resolution. A member indicated that the timescale for the stand-alone proposition is early September and that this needs formal approval of the Board, so there could be a potential need for a meeting in late August. The Chair commented that the Board may be able to do this as a single meeting.

The Director of Marketing & Communications reported that an enquiry had been received by the College from regional media in relation to the SPA process. It was agreed that the Clerk and Director of Marketing & Communications would discuss this with the Interim Principal / CEO following the meeting. The Chair indicated that the FEC team would need to be included in putting together a response. The Clerk reminded members that all recipients of the College's business case were asked to sign a confidentiality agreement. The ESFA representative asked that the media request be shared with him, confidentially, as its helpful to have sight of any requests of this nature.

Action: Task and Finish Group to produce a schedule of meetings for the new academic year.

Action: Director of Marketing & Communications to share request from regional media re the SPA process with the ESFA representative.

3101 Any other business

The Chair closed the meeting by thanking members for their contribution in recent months and passed on his appreciation for the work undertaken by both members of the Board and the Executive Team. He added that despite the challenges he feels privileged to be part of the process and was very appreciative of the support given when stepping into the role and the professionalism shown by all involved. The Clerk added to this her appreciation for Chair's leadership since joining the College in January.

The meeting closed at 11.35.