



MEETING OF THE BOARD OF GOVERNORS

WEDNESDAY 21 APRIL 2021

Report: Minutes of the meeting held on Friday 26 March 2021
Author: Clerk
Action: Approve
Status: Open otherwise as marked confidential

Meeting held via Microsoft Teams

Present: Sarah Stewart (Chair)
Andy Cole (Interim Principal / CEO)
Aneela Ali
Robin Bailes
David Brind
Carol Davenport
Martin Hedley
John Hogg
Chris Macklin
David Mitchell
Claire-Jane Rewcastle
Sara Vening
Michael Wood-Williams

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

3142 Chair's welcome, apologies, conflicts of interest

The Chair welcomed everyone to the meeting. Apologies were received from Simon Ennew, Martin Gannon, Sarah McBean and Georgina Moroney.

The Chair explained that this was an unusual meeting, outside of the normal annual cycle. The meeting had been arranged to consider a number of important documents that require approval. There are 4 key decisions required in relation to the terms of the ESFA loan, the College's financial statements, appointment of external auditors and property disposals. There had been a joint meeting of the Finance and General Purposes and Audit Committees earlier in the day, where detailed consideration to the first two items had taken place and governors were now receiving the recommendations of those committees. It was highlighted that the decisions are a culmination of work that has been undertaken over a number of months, involving many of the members present. The Chair expressed

her appreciation to governors for making themselves available and apologised for the delay in circulating papers explaining that a number of the items for consideration had been moving at pace.

The Chair indicated that she had already declared a potential conflict in relation to the property disposal item and referenced a previously declared interest with **CONFIDENTIAL AND NOT FOR PUBLICATION**. No other 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.

3143 Minutes of the previous meeting dated 3 February 2021

The minutes of the meeting held on Wednesday 3 February were agreed as a correct record.

3144 ESFA Loan Terms

The report was presented by the Interim Finance Director.

It was confirmed that the agreement has been reviewed in detail by the Finance and General Purposes Committee and recommended for approval. Funds have already been received from the ESFA so the agreement is to formalise the repayment terms. The payment schedule has been updated and repayments have been reduced in the earlier part of the loan to support with a cashflow issue in March 2022.

The Chair thanked Martin Hedley and David Brind for their work as part of the subgroup reviewing the loan terms. The Chair of the Finance and General Purposes Committee advised that there is a suite of documents that need to be signed in relation to the approval of the terms including a letter of agreement from Barclays Bank, providing its consent to the loan as required under its current facility arrangement. The Interim Principal / CEO added that the repayment schedule sets out three scenarios based on timing of property sales.

Governors resolved as follows:

- a) To approve the terms of the ESFA Loan Term Facility presented to the meeting and any documents contemplated therein (including any intercreditor agreement and associated security documents) (Finance Documents), and to approve the execution, delivery and performance of the Finance Documents for and on behalf of the College;***
- b) To authorise the chair of Governors, together with one other Governor as required, which may be the Principal/CEO, to execute, sign, and despatch and Finance Documents and any other document, instrument or notice required to give effect to the Finance Document, and to affix of the Seal of the College to any document if required;***
- c) To authorise the taking of any other action or signing of any other document, or issuing of notices, as required to give effect to the transaction contemplated by the above.***

John Taylor left the meeting at 11.40am.

3146 Receipt and approval of the Financial Statements

The Chair confirmed that the financial statements would normally be signed off much earlier in the year. The sector was given an extension until the end of January due to the impact of COVID. The College then received a further extension until the end of March. It

was confirmed that the Audit Committee have reviewed the statements in some detail and also considered the RSM external audit report.

The report was presented by the Interim Finance Director.

The Interim Finance Director reported that there had recently been an announcement that provider support relief would be set at 90% for the College's AEB budget. This could have a net impact of £1.3m. This was a sector wide issue with a number of colleges suffering financially and therefore it was not certain at this stage that this potential liability would crystallise. If there are no changes to the threshold it will likely be resolved by a loan from the PMO to repay the ESFA with repayments commencing once the current loan from ESFA has been repaid.

The Chair drew governors' attention to the section on going concern and the material uncertainties facing the College. She advised that it is believed that all material uncertainties affecting going concern have been identified and that, as a Board, governors need to confirm that they believe these uncertainties have appropriate mitigations in place such that the Governors could be satisfied that the College could continue as a going concern for at least the next 12 months.

The Chair of the Audit Committee added the importance of governors understanding the material uncertainties and the mitigating factors associated with these.

A governor questioned the potential cash issue identified in March 2022 asking for confirmation of how tight the position could be. The Interim Finance Director highlighted arrangements and ongoing discussions with both the ESFA and the Tyne & Wear Pension Scheme to look to address this. The College was working on an assumption that advance funding for 16-18 students would be deducted from next year which is not the case and it is likely that there will be a resulting improved cash position of between £400k and £500k. The Interim Finance Director confirmed that this cash position is manageable. The Chair felt that this was a positive piece of news.

The Chair of Audit Committee highlighted that the next actuarial valuation for pensions will be in two years. He suggested that this will need future consideration as to whether the College is able to build up cash reserves to meet increased contributions. The Interim Finance Director indicated that building up cash reserves will be challenging but the College is poised and ready to start paying additional contributions to the pension scheme which should have a favourable impact at the next valuation. Colleges are currently being deemed to be higher risk with the pension scheme due to a lack of support from the ESFA. The Interim Principal / CEO advised that in discussions with the pension scheme, the College is being pushed not only into making these increased contributions but to also increase payments beyond this. It was recognised that the College may need independent pension advice in relation to this in the future – and how best to manage the College's liability. A member asked for confirmation of the extent to which this falls into the remit of any of the committees and how governors will be kept informed. The Clerk confirmed that pension costs are discussed regularly at Audit Committee and are also considered by the Finance and General Purposes Committee as part of the review of management accounts. The Clerk highlighted that pension costs are not a liability within the accounts that would put the college into an insolvency position. The Clerk added that governors would need proper advice on the affordability and merit of making increased payments to the pension scheme and suggested that this be considered at a future meeting. The Chair recognised that going concern and pension costs were the biggest issues for consideration. The Chair of Audit Committee felt that it would be valuable to have a briefing session for governors on the pension scheme to help governors to understand the complexity surrounding this and any potential consequences. It was confirmed that this is a sector wide issue.

A member asked for assurance from the Executive Team that governors are able to sign off on the recommendations. The Interim Principal / CEO confirmed that the statements

have been inspected in great detail and gave assurance that he was comfortable in recommending the signing off of the financial statements and letters of representation.

Governors approved the signing of the statements, letters of representation and any supporting College finance documents on behalf of the College and authorised the signing of the same by the Chair and the Interim Principal / CEO as accounting officer.

Governors received the accounts of each of the subsidiary companies on behalf of the College as the sole member of each company.

David Brind left the meeting at 11.50am, but indicated his approval to all remaining resolutions/decisions at today's meeting.

Action: pensions to be considered at a future meeting as well as options for management of the debt. Pensions training to be sourced for governors.

3147 Appointment of External Auditors

The report was presented by the Interim Finance Director.

It was confirmed that the report was previously considered at the joint meeting of Finance and General Purposes and Audit Committees earlier in the day. The Chair of Audit Committee was disappointed that there was only one tender ultimately received, despite the extensive procurement process, but felt that this was reflective of the current market and accountancy firms attitudes to risk. He advised that the presentation from the proposed new auditors showed that there was a considerable amount of due diligence undertaken on the College, an understanding of the sector and the references for said firm indicate that the company is highly regarded.

It was suggested that the College should look to use the external auditors as a critical friend.

A member indicated that she was assured by the benchmarking that had been undertaken and highlighted that from her research it appeared that the FE lead is not local which led her to question whether the team is experienced enough. The Chair of Audit Committee advised that the FE lead was originally based in Durham and has recently moved to offices in Newcastle. References show that the individuals are very impressive and have significant experience. He added that in relation to the benchmarking of fees to ensure value for money, fees are currently based on the level of risk and was mindful that when the College's financial position improves, the auditors can be approached to request a fee reduction.

It was agreed to appoint Mazars as the College's new External Auditors.

3148 Approval of Property Disposals

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Claire-Jane Rewcastle and Carol Davenport left the meeting at 12.30pm.

3149 Any Other Business

The Chair confirmed that a contract of employment has been agreed with **CONFIDENTIAL AND NOT FOR PUBLICATION**.

The Chair advised that she has been in contact with new governors in relation to membership of various committees. There have been very positive responses. Robin Bailes (support staff governor) and David Brind will join the Finance and General Purposes

Committee. Sara Vening and Michael Wood-Williams will join the Audit Committee with Michael taking on the role of chair. Michael will also join the Governance Committee. Carol Davenport will join the Curriculum and Quality Standards Committee. Subject to discussion, Simon Ennew (teaching staff governor) may also move to the Curriculum and Quality Standards Committee, rather than the Finance & General Purposes Committee. The Chair sought endorsement of these appointments from Governors.

Governors approved the appointments to committee membership as outlined above.

The Chair recognised that Chris Macklin had earlier chaired his last meeting of the Audit Committee. The Chair requested that he remained as a governor for a little longer to be able to join the planned Board meeting on 21 April 2021 with a view to governors meeting on site so that the Board could say a proper farewell. There will still be an opportunity for members to join the meeting virtually if this is preferred. A tour of the Baltic Campus will also be arranged for newer members of the Board.

3150 Date of next meeting

The date of the next meeting was confirmed as Wednesday 21 April 2021.

The meeting closed at 12.35pm.