

The Corporation of New College Durham

Minutes of the meeting of the Corporation held on 8 December 2022

Present:

Christine Warren (Chair)
Andy Broadbent
Joy Brindle
Joyce Drummond-Hill (*via MS Teams*)
Linda Wight
Allen Eccles
Chris Patterson

Megan Poole
Mark Gomersall
Davey Benson
Emily Baxter (*via MS Teams*)
Nicola Watchman-Smith
(*via MS Teams*)

Apologies:

Ian Green
Stephen King
Ben Fisher
Andy Stephenson (Vice Principal)

In attendance:

Karl Fairley (Deputy Chief Executive)
Alison Maynard (Deputy Principal)
Paul Bradley (Chief Finance Officer)
Mark Anderson (Vice Principal)
Colleen Peters (Vice Principal)
Peter Morrison (Vice Principal)
Lucy Robson (RSM UK) External Auditors (*via MS Teams to and including 22/138*)
Caroline Winter (Head of Governance and Corporation Secretary)

Action

22/136 Chair's introduction and starred items

The Chair welcomed everyone and advised members that the agenda would be reordered to accommodate the attendance of the external auditors as the first substantive item.

The Chair reminded members to declare their interests in any item of business to be discussed at the meeting.

Chris Patterson declared an interest in Paper F – Principal's Report due to knowledge gained through his employment with the ESFA. Chris confirmed he would discuss the ONS reclassification with Corporation from the same position as with any College impacted by the decision.

Christine Warren and Andy Broadbent each declared an interest in Paper E5 - Annual Report on Westfirst Limited for 2021/22 arising from their roles as Directors of Westfirst Limited.

Nicola Watchman-Smith declared an interested in Paper F in relation to the College's FDAP application, arising from her role on the Advisory Committee for Degree Awarding Powers (ACDAP).

The Chair highlighted that this was the last meeting for Mark Anderson before his retirement and thanked him on behalf of Corporation for his contribution to the work of the College and Corporation.

Members confirmed that they did not require any further discussion about the starred agenda papers C1, C2, C2a, C3, C4, C5, E7 and H.

22/137 Apologies for absence were received from Ian Green (holiday), Stephen King (work commitment) and Ben Fisher (work commitment).

22/138 Financial Statements Auditors' Management Letter and letter of representation (Paper B)

Lucy Robson of RSM UK audit LLP presented Paper B, the financial statements auditors' management letter for 2021/22.

Lucy advised that the Audit Committee had discussed the draft report in detail at the November meeting noting a number of outstanding areas, all of which had been concluded positively and with satisfactory responses. It was expected to issue an unmodified audit opinion on the financial statements and an unmodified regularity conclusion. Members noted there had been updates to income levels during the audit process but no unadjusted audit misstatements. Members reviewed the risks identified at the planning stage and noted all the risk areas had been satisfactorily concluded. Lucy highlighted the impact of the ONS reclassification of colleges into the public sector in relation to the going concern assessment for Westfirst Limited. Lucy confirmed that the auditors and management were in agreement that the proposed letter of support to Westfirst was covering the net liability position only and that no further approval beyond Corporation was required. There were no new recommended controls this year and members noted the follow up on the previous year's recommendations. Lucy highlighted the requirement for letters of representation to be signed at the same time as the accounts. Additional testing had been undertaken on the ESFA income streams and whilst the work had concluded with no material misstatements, the funding auditors identified some improvements on controls. Lucy highlighted a number of changes to the disclosures in the financial statements including those suggested by the Audit Committee and confirmed the external auditors were content following review of these areas from a compliance perspective. The Chair of Audit Committee confirmed a detailed consideration of the controls and the annual accounts had taken place at the Audit Committee meeting and any questions had been answered clearly and to the Committee's satisfaction.

Members sought assurance on the control weakness identified in relation to the BACS process and noted that the same issue was raised by internal audit. Paul Bradley confirmed that while the procedures had been strengthened in response to the internal audit findings, there was segregation of duty within the process so that the exposure to fraud risk was low.

The Chair thanked Lucy for her clear and succinct presentation of the report. Members noted the report.

Lucy Robson left the meeting.

22/139 Minutes of previous meeting

The minutes of the meeting held on 2 November 2022 were **agreed as accurate** and signed by the Chair.

22/140 Matters arising

22/113 – the Chair reminded members to contact the Senior Leadership Team where they have links to organisations that could be maximised by the College.

22/141 Receipt of Committee minutes and verbal reports from chairs:

Audit Committee (Papers C1*, C2* & C2b*) – the minutes of the meetings of 18 October 2022, 14 November 2022 and confidential minutes of 14 November 2022 were received.

Further Education Quality Curriculum and Students Committee (Paper C3*) – the minutes of the meeting of 10 November 2022 were received.

Finance and Resources Committee (Paper C4*) – the minutes of the meeting of 23 November 2022 were received.

Higher Education Quality Curriculum and Students Committee (Paper C5*) – the minutes of the meeting of 28 November 2022 were received. The Head of Governance and Corporation Secretary advised that whilst the minutes had been circulated as draft, they had since been **approved by the Chair of the Committee without amendment**.

22/142 Audit Committee Annual Report 2021/22 (Paper D)

Joyce Drummond-Hill, Chair of the Audit Committee presented Paper D, the Audit Committee Annual Report.

Members noted that the report feeds into the annual accounts and concludes that the Audit Committee can give reasonable assurance that effective audit, governance and risk management arrangements are in place. Joyce advised that the report set out the basis of the opinion covering the external auditors' work, internal audit work and management's response, the Audit Committee's role in reviewing risk management arrangements and management mitigation and response to key risks, and reports from a variety of other assurance providers. Members noted there was also a summary of this work in the annual accounts narrative.

The Chair thanked the Audit Committee for their work in providing assurance to Corporation and members noted the report.

22/143 New College Durham Annual Accounts for 2021/22 (Paper E1 & E1b)

Paul Bradley presented the New College Durham accounts for 2021/22.

The accounts had been reviewed by Audit Committee on 14 November 2022 and the Finance and Resources Committee on 23 November 2022 where they were recommended to Corporation for approval. Members noted a small number of changes were made to the narrative following the Audit Committee discussion in relation to the Committee's work, but the figures were unchanged.

The final surplus prior to FRS102 pension charges was £1,385,000 against a budgeted surplus of £167,000. The cash position remained strong at £21,695,000 and the provisional financial health rating remained 'outstanding'.

Paul highlighted the hard work of the finance team in collating the accounts and the Chair commented on an interesting and comprehensive document.

Members agreed to:

- note the financial results as shown by the Financial Statements presented in Appendix 1.
- **approve the Financial Statements for the year ended 31 July 2022 (subject to any final disclosure amendments) and authorise the Chair of Governors and the Principal and Chief Executive to sign and date the following:**
 - **The Strategic Report**
 - **The Statement of Corporate Governance and Internal Control**
 - **The Governing Body's Statement of Regularity, Propriety and Compliance with the Funding Body Memorandum**
 - **The Statement of Responsibilities of the Members of the Corporation**
 - **The Balance Sheet as at 31 July 2022.**
- **approve the representation letters to the external auditor confirming the understanding of the contents and basis of the accounts (Appendix 2) and confirming assurance with regard to regularity (Appendix 3).**

Paul presented Paper E1b, which had been added to the agenda at the request of the external auditors to address the ONS reclassification of FE colleges. Members noted that the paper proposed the insertion of additional text (detailed at paragraph 3.1 of the report) agreed with the external auditors into the accounts narrative as a post balance sheet event. It was also noted that a typing error duplicating a sentence in the Audit Committee

statement would be removed from the final printed set of accounts prior to signature.

The Principal confirmed that despite these changes, the figures in the final accounts remained consistent with the updates received by Corporation throughout the year.

Members approved the inclusion of the additional paragraph into the Annual Accounts 2021/22 relating to the Post Balance Sheet Event in regard to the ONS reclassification of colleges.

22/144 Financial Monitoring to 31 October 2022 (Paper E2)

Paul Bradley presented Paper E2, which provided the financial position of the College at 31 October 2022. Members noted the paper was discussed at the Finance and Resources Committee on 23 November 2022.

Members noted the FE, HE and apprenticeship enrolments position, the College top ten risks, which now included recruitment and retention of staff and the increase in the pay reserve due to ongoing vacancies.

Members noted the references to the Term 1 update, which would confirm the financial position based on actual student numbers.

Members noted the report.

22/145 Term 1 – Financial Update (Paper E3)

Paul Bradley presented Paper E3, the Term 1 Financial Update.

Members noted that whilst several changes had occurred since the budget was approved in July, the College remained in a positive position as the net effect of changes gave an estimated surplus of £281,000, which overall was unchanged from the start year position. Members noted the pay reserves were enough to support the proposed 5% pay award to be considered later on the agenda and that the reduction in HE numbers had been accounted for through a prudent approach to the budget, apprenticeship recruitment was expected to increase during the year, the North of Tyne Level 3 adult education provision had increased, the reduction in National Insurance which had been returned to reserves and the positive impact for the College of the increase in interest rates. Overall there was no anticipated change to the budget or Medium Term Financial Plan (MTFP). Any future change was expected to further improve the position in light of income from Bootcamps and the Strategic Development Fund.

Members welcomed the positive update, particularly in contrast with the position at the same time the previous year and noted that additional funds had been added to the contingency to cover inflationary cost pressures that the College continued to

experience. Members sought clarification in relation to the earmarking of capital projects and impact on the MTFP. Paul confirmed that the figures detailed in Table 2 of the report were operating expenditure including in relation to The Hub but that further adjustments to cash balances would be made as business cases for the capital projects subject to earmarked funding were brought to Finance and Resources Committee and Corporation for final approval. It was also confirmed that income and depreciation were recognised within the figures.

Members noted the Term 1 update.

22/146 Cost of Living Pay Award (Paper E4)

Karl Fairley presented Paper E4, which outlined a recommendation in-principle from the Finance and Resources Committee in respect of the proposed cost of living pay award for 2022/23.

Members noted the AoC national pay recommendation, the dismissive reaction from the trade unions and the national context in respect of the challenging industrial relations environment across a range of sectors in addition to education. Karl confirmed that the Director of HR and Corporate Services had updated the trade unions on the recommendation in-principle as agreed with the Committee. The feedback (some of which was circulated to members in advance of the meeting) had been largely positive, indicating a preference for a higher offer but recognising the 5% proposal as fair in the context of the College's track record in making pay awards.

It was noted that the Finance and Resources Committee had examined the strategic drivers underpinning the recommendation with a focus on the College as an attractive employer to address the recruitment and retention challenge. Whilst the Term 1 update had not been available at the meeting, the Chief Finance Officer had confirmed the affordability of the proposal on the basis of the information available at the time. The Committee members confirmed a strong case had been made to support the recommendation, balancing the recruitment challenge and benefits to the College against what was affordable and considering the greater financial benefit to lower paid staff. The Committee had taken into account the history of pay awards made by the College and welcomed the recognition of this in the trade union feedback. The Committee were also supportive of the higher uplift to those on the lowest grade to pay the Real Living Wage from 1 August 2022 in line with the College's previous commitment. The report to Corporation reflected the Committee's challenge in respect of the business case and highlighted the SLT criteria in only presenting a proposal that was affordable, did not jeopardise the College's long-term financial viability and did not result in staff redundancies.

Members considered the range of factors contributing to the financial challenges currently faced by staff and it was confirmed

these would continue to feed into the analysis in future, alongside the employment market in colleges and relevant industries and consideration of the impact on and ongoing risk relating to recruitment and retention.

Members sought clarification in relation to the payment date and backdating and noted that Unison members would have the option to delay payment of the award subject to the outcome of its consultation.

After careful consideration of all the relevant factors, **Corporation approved the following:**

a consolidated Cost of Living uplift of 5%, or £1,250* (whichever is the greater) which is pro-rated to hours worked and applied from 01 August 2022 on all salaries and allowances (including supply pool staff).

(*£1,487 for those on NCD Support Grade A)

22/147 Annual Report on Westfirst Ltd for 2021/22 (Paper E5)

Paul Bradley presented Paper E5, the Annual Report of Westfirst Limited for 2021/22.

Members noted the company had reported a loss of £1,851 for 2021/22 and a net liability position of £4,777.

The Finance and Resources Committee considered the annual report on 23 November and discussed the plan for Westfirst moving forwards in respect of potential letting activity. It was also noted that the energy costs were being charged directly to the College from 1 July 2022.

Paul advised that following the ONS reclassification of colleges, guidance in relation to the level of support to subsidiary companies included a requirement for additional approval for support above the DfE threshold of £45k. It was therefore important to specify that given that Westfirst has debtors and cash in the bank to offset the majority of the liabilities, the proposed letter of support to the company was to cover the net liability position only, of £4,777.

Members asked whether a post balance sheet event would also be required in relation to Westfirst following ONS reclassification. Paul advised that this should be sufficiently covered by the group accounts and had not been requested by the external auditors, but he would seek their clarification.

Corporation agreed to note the annual report and financial statements for Westfirst Limited for the financial year 2021/22 and agreed to authorise signing of the letter of support.

22/148 Financial Monitoring – Westfirst Limited to 31 October 2022 (Paper E6)

Paul Bradley presented Paper E6 which detailed the financial position of Westfirst Limited to 31 October 2022. Members noted a profit of £274 for the period and a net liability position of £4,503.

Members noted the Westfirst Limited financial reports to 31 October 2022.

22/149 Capital Projects Update (Paper E7*)

Members received Paper E7, which provided an update on the College's major capital projects. It was noted that the contractor's progress report had been appended to the paper since the report was presented to the Finance and Resources Committee in November. Members noted the progress on The Hub, the Sports Project, the fencing for the Northern Football Pitch and the purchase of the additional property.

22/150 Principal's Report (Paper F)

The Principal briefed members about matters of strategic interest including the following: the autumn statement, the ONS announcement of reclassification of FE colleges and their subsidiaries into the public sector and progress on a potential devolution deal. Members discussed the position relating to the LGPS and VAT, which was currently unchanged following reclassification and considered the implications from the early available information. It was noted that the immediate impacts on the College would be less than for others due to its structure and financial position but that the reclassification would move from an emerging risk to the strategic risk register. It was noted that further guidance was anticipated early in the new year.

Nicola Watchman-Smith left the meeting 5.05pm

From a College perspective, members were updated on the recent Ofsted inspection, ongoing collaboration activity with key training partners and multinational employers to address skills needs, the indefinite FDAP application, the UK Visa and Immigration compliance audit, the successful Higher Education graduation ceremony, T Level Wave 5 Capital Fund, capital funding to improve energy efficiency in colleges and senior appointments to the College.

Members discussed the Ofsted inspection noting that the process had been an extremely positive experience for the College and welcoming the very pleasing feedback from inspectors. A response had been provided to the draft report, which was still under embargo and members noted that focus was now on planning for the future. The Chair highlighted the feedback on the culture of the College in particular and requested on behalf of

Corporation that their thanks be placed on record to the staff and students who were a credit to the College throughout.

Members thanked the Principal for his update and noted the report.

22/151 College Self-Assessment Report 2021/22 and FE Quality Development Plan (Paper G)

Alison Maynard presented Paper G, the College Self-Assessment Report (SAR) for 2021/22 and the proposed Quality Development Plan for 2022/23.

Members noted that the SAR validation process was paused on notification of the Ofsted inspection and all curriculum areas had been supported to review their self-assessed grades following the inspection to provide an end of year position. A College-level SAR was submitted to Ofsted in advance of the inspection and the document had since been reviewed reflecting on the intelligence emerging from the inspection and matched to the grades awarded. The style of the document had been condensed this year and the new approach had been welcomed by members when considered at the SAR workshop the previous week. Members noted that the College was on the cusp of outstanding and whilst the SAR was reflective of the 2021/22 academic year, the Ofsted findings were also reflected due to the timing of the inspection. The workshop considered the areas where improvement was still needed and members commented that the discussion had been useful in understanding the rationale behind the judgements and in confirming that the document was very much owned by the College regardless of the Ofsted findings. Members reviewed the proposed grade for Overall Effectiveness and the proposed grades across the Ofsted key judgements.

Alison updated members on the approach to the Quality Development Plan (QDP), which supported the College to define areas of improvement as well as those with the potential for further development. It was noted that the QDP would remain a live document and that the next iteration would RAG rate the impact in each area. Members reviewed both the areas for improvement and areas for development and noted that they extended beyond areas identified in the inspection and that there were no surprises, reflecting the strength of the College's own self-assessment. Alison advised that a vision document would be produced in the new year with milestones for the next three years and members noted the plans to share the documents with staff.

Nicola Watchman-Smith re-joined the meeting at 5.35pm.

After due consideration **members approved the SAR and QDP priorities.**

22/152 Higher Education Annual Report 2021/22 and HE Quality Development Plan (Paper H*)

Members received Paper H, the Higher Education Annual Report 2021/22 and HE Quality Development Plan. The report had been considered by the Higher Education Quality Curriculum and Students (HEQCS) Committee on 28 November 2022, where members recommended the report to Corporation for approval. The annual report detailed headline performance information over the year, identified a number of areas of good practice, provided College level judgements, reflected on the previous year's Quality Enhancement Plan and proposed key themes for the 2022/23 HE Quality Development Plan.

Members approved the HE Annual Report 2021/22 and the HE Quality Development Plan 2022/23.

22/153 Strategic Monitoring - Receipt of feedback from End of Year Strategy Reviews and Proposed amendments to Strategic Aims/KPIs (Paper I)

Members reviewed Paper I, which comprised the first annual updates to Corporation detailing the progress made on the Strategic Aims and KPIs in 2021/22 across the College strategies.

Each of the individual papers had been discussed in detail by the relevant committee prior to consideration by Corporation.

Corporate Services Strategy – Members discussed the need to identify key areas of focus within the overarching and supporting strategies, consider relevant external benchmarks, review the strategic performance measures for monitoring and consider the information provided to governors and how this was presented.

Curriculum Strategy – the proposed changes largely related to terminology rather than areas of substance within the strategies. A key area of focus moving forward was the external stakeholder strategy which would drive new areas of activity and growth.

Higher Education and International Strategies – whilst no changes were currently proposed, progress was being monitored carefully and it was noted that some of the existing targets were very ambitious with a potential for some refinements being proposed to the KPIs during the year. One change was proposed to reflect external stakeholder terminology and members noted that further amendments may be required in future to continue to reflect the external landscape.

Members asked about the value of the process of the year-end review and noted that whilst this had been time-consuming, it had been a useful exercise for the Senior Leadership Team to undertake collectively and was critical to underpin how each area would move forward. Gaps in information to governors had been

identified and addressed and there was now a very clear reference back to the College's strategic aims for any activity being undertaken. The strategic aims and KPIs were useful in ensuring focus of the operational plans that sat below them and were being used well by teams.

Members commented that the reports gave a sense of what had been achieved over the year and assurance that decisions made were based on the relevant strategies, but also requested that the ask of governors in relation to comments and feedback was made clearer in future reviews. Members asked if the outcome of the exercise was being cascaded to staff and noted this was already underway through away days, CPD sessions and direct engagement with individual teams to consider progress made. The Principal commented that the aspirations within the overarching narrative remained, with a focus on the journey and vision to be the best education provider in the North East.

Members agreed to:

- note the progress against the Corporate Services Strategic Aims and KPIs for 2021/22 and **approve the refined KPIs detailed in Annex E to allow incorporation into the supporting strategies.**
- note the progress against the Curriculum Services Strategic Aims and KPIs for 2021/2022 and **approve the refined KPIs and proposed strategy amendments detailed in the attached paper to allow incorporation to the supporting strategies.**
- note the review of finishing position against KPIs for 2021/22 and **approve the amendment objective 2.2 of the Higher Education Strategy to replace North East Collaboration Outreach Programme (NECOP) with the revised North East University Connect Programme (NEUCP).**
- note that refinements to KPIs may have to be made in future years to reflect key external terminology.

22/154 Chair's use of delegated authority

None

22/155 Written Resolutions passed since the last Corporation meeting

None

22/156 Use of the College Seal

Members noted the application of the College Seal on 1 December 2022 to (1) the lease, (2) the licence for alterations and (3) the deed of deposit in relation to the Ashington property. Each document was signed by the Chair and Principal as Corporation members on behalf of Corporation.

22/157 Any other urgent business (communicated to the Head of Governance & Corporation Secretary in advance of the meeting)

Paul Bradley updated that the external auditor had confirmed that a post balance sheet event would not be required in relation to Westfirst following the reclassification of colleges as the position was covered in the College accounts and did not directly impact the subsidiary.

22/158 Date of next meeting: 26 January 2023

Signed.....**Date**.....