

**CONFIRMED MINUTES OF THE CORPORATION BOARD HELD
ON FRIDAY 14 DECEMBER 2018 AT 13.00 IN THE BOARD
ROOM, CHURCH STREET, HARTLEPOOL**

Present

Dr G Robson	Chairman
Mr I Butchart	Independent Member
Mr K Goldsborough	Independent Member
Mr I Swain	Independent Member
Mr T Bailey	Independent Member
Professor R Simmons	Independent Member
Professor J Rapley	Independent Member
Ms D Ogden	Independent Member
Ms Jane Havakin	Staff Member
Ms Rosie Hare	Staff Governor
Ms E Hardwick	Staff Governor
Dr M Raby	Principal

In attendance

Mrs J White	Clerk & Governance Advisor
Mr S Slorach	Vice Principal Resources
Mr P Chapman	Vice Principal Employability & External Relations
Mr M Wheaton	Vice Principal HE
Mr P Trotter	Co-opted Member
Mr D Tierney	Student Liaison Officer for agenda item 20
Ms L Robson	RSM for agenda item 16

18.040	<u>WELCOME AND INTRODUCTIONS</u>	Action
	The Chairman welcomed members to the meeting and informed that Mr D Tierney would be attending for agenda item 20 and Ms Robson from RSM for agenda item 16.	
18.041	<u>APOLOGIES FOR ABSENCE</u> Apologies of absence were received from Patrick Smith, Amy Norris, Sarah Fawcett, David Hughes Independent Members and Isabel Carroll and Rachel Wilkinson Student Members.	
18.042	<u>QUORUM</u> The meeting was quorate in line with standing order 8.1 Meetings of the Corporation Board and its committees shall be quorate when 40% of the total membership of the Governing Body or its committee, excluding vacancies, is present, except where otherwise stated within the terms of reference for that committee.	
18.043	<u>DECLARATION OF INTEREST</u>	

Declarations of interest were made by Staff, the Principal and Clerk in relation to agenda item 21. There were no further interests identified by members in relation to the agenda.

18.044 **UNCONFIRMED MINUTES OF THE MEETING HELD ON 12 NOVEMBER 2018**

The minutes of the previous meeting held on 12 November 2018 were agreed as an accurate record.

18.045 **MATTERS ARISING**

The following matters were updated:

17.176 - Strategic Objectives - Session to be scheduled on the naming conventions for the School under the rebranding – outstanding.

18.046 **MEMBERS UPDATE**

The Chairman offered members the opportunity to provide an update on issues not covered under the agenda.

Mr Goldsborough discussed that he had met with his buddies and reviewed the marketing strategy. He informed the Board that the discussion had been really useful and the three of them are spending a day at the office with Mr Goldsborough in January.

Mr Butchart advised that he had met with his Library buddies and discussed safety at night on site. He commented on how much work staff are covering and how excellent the staff are. He concluded that he was pleased to see very clear priorities identified and linked to Strategic Plan.

The Chair commented that he had attended the Governance & Search Committee and Remuneration Committee, met with his buddy and the acting group, commenting that the delivery of programme was super and Jonny was amazingly competent and amusing.

18.047 **PRINCIPAL'S REPORT**

Confidential Report

18.048 **KPIs**

The Vice Principal Resources referred members to the previously circulated report and members noted that it is very early in the recruitment cycle to get a clear view of how this is progressing against target. As at 26 November 2018 there are currently 77 HE applications (which is made up of deferrals and new applications for 2019/20 entry); and 153 FE applications. Attendance and retention data for this early part of the year is good and staff sickness remains below target at 3.2%.

Mr Trotter questioned whether there was a pattern with regard to student leavers and the Vice Principal Resources advised that

Clerk

the leavers information related to issues such as home sickness and this had been reported before.

Professor Rapley advised that it was important that this data was kept especially around unconditional offers. The Principal acknowledged this.

Ms Havakin advised that staff have received training around wellbeing and mental health as a lots of students do list mental health issues on their applications and staff are wary about asking the prospective students for further information on areas of mental health.

The Principal commented that half of the students who left had not made the school aware of the mental health issues they had so we unable to help them manage these issues.

The Corporation Board RECEIVED the KPI update for information.

18.049 **MANAGEMENT ACCOUNTS MONTH OCTOBER 2018**

The Vice Principal Resources referred members to his previously circulated report and highlighted the year to date figures after 3 months' trading show an adverse variance to the operating deficit budget of £19k.

Members noted that as discussed at the November Board meeting this relates to lower than forecast recruitment numbers at both HE and FE. The lower figures for HE impact in-year whilst the FE figures mainly impact in the following financial year due to lagged funding, but there is some impact on current year.

Cash balances as at the end of October 2018 are £1,692k compared to a budgeted position of £1,572k.

The Corporation Board NOTED the Management Accounts

18.050 **REVISED FINANCIAL FORECAST**

Confidential Report.

18.051 **CORPORATION BOARD REVIEW OF EFFECTIVENESS**

The Clerk advised members that the Corporation Board have agreed that on an annual basis, it will assess its own collective and individual performance. The method of assessment is the decision of the Board, and may vary from year to year according to its identified needs and priorities.

For this year's evaluation the Governance & Search Committee recommended that a survey was undertaken. The results from this Survey were discussed.

The Principal reminded members that the CUC code asks for a more formal process for assessing the effectiveness of the

Board and this is identified as part of the Governance & Search Annual Report.

The Principal informed that the School Strategy hasn't really changed in the last year but the May strategy day will give the opportunity for members to contribute to the new strategic plan. The current Chair advised that the day will be led by the new Chair.

Mr Butchart asked what the costs would be with an external assessment and the Principal acknowledged that there would be a cost but that the Governance & Search Committee were looking for someone who was local and a minimal cost.

Mr Trotter commented that it is difficult to decide what the right questions are to be asked as part of a survey, and there is a little risk of being too comfortable with it. Mr Trotter welcomed the prospect of someone looking at us and to be aware of being too comfortable with the questions we ask ourselves.

The Corporation Board NOTED the review of effectiveness and have considered their performance to be good and effective for 2017/18.

18.052

ANNUAL INTERNAL AUDIT REPORT YEAR ENDING 31 JULY 2018

The Vice Principal Resources referred members to the Annual Internal Audit Report and highlighted that KPMG have provided the internal audit service to the School for the year ended 31 July 2018. This work was carried out in accordance with the internal audit plan, approved by the Audit Committee. The Audit Committee agreed to a level of internal audit input of 24 days with 24 days being delivered. Management responses to report recommendations were positive with timely implementation dates identified. During 2017/18, KPMG followed up 21 agreed recommendations from prior years, of which 11 had been 'implemented', 9 were 'ongoing' and 1 was 'no longer applicable'.

The Vice Principal Resources advised members that he has discussed the plan for internal audit services for 2018/19 with the Audit Committee as KPMG do not wish to provide the service to the School. Members noted that in doing so the Committee agreed that for 2018/19 the plan should be to ensure that the School can confirm they have robust systems and processes in place and go out to tender for 2019/20. Members noted that RSM (current provider of external audit services) will provide internal audit services around financial systems for 2018/19 programme.

Mr Swain commented that there are a lot more risks and issues we need to consider and the Audit Committee have spent a lot of time reviewing the risks on a regular basis and has been key over the last year.

Ms Robson pointed out that there are different ways of getting assurance and it doesn't all have to be external, The School could look at different ways of doing this.

The Chairman requested that the information pertaining to the succession plan for the Principal be discussed at the Governance & Search Committee at a future meeting

The Corporation Board NOTED the Annual Report of the Internal Audit Service

18.053

ANNUAL REPORT OF THE AUDIT COMMITTEE

The Vice Principal referred members to the Annual Report from the Audit Committee and highlighted that the Audit Committee is responsible for providing insight to the Corporation on the adequacy and effectiveness of the School assurance framework. It is the opinion of the members of the Audit Committee that the School's assurance arrangements, governance, risk and control mechanisms are adequate and effective for the purpose of conducting the continuing delivery of The Northern School of Art. Mr Swain thanked the Vice Principal Resources for preparing the report on behalf of the Audit Committee and referred members to his previous comments on the Committees review of risk.

The Corporation Board APPROVED the Annual Report of the Audit Committee and RATIFIED the TOR

18.054

FINANCIAL STATEMENTS AND REGULARITY AUDITORS MANAGEMENT LETTER

Ms Robson, RSM spoke to her previously circulated report and members noted that the report summarises the key findings in connection with the audit of the financial statements of the College in respect of the year ended 31 July 2018. Ms Robson advised that she considers that the audit approach adopted will provide the Corporation Board with the required confidence that a thorough and robust audit has been carried out.

Ms Robson identified one issue with regard to audit, accounting and regulatory issues or potential impropriety issues relating to fully written down fixed assets which an adjustment has been prepared by management.

With regard to section 4, Ms Robson discussed the summary of the unadjusted/adjusted errors identified during the course of their work which had been discussed in detail at the Audit Committee.

There were no new matters to bring to the Board's attention with regard to significant deficiencies in internal control.

With regard to Section 6 Significant findings from the audit Ms Robson drew members attention to the reference to HEI considerations which confirmed that if the School did transfer

sectors it would still be compliant and also reference to the Principal's salary.

Draft Letter of Representation

Ms Robson drew member's attention to page 15 with regard to Fraud and to remind members that principal responsibility for the prevention and detection of fraud rests with management with the oversight of those charged with governance, who should not rely on audit to discharge those functions.

Finally, Ms Robson advised that she would wish to have a discussion sooner rather than later with regard to the subsidiary company for the Middlesbrough relocation project.

The Corporation Board APPROVED the Financial statements and regularity auditor's management letter

18.055

FINANCIAL STATEMENTS YEAR ENDING 31 JULY 2018 AND BANK COVENANT

The Vice Principal Resources referred members to the financial statements and bank covenant and members noted that the School generated an operating loss of £370k for the year ended 31 July 2018 compared to a loss of £570k in 2016/17. The current year results include cash balances of £463k compared to £1,957k in the prior year. The reduction in cash balance is due to the School repaying £1.2m of the revolving credit facility with Barclays Bank by £1.2m for a period of time when cash was not required. This was subsequently drawn back down in early August shortly after the year end date.

Actuarial adjustment for the pension scheme are included in the Statement of Comprehensive Income which push the School into a £523k surplus for the year. The FRS102 pension adjustments do not impact on the Banking Covenants. This compares to a surplus of £1,862k for 16/17.

The School is expecting to have a Satisfactory Financial Health position for 2017/18 but this will only be confirmed by the SFA in February / March 2019.

The financial statements have been reviewed by the Audit Committee on 23 November 2018 and have been recommended to the Corporation Board for approval.

Mr Butchart informed the Board that the Audit Committee had been well briefed on the accounts and there were no surprises.

The Corporation Board APPROVED the Financial Statements and Bank Covenant

18.056

RISK MANAGEMENT UPDATE

The Vice Principal Resources gave an update on risk management and highlighted the following:

Key risks to the School over the course of the coming months include:

- Government policy including BREXIT and HE Fees
- Construction project(s)
- Cash flow and banking covenants
- HE recruitment
- FE recruitment
- College name change
- Teaching Excellence Framework

Members are asked to note that there are delays in the ISQ2 project which has meant withdrawing the Events & Exhibition Design BA (Hons) from UCAS

The Corporation Board NOTED the risk management update

18.057

UPDATE ON THE ACTIVITIES OF THE STUDENT EXPERIENCE TEAM

In the absence of the Vice Principal Student Experience the report was taken as read.

The Chairman questioned the reference to “dynamic lockdown” and the Principal confirmed this was being able to act appropriately to any incident which requires the school to act to an event such as those identified in “run, hide, tell”.

The Corporation Board NOTED the update on activities of the Student Experience Team

18.058

STUDENT UNION CONSTITUTION

Mr D Tierney, Student Liaison Officer attended and referred members to his previously circulated report which set out the Student Union Constitution which should be subject to the approval of the Board and be reviewed at intervals of not more than five years.

Members noted that this was the Schools first SU Constitution and has been written from the starting point of a model constitution provided by the National Union of Students (NUS). There is recognition that the SU at the School is growing and whilst we are still in the relatively early stages of SU development there is a requirement to provide assurance to the Board that the SU operates in a fair and democratic manner and is accountable for its finances.

The Principal advised that the financial accounts for the SU have been dormant for a number of years and to note that the School are not giving the SU funds, the SU funds are a budget within the School accounts and this needs to be clear in the SU constitution and the duties for monitoring the budget do not yet apply.

Mr Tierney advised that the constitution sets out that the funding will come from the School and the SU Executive will work with the School on where the funding goes.

Professor Rapley referred Mr Tierney to the reference of the SU Steering Committee and membership and asked for further clarity on this, Mr Tierney advised that it was the Academic Board and Professor Rapley commented that this should be made clear.

Professor Rapley commented that it was quite prescriptive referring to meeting every 2 weeks, and that, perhaps normally might be a better word to use.

Professor Rapley observed that the constitution did not reference representing students in the case of appeals or complaints and asked if there was anything in the constitution which gives them the responsibility for this. Professor Simmons concurred with Professor Rapley and suggested that this be included.

Mr Trotter asked Mr Tierney how the SU Constitution would be distributed to students and he advised that it will be circulated on the intranet and website and also picked up as part of the induction talks.

The Corporation Board APPROVED the SUI Constitution subject to the changes above.

The Principal gave thanks to Mr Tierney and the Vice Principal Student Experience for their work on this matter.

18.059 **ANNUAL REPORT OF THE REMUNERATION COMMITTEE**
Confidential report.

18.060 **ANNUAL REMUNERATION STATEMENT**
Apologies were received from Mrs Crossland Head of HR and OD and therefore the Principal referred members to the previously circulated report. Members noted that the School has undertaken to achieve compliance with the CUC Governance Code and this involves the agreement and publication by the Corporation Board of an Annual Remuneration Statement.

The Remuneration Committee reviewed a draft Annual Remuneration Statement 2017/18 for The Northern School of Art and has recommended the approval of this Statement to the Corporation Board.

The Corporation Board APPROVED the Annual Remuneration Statement

18.061

STATEMENT OF PRIMARY RESPONSIBILITIES

The Principal referred members to his previously circulated report and members noted that the School has undertaken to achieve compliance with the CUC Governance Code and that means that the School should agree and adopt a Statement of Primary Responsibilities. Members noted that the Governance & Search Committee reviewed and have recommended to the Board a draft Statement of Primary Responsibilities for The Northern School of Art

Mr Butchart observed that the statement mentions university which will need amending.

The Corporation Board APPROVED the Statement of Primary Responsibilities

18.062

ANNUAL REPORT OF THE GOVERNANCE & SEARCH COMMITTEE

The Principal on behalf of the Governance & Search Committee presented the Annual Report of the Governance & Search Committee. Members noted that compliance with the main CUC Governance Code means that the Governance & Search Committee, in common with other Board sub-committees, should report annually to the Corporation Board. At present the report concludes that the School does not fully comply with the seven elements of the CUC Code, but that compliance is possible in the near future.

Members noted that with regard to the outstanding areas of compliance the SU constitution has been drafted and approved by the Board at today's meeting. The Reserve Policy needs further work and the Governance Review which will be an externally facilitated review will take place around Easter time

Mr Butchart referred members to page 5, appendix a, the gender balance of Board, and observed that the analysis recognises the full membership of the Board. The Principal acknowledged this and confirmed that all members of the Board hold the same responsibilities and therefore it is appropriate for all members to be included in the numbers.

Mr Butchart identified that on page 6 risk management there was reference to vice chancellor and this should be removed.

The Principal asked members if they found the report useful and Mr Butchart commented that he did. Mr Bailey questioned whether the Board wait a year to check if the issues are getting picked up, the Chair confirmed that the issues will be monitored by the Governance & Search Committee who will report progress to the Board.

The Corporation Board APPROVED the Annual Report of the Governance & Search Committee

18.063 **ANNUAL REPORT**

The Principal referred members to the Annual Report which had been produced by the institution. The intention is that the Annual Report should consolidate several means of reporting School performance to the Board into one document. This should improve the quality of reporting and allow appropriate (and differentiated) focus on the management of performances and consideration of strategic issues.

The Chairman asked the Principal who the audience was for the Annual Report and the Principal advised that it was for the Board. The Vice Principal Employability & External Relations team are preparing a stakeholder bulletin which may contain some of this information.

The Corporation Board APPROVED the Annual report

18.064 **CHAIR AND VICE CHAIR NOMINATIONS**

The Clerk advised that the Governance & Search Committee have identified that the roles of Chair and Vice Chair will be required to be filled shortly in line with the succession plan for members. The Committee have taken external advice on current terms of office, in case this is a factor in the nominations. The Committee are recommending to the Board two vice Chairs and one Chair to aid with succession planning for the Chair post. The Chair asked for nominations to be reported to the Clerk by the end of January 2018 for consideration at the Governance & Search Committee in February.

The Corporation Board APPROVED the recommendation for two Vice Chairs

18.065 **MINUTES OF THE SUB COMMITTEES**

The Board noted the minutes of the sub committees for information.

18.066 **CONFIDENTIAL ITEMS**

The Corporation Board noted that the Remuneration Annual Report, Principal's report, minutes of Committees and the Revised financial forecast were confidential reports.

18.067 **ANY OTHER BUSINESS**

The Principal gave thanks to all staff efforts at FE and HE, noting that people are performing well in their roles and pulling together, recognising that times are difficult.

The Chairman thanked Sean and the catering staff for a lovely Christmas lunch.

18.068 **REVIEW OF THE MEETING**

Members observed again that the Board Room in Hartlepool is not conducive to good interaction between Board members. Ms Hardwick commented that it was difficult to keep abreast of the order of the papers due to the running order of the meeting. The Clerk agreed to review this.

Clerk

18.069

DATE AND TIME OF NEXT MEETING

The Corporation Board will meet again on Friday 8 February 2019 at 12.00 in the Board Room, Church Street, Hartlepool

Signed:

Date: