

**Special FE Corporation Minutes**

Meeting held on Monday 23 September 2024 at 5.30pm, via Teams

*Governors:*Rachel Beeken, Stuart Blackett (Corporation Chair), Gareth Davies, Louise Davies, Aiden Flynn, Grant Glendinning (Chief Executive and Group Principal), Amanda Olvanhill, Hamish Rutherford, Dot Smith and David Watson

*Apologies:*Fabienne Bailey, Subhash Chaudhary and Liz Dixon

*Officials:* Jason Faulkner (Deputy Chief Executive Officer), Phil Hastie (Chief Operating Officer), Fiona Sharp (Chief Financial Officer) and Sarah Thompson (Group Director of Governance)

*External* *advisors:* Ciara Campfield, Partner, Stone King, Kara Williams, Senior Associate, Stone King, Chloe Parcell, Solicitor, Stone King

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| **24/93** | **Agenda Item 1 – Welcome, apologies for absence, declarations of interest, notification of other items of business** |
|  | The Corporation Chair welcomed attendees to the meeting and thanked them for attending this meeting at short notice. He also thanked the Senior Management Team for their work developing proposals within a short timeframe. A round of introductions took place.  Apologies for absence from Fabienne Bailey, Subhash Chaudhary and Liz Dixon had been received and were **accepted**. It was noted that Himeetjuia Kajau and Relon Mfunda, student governors, were not in attendance.  There were no declarations of personal or pecuniary interest in any matters arising from the agenda of this meeting and no notification of other items of business.  A quorum was present and the required meeting notice of seven calendar days had been given. |
| **24/94** | **Agenda Item 2 – Potential to purchase the leasehold for current NETA properties (Pennine Avenue)** |
|  | *(Hamish Rutherford joined the meeting during this item.)*  A report had been circulated outlining a proposal to purchase the leasehold for current NETA properties (Pennine Avenue). The Chief Executive clarified that this had been a fast-moving situation, with the group responding to information received about a proposal to auction the leasehold. Input from the group’s legal advisors, Stone King as well as from [REDACTED] as intermediaries and valuers, had been obtained within a short period.  The Chief Operating Officer reminded members that the group had sought to engage with the current leaseholder, Cleveland Properties, over a long period but had been unable to reach an agreement on early termination of the lease. The decision of Cleveland Properties to auction the property provided an opportunity for the group to buy back the lease, thereby gaining control of the lease and also removing risks related to dilapidation costs; it was estimated that dilapidation costs could be at least [REDACTED]. The purchase would mean that the group would have an asset that could be sold on once the properties were no longer required. It had now been confirmed that VAT would not be payable on the property and the cost of the property was [REDACTED].  The Chief Financial Officer reported that the Net Present Value calculations provided in the addendum were based on four scenarios, as proposed by members in advance of the meeting:   * Buy the leasehold and sell when no longer required * Buy the leasehold and retain for future rental * Do nothing – assumption of no change in rent * Do nothing – assumption of increased rent   The Partner, Stone King, reported that, following discussion with the Head of FE at Stone King and the Etc. Group Director of Governance, there was a collective view that any decision to purchase would not be ultra vires and would align with the group’s educational mission. It was clarified that the powers of the FE Corporation as defined in legislation were very broad and the regulatory framework also did not prohibit such a decision. In addition, the decision was not regarded as novel, contentious or repercussive and so no authorisation from the Department for Education would be required. It would be advisable to notify the group’s auditors and the Education and Skills Funding Agency of the decision.  Governors recognised that there had been previous discussions concerning the difficulties agreeing an exit for the NETA properties lease and they were generally supportive of the proposal as a means to resolve these difficulties. Governors also acknowledged the risk of potentially high costs for dilapidations and that this proposal could mitigate this risk. Governors strongly supported Option 1, i.e. selling on the leasehold once the buildings were no longer required for delivery of NETA provision. However, governors recognised possible risks with this approach, for example, taking on responsibility for the poor condition of the building, the potential to fail to attract a buyer and the potential to fail to achieve the purchase price. Governors were supportive of a direct negotiation with the landlord, rather than bidding at auction if possible.  A governor expressed concern that the proposed decision was not aligned to the group’s strategy. It was recognised that the group’s priority was to provide education for its students and this purchase would ensure no disruption to provision for NETA students, for example, if the new NETA building was delayed.  A further concern was expressed that the proposed amount could be unreasonable. The Chief Operating Officer confirmed that the valuers, [REDACTED], believed the valuation was reasonable and that the property would be expected to exceed the guide price at auction. Further that there had been a good level of interest in the property and the length of the lease was not expected to deter potential purchasers. Written confirmation of the valuers’ opinion was still awaited and it would not be possible to obtain a second valuation in time to allow the purchase; this was recognised as a risk. The Chief Operating Officer clarified that the value of £[REDACTED] represented the end point of negotiations with Cleveland Properties.  The short timescale for a decision was recognised as a particular concern for many governors. Governors expressed disappointment that Cleveland Properties had not contacted the group before deciding to auction the property. The Chief Operating Officer clarified that Cleveland Properties had advised that they had believed the group would not be interested in the purchase based on previous discussions  Governors suggested that the capacity of the senior team could be a potential issue, particularly in light of other priorities, for example, Ofsted. It was acknowledged that the senior leaders most closely involved in this project, the Chief Financial Officer and Chief Operating Officer, would have a less involved role during any Ofsted inspection and the group was also able to access support from trusted partners.  In response to a query, it was clarified that the purchase was for the leasehold for a period of [REDACTED] years and valuers had advised that the lease period would not impact on the property value over the next few years, although it could have an impact in the longer term.  Governors queried the impact of the purchase on the cashflow. The Chief Financial Officer confirmed that financial modelling showed that the cashflow could accommodate this purchase. Governors stressed the importance of ensuring careful public presentation of any expenditure, particularly in light of ongoing disputes with trade unions around pay awards.  Governors expressed concern about the condition of the property. It was recognised that, even if the college was unable to achieve the purchase price when selling on, this would still be a financially positive position compared to the ‘do nothing’ option.  In response to a governor’s query around any possibility of a cooling off period, it was confirmed that the title and searches had been reviewed as these were included within the auction pack; two items on the title had been raised with the Chief Operating Officer. A [REDACTED]% deposit would be payable by midday on 24 September 2024.  A governor suggested that, as a way to de-risk the purchase, another buyer could be sought between purchase and completion, for example, a property management company who would be willing to agree a three year lease with Etc. This would reduce the ongoing liability for the group and also reduce risks of the property value decreasing. It was agreed that the Chief Operating Officer should explore the potential for this. In response to a query, the Stone King advisers confirmed that Department for Education approval would not be required to dispose of the lease and this would not be regarded as a novel, contentious or repercussive transaction; however, governors would need to review any proposal.  A further risk identified was the potential for a competitor to make use of the fully fitted scaffolding centre. This could also make the property attractive at the point of sale.  A formal vote was taken and it was **RESOLVED** by a majority of members that the group should proceed with acquisition of the NETA properties (the ‘head’ lease) from Cleveland Properties for £[REDACTED]. It was further **RESOLVED** that the Chief Executive would be signatory for the purchase.  It was agreed that the Partner, Stone King, would provide a note outlining implications of the regulatory framework in respect of disposals and the note provided to the Chief Operating Officer by the Head of FE, Stone King, in respect of the group’s powers, should be shared with all governors. |
| **24/95** | **Agenda Item 3 – Any Other Business** |
|  | There were no items of additional business. |
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| **24/96** | **Agenda Item 4 – Date, time and venue of next meeting** |
|  | FE Corporation meeting – Thursday 7 November, 5.30 pm, Redcar and Cleveland College |
| **24/97** | **Agenda Item 5 – Approval of Documents for Public Inspection** |
|  | It was **agreed** that the agenda for the current meeting be made available for public inspection. All reports were deemed to be confidential for business sensitivity reasons. Minutes of the meeting would be made available following approval and consideration at the next meeting. |

**Approved at a meeting held on 7 November 2024**