**The City of Liverpool College Corporation Board meeting**
**held on 6th July 2016, 4.30pm**
**in the Boardroom at the Learning Exchange**

Present: Peter Grieve (Chair), Louise Barry, Elaine Bowker (Principal), Martin Carey, Tony Cobain, Clare Crowther, Lawrence Kenwright, Viv Lacey (Vice Chair), Marcell Santa (student governor), Steve Sankson, Peter Tavernor

In attendance: Nicola Kumar (Strategic Development Manager), Christine Lenderyou (Clerk to the Corporation), Ann Monk (Group FD), Simon Pierce (VP Curriculum)

**Confidential Section of Meeting**

*Due to the nature of discussions, Marcell Santa (student governor) joined the meeting at the end of the confidential section.*

*Lawrence Kenwright was also asked to leave the meeting during item 1.2 - Proposed disposal of asset, due to a conflict of interest.*

**16.53. Welcome and Apologies**

Apologies had been received from John Denny, Lydia Field, Ian Pollitt

The Chair welcomed everyone and advised the agenda would be slightly re-ordered to enable a better flow of discussion. A report regarding bad debts would be taken as AOB rather than coming to the next meeting.

**16.54. Transformation Programme**

**16.54.1 Financial Recovery Plan – update**

The Principal introduced the item. The SFA and the FE Adviser had provided initial feedback on the plan itself at the previous case conference which had been incorporated into the recovery plan, and the final version had been agreed with only minor amends. The Board had received the latest update against the recovery plan, which had also been reviewed at the case conference held earlier in the day. There had been some significant progress against some of the larger actions which would contribute to the improvement in the College's position next year but the recovery plan should be read in conjunction with the latest management accounts, which were showing a deterioration against some lines.

The Group FD was asked to take governors through the recovery plan and progress against this:

Income

- Good progress had been made against the apprenticeships lines with the over-performance against 19+ offsetting some under delivery against 16-18 in 15/16.
- The current profile of starts meant that a considerable proportion of income for 16/17 had been secured for 16/17. The Principal cautioned that as there would be a high carry in for 2016/17, over 50% of the 16-18 contract value would be committed before the start of the year, rising to over 80% for the 19+ allocation.

The Principal advised that the impact of the high carry in meant that the value of both Apprenticeships contracts was expected to be consumed early on in the year. This had been highlighted during the case conference with the SFA earlier in the day and it had been confirmed that a business case would need to be submitted in line with the SFA's performance management process.

Governors queried how likely the 16/17 allocations were to increase given that a review of performance against contract had already been undertaken by the SFA. It was acknowledged that the College had increased volumes of Apprenticeships over the course of the year and it was felt that the SFA's model had failed to take into account the volume of Apprenticeship starts towards the end of the year. It had been agreed at the case conference that the Group FD and the SFA would meet to discuss this separately but Apprenticeships remained a key skills priority for the Government and the high level budget assumptions for 16/17 currently included a small amount of growth on the current contract value. The College's strong performance in 15/16 and work with employers should support a robust business case but the outcome was not guaranteed and would be influenced by performance elsewhere in the sector.

Governors accepted this but would want to explore this further at the budget session scheduled for 13th July.

The Group FD returned to remaining actions under income within the financial recovery plan:

- The VP Curriculum had been working with curriculum managers and colleagues in SharEd to support the actions around optimising use of the EFA and AEB allocations, and the introduction of Curriculum Planner earlier in the year provided additional robustness to the planning assumptions being worked through.
- The HEFCE grant was secure and the Group FD confirmed that this was a grant rather than an allocation. The Principal had disclosed at the case conference the College's recent success in its HE review and the FE Adviser had suggested that this should encourage the College's growth ambitions, however this needed to be balanced with other concerns.
- The Group FD reminded governors of the prudent assumptions underpinning loans figures.
- Some elements were still to come through and would be dependent on a successful enrolment period, but income was on track overall.

[Section removed].

<u>Expenditure</u>

- Robust curriculum planning supported a reduction in staff costs. A considerable number of staff had left the organisation during 2015/16 and it was anticipated that a significant proportion of remaining savings required could be met by reducing bank staff, without adversely affecting curriculum delivery.
- Non-pay lines must continue to reduce as outlined in the report.
- The lease for Collingwood Dock had been successfully reassigned ahead of schedule. In addition to the associated saving of £140k in 2016/17, an additional saving of £6k had been secured for 2015/16 relating to the lease itself.The review of Pastoral Support had commenced, with a consultation beginning earlier in the week.
- Work Based Learning was under review with a consultation having started but also a wider review was taking place to improve efficiency and also to consider the frameworks delivered and overall operating model.
- [Sentence removed]

[Sentence removed] The Principal advised that the new Group FD was taking a forensic approach to establish the baseline, with a reconciliation against payroll and any known starters, leavers and vacancies that were approved for advertisement. The Group FD added that a month by month analysis had been undertaken against the payroll which supported the narrative within the financial plan and robust forecasting against the staffing lines in-year with more detailed assumptions in the management accounts. She confirmed that staffing costs had been coming down in line with the savings outlined to the Board as part of the recovery plan.

One governor queried whether it would be more effective to reconcile plans against the run rate from the previous three months and the Group FD acknowledged this suggestion but explained while this was broadly possible for staffing costs, much expenditure was front-loaded in the College year, hence the end of year income and expenditure was not directly comparable with the full year. Governors suggested further consideration to this should be given by the Finance Committee in future meetings and the Group FD agreed.

**Act: CL**

The Board were able to see clearly the progress which had been made but were conscious there was little room for variance. Financial recovery would remain a standing item for the foreseeable future with the expectation that the Chair and Vice Chair would be sighted on any significant divergence immediately.

**16.54.2 Programme update – Proposed Disposal of Asset (Bankfield)**

*Mr Kenwright left the room for the duration of the discussion.*

Since the previous board meeting, the Bankfield site had been advertised by Keppie Massie (online, in the Estates Gazette, and through physical signage on site) with a view to the sale completing by the end of 15/16, although allowance had been made within the financial recovery plan and cash flow forecasts for some slippage in terms of timescales and the final value of the sale.

The Principal, Group FD and Strategic Development Manager had met with Keppie Massie and lawyers acting for the College (Hill Dickinson) to review the bids received. The highest bid had been from Signature Living at £1.75m; the next closest bid was £1.6m but there were questions as to whether or not the bidder would be able to comply with the timescales involved as well as some of the information provided as part of the bid. The College had been advised to accept the unconditional offer of £1.75m from Signature Living, which was considered to be an extremely strong offer; the estate agent had confirmed that he felt it was unlikely that a higher bid would be received if the property was remarketed.

The offer of £1.75m would be accepted, however the Principal warned that there was a clear risk around timescales, which were compressed in comparison to the length of time it had taken other colleges to negotiate a sale. The timing of the cash receipt would need to be negotiated in line with the College's planning, although this had been made clear upfront during the advertisement process. Governors questioned whether there was any particular indication that the sale would not go through in a timely manner but were reminded that the transaction was subject to the usual processes for any property sale.

In addition, the Principal explained that the College would also be negotiating the terms of exiting the building as there were staff, learners and hardware that would need to be relocated with minimum disruption. The team had been working on the basis of a short to medium term leaseback arrangement with the proposal that the College continue to cover running costs for the duration of the arrangement. [Sentence removed] Minimal reliance was therefore being placed against the possibility of in-year savings on running costs.

Governors asked about the impact of any significant delay in sale and whether in the case of the cash not being received as per the timescales in the recovery plan a bridging loan from the bank would be possible. Mr Sankson advised that he did not think this was likely based on a meeting he attended with the Principal and bank, as sector-wide banks were referring colleges to the SFA in the first instance. Any significant delays would require severe management of creditors.

*Mr Kenwright re-joined the meeting.*

**16.54.2 Disposal of Shares (F4S)**

The Board had previously agreed that the Principal and Chair would progress discussions with a potential investor in First4Skills. The Chair, Principal and Vice Chair had now met on a number of occasions with the potential investor and agreed a number of key points, which had been drawn up into heads of terms (appended to the transformation report for governors' consideration); due diligence had proceeded simultaneously and lawyers had been asked to begin work on a shareholders' agreement subject to Board approval.

The Board discussed the proposal and next steps. Key considerations were as follows:

- F4S had previously delivered three sizeable donations to the College but in 2015/16 was anticipated to make a loss of approx. £400k which had a significant impact on the Group's cash position and forecast outturn.
- Discussions had taken place on the basis of the sale of 40% of shares at £500k, with the College maintaining overall control as the majority shareholder. The part sale of F4S would improve the Group's liquidity while retaining a commercial income stream, with the added benefit of bringing additional expertise from a successful private training provider and increasing capacity within the Group.
- The new investor would be given the right to appoint three directors to the F4S Board, one of whom would be Chair; however as the College would still be majority shareholder (60:40) then provision would be written into the shareholders' agreement for the College to take control if necessary.
- The College would have three directors on the Board and it was proposed that this should be the Chair of the Corporation Board, the Principal & Group Chief Executive and either the Deputy Chief Executive or the Group Finance Director.
- The new investor would also be invited to nominate a director to the SharEd Board; the appointment would strengthen governance arrangements within the Group with the addition of an interested but external party. Improvements in efficiency within SharEd had the potential to result in both a reduced service charge to the College and F4S.
- The additions to the subsidiary Boards would increase capacity and further strengthen governance within the Group, providing increasing support and challenge.
- The potential investor (Sysco) had expertise in the sector, good financial health, a 'good' Ofsted grade and was the provider of choice for the SFA in the Liverpool City Region.
- Other investors had also expressed an interest in First4Skills on the basis that it was positioned well to take advantage of the introduction of the Apprenticeship Levy, however these interested parties were seeking a full buy out. The preferred option was for a partial sale with a buy back option, allowing the College to retain an income stream while providing increased liquidity during its financial recovery. Governors requested more detail in respect of the buy back opportunity, referencing a previous joint ownership with 3AAA. The Principal clarified that this would not take the form of a put and call option as this would potentially be a risk if the College had insufficient cash reserves to support this, leaving the circumstances open to manipulation in favour of the minority shareholder during the College's recovery. The shareholders' agreement would therefore be worded in order to safeguard against this.
- The Group FD was working through the implications for the Group cash position and the Group VAT position to ensure that the College's interests were not adversely impacted.
- The SFA and FE Adviser had indicated they supported the proposal at the most recent case conference; the Principal had disclosed the identity of the potential investor in the interests of transparency and on the understanding that this was commercially in confidence until the deal had been completed.
- It was confirmed that approval was not required from the bank in order to take the proposals forward, given the value of the sale, however the proposal had been flagged with the College's relationship manager and the bank was also supportive of this as a considered approach.

- While no income from F4S had been assumed in the 2016/17 College budget, it was apparent that the introduction of the levy would present a substantial opportunity for growth and although performance in 2015/16 had been disappointing, F4S remained a key part of the strategy. The opportunities for growth would be supported by the association with the SFA's provider of choice and increased capacity around delivery.

The Board considered the implications, advantages and disadvantages of proceeding in light of the current financial situation, F4S' performance and the work undertaken to date. Consideration was given to the merits of the investor, which had a good track record both financially and in terms of quality; both had been validated externally as well as through the College's own work with the provider. The Board approved the proposals on the basis that they provided a sound balance between immediate investment in terms of cash and long term viability.

The Corporation Board would continue to scrutinise the performance of First4Skills through quarterly updates and the three directors on the First4Skills Board. The Group sub-committee structure would be retained in order to provide additional oversight of both the company and the interconnections within the Group.

Authority was delegated to the Principal and Chair to:

- agree the final shareholders' agreement;
- agree the revised memorandum of understanding between First4Skills and the Corporation Board;
- complete the part sale of First4Skills.

**Act: PG/EB**

**16.55. Potential Sale of Vauxhall Road Car Park**

Governors were referred to the discussion at a previous meeting around the potential disposal of the car park at Vauxhall Road. Following that discussion, the College had made initial enquiries with the estate agents and property lawyers acting for the College in respect of the Bankfield sale and had been advised that [part of sentence removed]. The City Council were involved in the redevelopment of the Pumpfields area and had contacted the College to enquire as to its plans for its property in this area; a verbal expression of interest from a commercial investor had been received at £700k. The discussions with the property agent and lawyers suggested that this was a good time to sell the land, which did not bring in any commercial income and was not used to support curriculum delivery. It was clarified that the proposal referred only to the car park and that the Vauxhall campus would be retained.

The Board considered that disposing of the car park would mean there was no longer a staff parking facility at Vauxhall Road but no other site except Bankfield currently provided parking for staff so this was consistent with the benefits provided to staff on other sites; and a reduced rate for parking had been agreed with NCP for College staff some time ago. The suggestion was made that a higher sale price could be achieved by obtaining planning permission, but this would need to be balanced against the College's interests in terms of timing. Additionally, the Vauxhall car park was known to be contaminated land and might not be suitable as to support significant developments without a great deal of investment: the preferred option would be to sell the site unconditionally.

The Board approved:

- the sale of the Vauxhall Road car park in principle;
- the appointment of a property agent, following the relevant procurement process, to advertise the potential sale of the Vauxhall Road car park;
- delegating authority to the Principal and Chair to progress with the sale of the Vauxhall Road car park up to the point of agreement of the successful bidder, which should be ratified by the Board.

**<u>The confidential section ended and Mr Santa joined the meeting.</u>**

**16.56. Minutes of Previous Meeting, Matters Arising and Actions Update**

Minutes of the previous meetings were approved with no matters arising.
All actions were noted, with 15.39 been superseded by ongoing evolution of performance dashboard.

**16.57. Verbal report from Performance and Quality Task and Finish Group, Chaired by Peter Tavernor**

The Group had met immediately before the Board meeting and the agenda had included:

- Update in impact of quality interventions from Director of Learning
- Update from Head of HE, with a strong focus on the recent QAA review
- Review of PQTFG performance during 2015/16
- Review of Post Inspection Action Plan and performance data

The presentation from the Head of HE had been very positive and the Board were pleased to note that the QAA had resulted in two commendations for the College which was the maximum possible and placed the College in the top 5% of all HE institutions. The Clerk was asked to circulate the slides to the full Board which provided further detail and had been shared with the PQTFG, but it was clear that HE provision was in an excellent position to meet College, local and national priorities with links to higher level apprenticeships being a distinct possibility. The opportunities for growth and progression were noted. **Action: CL**

Other key points from the meeting included:

- The PQTFG had achieved its KPIs in terms of the range of governors who had attended, the attendance of a middle managers which had supported the triangulation of the information received at Board by the PQTFG and in scrutinising the areas which the Board had agreed as priority.
- Areas scrutinised throughout the year had included:
  - Scrutiny of areas under the College's internal 'Notice to Improve' intervention process;
  - College Self-Assessment Report;
  - In-year performance;
  - Scrutiny of the Post Inspection Action Plan and performance dashboard;
  - Quality and curriculum reviews;
  - Work based learning;
  - HE.
- Curriculum areas scrutinised included:
  - City 6, which had also been tracked the previous year and supported a significant improvement;
  - English and maths, as a key skills priority;
  - Construction & the Built Environment
  - Business, Professional & Enterprise
- There were clear improvements in performance as evidenced in the PIAP but Dr Tavernor had highlighted the language used as while the Board understood there was a need to take a prudent approach to recording progress, the achievements and significant progress also needed to be made explicit in order to support the College in setting this out to external stakeholders such as Ofsted who would not be as familiar with the distance travelled.
- Apprenticeships had improved significantly with the College moving 100 places in the national rankings in one year. The Board noted that the growth and quality had been balanced with volumes and performance increasing over the course of the year.

- The Head of English and Maths had attended PQTFG twice and had been consistently impressive, providing clarity around strategies, risks and data. Additional support was being provided, with the management of English and maths being split in 16/17; the PQTFG had also received presentations on the approach for next year, which gave further assurance of the College's unrelenting focus on English and maths and the robustness of planning.
- Achievement for maths functional skills was already double that for the previous year, with English also showing a significant improvement.
- While the improvements in English and maths were considerable, caution was advised as the starting point for the College was low and the sector as a whole was weak.
- Compliance with study programmes had moved from 72% to 94%.
- Retention was above target which was an increase on last year.
- The attendance target had not been met. The Director of Learning had however been able to point to a recent report which analysed attendance across general FE colleges and suggested the College compared well to elsewhere in the sector for attendance despite not quite reaching the challenging target set by the Board. Further analysis would take place to support the continued improvements.
- PQTFG believed the objectives set remained appropriate but would continue to work under the direction of the Board.

Governors thanked Dr Tavernor for his summary and the evident close scrutiny from PQTFG but challenged whether the assurances received would translate to an improved Ofsted grade upon re-inspection. The Principal advised that a grade 3 had been received as results for young people had not been at the national benchmark across the College, some teaching observed during inspection had not been good enough and English and maths outcomes had not been at the required levels. There had been tangible improvement during 2015/16. Teaching and learning had improved and was more consistent. The results from City 6 would be an important indicator and the Executive team were cautiously optimistic in this regard. Value Added was an area which need to be improved and it was suggested this should be looked at in further detail by PQTFG. Enrolment procedures for English and Maths would also be reviewed. **Action: PQTFG**

The timing of any re-inspection was important as if it was in October/November the College would benefit from another full results cycle: the in-year indications suggested the College would see another positive trend in results and support an improved inspection outcome.

**16.58. Post Inspection Action Plan**

The VPC referred governors to the summary:

- Retention had improved against a challenging target and HE retention was strong.
- Level 2 retention was a concern but had increased 5% against the previous year.
- 26/27 courses under Notice to Improve had retention above the target which had been set at national rates.
- Attendance was 85% nationally according to figures within the report the Director of Learning had referenced. The College was at 86% with a target of 90%. Some work to further improve attendance had been undertaken already with curriculum teams.
- Course hours for 2016/17 had been brought into line with other providers, improving efficiency; this also had the potential to support improvements in attendance as students were more inclined to attend a smaller number of more meaningful sessions.
- Apprenticeships would be in upper quartile nationally if the predictions were realised.
- While Dr Spall remained optimistic regarding City 6, there had been some withdrawals made late in the year. An extraordinary Board meeting was scheduled to review the 15/16 results in this

area once known. City 6 had met most of its improvement targets the year before but this year's results would be equally crucial in determining the future of the College's academic provision.

- National success rate data released earlier in the year now demonstrated that the College was performing better than a number of colleges in the area which had Ofsted grade 2 judgements.
- Teaching and learning had improved as evidenced by the increasing proportion of observations assessed as effective (good or better).
- Achievement for functional English and maths were increasing (maths was 64% already against 34% last year, whereas English was currently 61% with predictions of 65% for final outturn – target for both was 70%).
- Performance for GCSE Maths and English was anticipated to have improved based on monitoring in-year but this could not be confirmed until the results were received in August.

The Board agreed that the information was consistent with that received throughout the year and from PQTFG. The concerns around attendance were noted although governors felt that the variation in how attendance was measured across the sector were not helpful in establishing what a meaningful benchmarks. The Board agreed that Value Added should be scrutinised by PQTFG. English and maths had been interrogated throughout the year, and while the Board were pleased to note that performance had improved, it was clear that there was scope for further improvement; the implementation and impact of proposed actions outlined by the Head of English and Maths would be of crucial importance, and the PQTFG was asked to continue its support and challenge of English and maths.

**Act: CL**

**16.59. Performance Dashboard**

Most points had been covered through the previous two items, although the VPC clarified that the apparent decline in key indicators was anticipated at this time of year due to the way in which completions and study leave were recorded.

Governors were pleased to note that attendance at exams had been strong across the College.

**16.60. Intervention Process**

The FE Commissioner's stocktake assessment visit had been re-scheduled first from July to the w/c 15th August and again to the w/c 22nd August by the responsible FE Adviser. The Vice Chair had raised with the FE Adviser that a number of key people would be on leave during this week and requested consideration be given to different dates.

The College would be required to demonstrate progress against the recommendations in the FE Commissioner's report, provide continued assurance of its ability to repay the Exceptional Financial Support in line with the timescales agreed and also that the budget set for 2016/17 was realistic and achievable. The financial recovery was tracked through specific documents including the recovery plan and management accounts, and the College's latest financial plan would be prepared and submitted to the SFA during July. Recommendations within the assessment report had largely focused on governance and robust governance would need to be demonstrated across the Group. The Board had already made a number of significant changes which had strengthened governance and continued to review elements for best practice.

Governors referred to the recent update which had been provided to the case conference. Actions taken so far included:

- Progress against the recovery plan and the high level preparation of the 2016/17 budget.
- Establishment of the Group Finance Committee.

- Changes to F4S and SharEd Boards, providing additional capacity and expertise and additional independent oversight through the appointment of independent directors as chairs.
- Commissioning the Group's internal auditors (BDO) to deliver a risk workshop for the Board and Executive to ensure a collective and comprehensive understanding of risk across the group and how this is reflected, scrutinised and challenged at Board level. The Chairs of each subsidiary would also be asked to attend.
- Examining good practice of group structures elsewhere in the sector and identifying appropriate external support.

Governors were wholly committed to adapting good practice from elsewhere, but equally recognised that it would be important to ensure the groups were in a strong position financially and in terms of quality. A view had been sought from the SFA on which group entities would provide a strong example.

**16.59.1 Group Finance Committee**
The Clerk presented a paper outlining context for the formal establishment of a Group Finance Committee, and suggested terms of reference for consideration.

The Board had previously retained a Finance, Estates and General Purpose Committee, but as part of changes to the governance structure in January 2014 following the visit of the FE Commissioner, the committee was disestablished to enable the full Board to have complete oversight and ownership of the College's solvency and finance strategies. Under this structure the Group delivered two years of satisfactory financial health and surpluses, however the evolution of the Group meant it was timely to review the Group committee structure. The FEC team in particular were supportive of the introduction of a Group Finance Committee and the benefits and risks of this model had been thoroughly debated at an extraordinary meeting of the Board, at which governors agreed to establish a Group Finance Committee.

The terms of reference set out clearly the responsibilities of the Group Finance Committee and the intention to strengthen oversight and scrutiny through 'deep dives' into aspects of the Group finances. Governors noted that the establishment of the Group Finance Committee should not remove or reduce the responsibilities of the Board in any way, and approved the terms of reference on that basis. The Board requested that the Group Finance Committee keep the terms of reference under review during its early meetings and advise of any refinements required.

**Act: CL**

Governors discussed membership and agreed that the skills and experience required would be best delivered by:

- Lydia Field (Chair) – qualified accountant, professional auditor
- Steve Sankson – corporate banker, commercial expertise
- Peter Tavernor – former Principal/Chief Executive of second largest college group in England, with extensive experience of FE governance, funding and budgets.

Recruitment activities were currently underway with a view to sourcing an additional governor with financial expertise and it was intended that another accountant be appointed to the Committee, either as an external governor or co-opted governor. Lydia Field would no longer serve on the Group Audit Committee to ensure appropriate separation. The timing and frequency of meetings would need to be established in line with the Group business cycle, but an inaugural meeting would be sought before the start of the 2016/17 academic year. Mr Sankson had already given time to individual meetings with the Group Finance Director and represented the Board at meetings with the Principal and the bank.

**16.61. Area Review Update**
The second steering group meeting had taken place two weeks previously, at which initial thinking in respect of preferred options had been discussed. The colleges had been asked to give their position

before preparing high level proposals for further discussion at the next meeting. Some mergers in the region had been proposed: Knowsley and St Helens; Hugh Baird and Sefton Sixth Form College; King George V and Southport College. As discussed at the most recent strategic planning day, the Board felt that The City of Liverpool College's strategic aims and the Liverpool City Region would best be served by the College remaining as a single institution. The College was unique in its position in the city, as supported by the travel to learn data, and had the scale to support it as a standalone institution and the long-term financial sustainability . Its position within the Group also offered opportunities of scale. As a key stakeholder and the largest provider of Apprenticeships in the City Region however the College had also proposed to establish an apprenticeship hub for LCR, running in parallel with the CA's proposed skills brokerage service. The College was also offering to expand and evolve its shared services facility with the other colleges and the Combined Authority dependant on interest, as part of a shared ownership model. The initial position had been well received by the Combined Authority, with the FE Commissioner also welcoming the development of an apprenticeship hub and a shared services option in the region.

Proposals in the region were being worked through but at this stage, there did not seem to be significant barriers to the College's plans which were aimed at delivering solutions for the city region. The Principal added that the Chair had contributed from the perspective of an employer and had been supported by the employer representative on the steering group in welcoming the College's contribution to the meeting.

Since the meeting, a letter had been received from the Combined Authority which suggested a greater push on specialism and this would need to be considered, however the College delivered a breadth of curriculum that served its students, communities and employer needs well. The VP Curriculum would be attending the next meeting in the Principal's stead.

**16.62. Finance**

The Group FD presented the management accounts, advising that the format would change for 16/17 in order to better align the reports received to the SFA plan and give a clearer line of sight in some areas.

The year to date (YTD) month 10 position was presented against the reforecast undertaken in month 9. Some variance was related to achievement funding as this came in at the end of the year and the forecast had been made on the assumption of 75% achievement however when a recent review by MIS suggested that the assumption of 75% achievement had been exceeded so the Group FD was expected additional income in that respect. The latest forecast was profiled for the most part on a 10/12ths basis, with the exception of staff where more information was available. Profiling would be reviewed going forward. Governors were informed that the Group FD continued to analyse staffing. Other variances which had been included in the narrative included teaching support, administration costs, franchising costs and exam fees and this was largely due to timing issues and the way the forecast had been profiled; as expenditure reduced in the last couple of months of the year, the variance should reduce too.

Governors' attention was drawn to the bigger transactions affecting items on the balance sheet. The SFA had been advised of movement in respect of exceptional items earlier that day and seemed comfortable. Governors asked for clarification on the exceptional items and were advised that a loss on disposals or grant claw back would class as exceptional items. Individual transactions would be analysed for impact and some would crystallise during the year end process.

In response to a question, the Group FD advised that the cash position was in line with previous updates, cash remained tight and was being closely managed; the position was improving slightly towards the year end as levels of expenditure dropped and the aged creditor position was not increasing but there should be no complacency in respect of the College's position. Governors challenged as to whether the Group

FD was confident as to the accuracy of the figures and were assured that there was clear oversight with cash being reconciled daily and outgoings prioritised carefully, although the model used could be made more efficient.

It was confirmed that the £3.2m deficit related solely to the College. At the 18th May Board meeting, the CEO of F4S had advised that a break even position was likely but it was now apparent that it would be more likely that F4S delivered a £400k deficit. The reasons for this and the corresponding recovery plan had been thoroughly interrogated at two subsequent F4S Board meetings, one of which had been attended by the Corporation Chair, Vice Chair and Chair of the Group Audit Committee. Governors referred back to the proposed partial sale of F4S, emphasising that any implications for the group cash position would need to be examined very carefully. The Group FD confirmed that this was being given due regard, adding that it would be usual to repatriate at the end of the year rather than on a day to day basis. No cash from the sale of Bankfield or F4S had been built in and together these were expected to realise £2.25m however these had been excluded until the deals were further progressed and more security was achieved.

**16.63. 16.63.1 Restructure of Loan**

The Board were acutely aware that the main bank loan was at a fixed rate which was significantly higher than current rates being offered and also had a break fee of approx. £2.5m. With the aim of reducing the repayment costs the Principal and Group FD had sought details of alternative arrangements. However, as most of the FE sector was served by two banks who were both looking to reduce exposure given the volatile funding environment there was limited scope; this was consistent with information relayed at a sector seminar attended by the Vice Chair and Clerk.

At the most recent meeting, the Principal and Group FD had met with the bank to review options, together with Mr Sankson. The College currently had a fixed rate agreement of 5.7% plus a margin which would increase as a result of a breach in the covenants to reach 8.55% overall for the term loan agreement which remained for the next 15 years. Discussions had taken place around restructuring the debt with the margin dropping to 2.35% for five years as opposed to the 2.85% which it would increase to following the breach of the covenants and the fixed base rate moving to a floating base rate, currently identified as 0.58%. The Group FD's paper contained illustrated options but the overall effect would be an interest rate of 2.93% subject to the base rate and an annual saving of £260k (against an anticipated increase of £100k). Total borrowing was £13.57m but the loan for £11m was the part under consideration. The critical consideration was that after five years, the bank was under no obligation to refinance and could call the whole loan in, although it was noted that they had the right to do this if the covenants were breached. If the loan was continued, the bank would be able to renegotiate terms at the end of the five years with no guarantee that these would be favourable to the College.

The Vice Chair stated that this seemed to be an issue across the sector with Lloyds and Barclays reluctant to commit to terms over five years. Governors discussed the advantage of a reduction in interest rates in the medium term which would support the College during a difficult period and potentially build up additional cash reserves. However this would expose the College to the risk of refinancing the loan or defaulting on it. In response to a question from governors, the Group FD advised that she calculated the debt as £13.7m, which was the existing £11m plus £2.7m as the cost of the break fee, although the way in which this was calculated meant it changed on a daily basis.

Governors debated the potential advantages but were not convinced that the volatility in the sector and elsewhere supported moving from a long term fixed rate, especially given the bank had a charge over the College's assets. [Section removed].

The Group FD advised that the SFA had also confirmed the question of break costs was not a situation unique to the College and that the Department were engaged in a national discussion with the banks and had agreed to feed back to the College when they knew more. The Principal advised that the Department were taking the position that the banks had done well commercially out of the public sector and were engaging at a senior level.

Governors agreed it would be sensible to wait for the outcomes of any such discussions before taking action. It was noted that if interest rates went down as speculated post-EU referendum then the break fee would increase. Governors returned to the point made earlier in respect of covenants and were informed that the bank were prepared to sign a waiver form and not test the covenants and this was important for the financial statements but there would be a slight increase to interest rates.

The Principal had also had preliminary discussions with the City Council and would report back whether more favourable borrowing conditions were available from that route. The Board agreed that the issue should be kept under review and should be looked at in further detail by the Group Finance Committee.

**16.64. Write off Bad Debts Report**

*Dr Tavernor left the meeting during this item.*

Governors noted that the amount of write off requested for approval was substantially higher than in previous years. A significant proportion of this related to the historical impact of the [name removed] contract which had been reviewed at Group Audit Committee and reported to the Board accordingly; if the [name removed] contract were excluded, the bad debt from employers/businesses would have reduced year on year.

Bad debt from students had increased and governors acknowledged the Group FD's point that it was difficult to enforce the collection of the debt but that there was some scope to change processes internally so that it was a truer reflection of actual cost. For example the figures relating to students who had only attended for a matter of weeks should be pro-rated. Consideration was also being given to how direct debits were used as contingency against FE loans but this needed to be considered in the context of the impact on student performance also. In response to a question, the Group FD advised that if a direct debit failed, students were denied access.

The bad debts had been provided for in the previous year's accounts. On the basis that all feasible actions had been taken, the Board approved the write off of bad debt to the value of £299,215.39 relating to 2014/15.

*Mr Kenwright left the meeting during this item.*

**16.65. Tuition Fee Policy**

The changes and rationale were summarised within the report. It was explained that there had been a shift in this year's refresh of the policy to focus on what needed to be paid for rather than what was waived. The policy provided some flexibility so that the College was able to respond to demand during the year, and reserved the right to review charges particularly around work based learning provision in light of the anticipated guidance around the Apprenticeship Levy, which had now been delayed a number of times. Kits and uniforms that the students would take with them at the end of their study would now be charged for but the basics would continue to be provided.

The tuition fee policy for 2016/17 was approved on the basis it was equitable and appropriately structured.

**16.66. Appointment of Governors**

The Clerk's reported that Phillip Powell's term as President of the Students' Union would end on 31st July 2016 and he would no longer be eligible to serve as a student governor. The Board considered the appointment of Mr Abdi Rahmen Saed as a student governor, effective from when he took up position as President of the Students' Union on 31st July 2016. The Board heard that Mr Saed was a proactive and respected member of the student community and in line with best practice duly appointed the incoming Students' Union president as a student governor for the duration of his term of office, not exceeding four years.

The Board also noted that Marcell Santa planned to go to university in the autumn term so it was likely his term as student governor would end over the summer. The Board paid tribute to Mr Santa, commenting on his eye for detail and important contributions to Board discussions. The Clerk added that Mr Santa had met with external stakeholders on behalf of the Board, and had been a positive ambassador for the College. Mr Santa was wished well for his future.

The Board noted that since changing how members of staff were appointed as governors from election to skills based appointments, there had been nine expressions of interest from across the Group, spanning a range of positions, which had resulted in six applications. This was a significantly higher level of interest than with the previous process, but had meant it had been logistically difficult to schedule interviews ahead of the Board meeting; governors therefore agreed to delegate arrangements for appointment to the Chair, Principal and Clerk. The Clerk summarised that there had been four applications from directly employed College staff for the staff governor role and two applications form members of staff employed at subsidiaries for the ring-fenced external governor role.

The Board were also informed of recent recruitment activities for external governors. Expressions of interest had been received from three senior executives in organisations which were in key priority areas for the LEP. One was felt to have significant financial expertise which would be a strength. Authority was delegated to the Chair, Principal and Clerk to progress to appointment following interview, on the basis that the candidates were of the calibre required and that the Board continued to welcome appointments which would further strengthen governance and support the Board in the discharge of its duties in relation to the College as an institution and its responsibilities through the College to the Liverpool City Region. Recruitment activities would continue to secure further relevant expertise to the Board.

One of the people who had expressed an interest was thought to be suitable to take up the safeguarding link governor role; Ms Barry agreed to cover the role on an interim basis.

**16.67. Business Cycle 2016/17**

The Clerk spoke to the draft business cycle presented. The cycle was on a group basis and provided an overview of subsidiary Board business throughout the year and how this linked to the Corporation Board. Some alignment of the timing of policies for review would occur across the Group. The cycle had been reviewed by the Group Audit Committee with some changes incorporated as a result. The CEO of F4S had also reviewed and suggested some amendments. The parts of the cycle referring to SharED and F4S Board would be approved by the respective Boards.

Governors noted that in a changing environment, the cycle would be subject to change but approved the cycle, considering that it contained the foundation for good governance over the year and covering both statutory requirements and the business required to deliver the College's strategic plan. Governors requested a summary of the current governance structure and an updated version incorporating the changes outlined during the meeting be circulated. **Action: CL**

Regarding the further meetings in July, the Chair advised that the initial draft of the budget for 2016/17 would come to the 13th July meeting, with the final version coming to the 28th July meeting meaning governors would have two opportunities to analyse and interrogate the budget. Mr Sankson offered to continue to meet with the Group FD outside of the meetings to provide further assurance to the Board and support where his expertise was of greatest value.

**Action: SS/AM**

**16.68. Health and Safety Spring Term Update**

The termly update had been delayed owing to staff absence but the HR Director had provided a summary, with the full report to be circulated the following week. There had been no RIDDOR reportable incidents.

The Board were made aware that there had been an incident involving a customer and one of the treatment beds at Duke Street; the matter was not closed yet and legal action remained a possibility. The Chair had previously raised with the HR Director the need to ensure that appropriate reporting protocols were followed at all times and this would be reinforced. **Action: EB/PG**

**16.69. Verbal Report from Group Audit Committee**

The Clerk advised that the Group Audit Committee had considered a number of audit reports and there had been no significant issues, however the CEO of F4S had been required to attend the most recent committee to report on a potential problem regarding a sub-contractor which had come to light after a PFA audit. The Board noted that the investigation was ongoing and that the Group Audit Committee had asked for a further report outlining the implications for the Group, its learners and actions taken, which would be reported on to the Corporation Board in due course. Provision had been made in the F4S budget for a potential agency repayment of £50K.

One governor asked about the impact this would have on the potential part sale of First4Skills and the Principal advised that the issue had already been disclosed to the College's commercial partner through the due diligence process and she was confident this would not be a barrier to the sale.

Governors requested assurance that all appropriate action was being taken and this assurance was being sought through the further information requested by the Group Audit Committee. The Group Audit Committee had met shortly after the CEO had been made aware of the incident but for the avoidance of doubt it had been made expressly clear that the Group Audit Committee would be expect to be made aware immediately of any potential significant irregularities.

**16.70. Confidentiality of Items**

All items which were commercially sensitive or relating to third parties/individuals would remain confidential.

**16.71. Close of Meeting/Date of Next Meeting**

The Chair brought the meeting to a close at 7.45pm and thanked everyone for their time. The next meeting would take place on 13th July.