

## **Meeting of the Corporation Board**

**held on 1<sup>st</sup> September 2016 at 4.00pm**

Present: Louise Barry, Elaine Bowker (Principal), Clare Crowther, Peter Grieve (Chair), Hilene Henry, Viv Lacey (Vice Chair), John Nolan (member of staff), Ian Pollitt, Abdi Saeed (Student Governor), Phil Sheard (by telephone)

In attendance: Julie Barnes (Deputy Chief Executive), Sue Carmichael (co-opted member of PQTFG), Angela Cox (Deputy Principal), Nicola Kumar (Strategic Development Manager), Christine Lenderyou (Clerk to the Corporation), Ann Monk (Group FD), Simon Pierce (VP Curriculum).

### **16.72 Welcome and Apologies**

The Chair welcomed everyone to the meeting. Introductions were made for the benefit of newer governors.

Apologies had been received from Tony Cobain, John Denny, Lydia Field, Lawrence Kenwright, Steve Sankson and Peter Tavernor.

### **16.73 Declarations of Interest**

There would be an item of other business at the end of the meeting which concerned the Principal. Mr Nolan declared an interest in item 5.2 (new appointments).

### **16.74 Minutes of Previous Meetings**

Minutes of the Board meeting on 6<sup>th</sup> July and the extraordinary Board meetings on 13<sup>th</sup> and 28<sup>th</sup> July which had been convened in relation to budget setting were approved as a true record.

### **16.75 Matters Arising/Outcome of Actions**

All actions were noted as being in progress or complete.

### **16.76 Update on Group Governance**

The Clerk had produced a report on group governance, which provided an overview of recent changes and the outcomes of the Clerk's review of governance structures. The report clearly demonstrated the group structure and the "line of sight" between the Corporation Board, supporting groups/committees and subsidiary Boards. Practice elsewhere had been reviewed but in most cases there were few differences in structure. However as both the LTE and NCG groups were currently reviewing their governance structures, the Clerk had undertaken to keep in contact with people holding equivalent roles in those groups so that any learning points could be taken forward as appropriate. In response to a question, the Clerk advised that contact had been made with the Association of Colleges (AoC) and other external groups as well as individual colleges, and that external support for group governance and recommendations for potential speakers at future strategic planning events was being followed up.

Governors noted the contents of the report. The Chair highlighted that he would like to see additional members of the Remuneration and Succession and Planning Working Group, given Ms Carmichael was no longer a member since completing her final term as a governor.

### **16.77 New appointments**

The Board had previously delegated authority to the Principal, Chair and Clerk to progress the expressions of interest received in relation to vacancies on the Corporation Board. Hilene Henry, Cllr Patrick Hurley and Phil Sheard had been appointed as governors. Profiles of all three were provided and the Board agreed that the broad range of skills and experience they brought would further strengthen the Board. Ms Henry would be joining the Group Finance Committee. Cllr Hurley and Mr Sheard would be considered for membership of other committees/working groups as appropriate.

The Board had previously approved the appointment as a student governor of Abdi Saeed who had taken up the role of the president of the Students' Union with effect from 1<sup>st</sup> August 2016. In addition, the process to recruit two members of staff as governors was also well underway with a number of interviews having taken place following the move to a more skills-based appointment process and final appointments would be made the following week.

**16.78 Confidential item**

**16.79 Update from Group Finance Committee**

Unfortunately the Chair of the Group Finance Committee had sent apologies due to an unexpected work commitment so was unable to provide a verbal report. However the draft minutes of the inaugural meeting of the Group Finance Committee were presented for information. The Group Finance Committee would meet again later that month, and meetings were being scheduled in parallel with the production of the management accounts to maximise oversight and scrutiny.

**16.80 Confidential item**

**16.81 Finance Update (incl. Management Accounts)**

The Group FD provided a summary. A high deficit would be recorded for 2015/16 but this would revert to a surplus in 2016/17. The budget had been tested by PWC and it had been found to be deliverable with sound assumptions on income and expenditure; a surplus would be achieved at the end of the year and the Exceptional Financial Support (EFS) would be repaid to the Skills Funding Agency (SFA) in year. [Removed for confidentiality].

The management accounts reflected that the process of trying to finalise the 2015/16 year end accounts was underway.

As mentioned, a significant deficit would be recorded. When the budget had been reforecast in May the deficit was shown as being £[removed] but would be closer to £[removed]; the Group FD's report explained the variance. Income and staff costs had out-turned very close to the reforecast but there had been a number of items which had emerged after the reforecast. There had been some challenge for operating expenses with teaching support costs showing a variance of £258k but there were also specific reasons, for example £156k was the cost for LBS where there was income to offset that cost; LBS was expected to break even in year but on absolute basis had performed slightly better although there was some extra work to be done on recharging costs. [Removed for confidentiality].

There had also been additional costs with external childcare which also meant more income received (this was offset against income but made the variance against expenditure higher). Some licenses had been moved in from other areas for more appropriate tracking. Travel passes had also been a greater amount than in the reforecast so this was being closely monitored although it was hard to predict before the main enrolment period ended; visibility on the actual numbers was required in order to realign through the year.

Admin costs (professional and legal) had been higher but this reflected the additional work undertaken in the sale of Bankfield and the part disposal of F4S shares among other matters. Examination fees had also been higher and the Group FD had established that some costs relating to 2014/15 had been applied which seemed to have also happened in previous years; the Group FD assured the Board that she had as far as possible ensured that all examination costs relating to 2015/16 were contained within that year so not to impact on 2016/17's budget but this had meant the variance was higher, with 2015/16 receiving a double impact. The Board understood that it was a complex area to manage and control, particularly since it was apparent that some students could enter themselves for multiple resits charged to the College, although it was clarified that this was in a small area only. It was noted that the College would not be the only institution which faced this problem and it would be worth testing this with other colleges. Late entry fees remained an issue which needed to be resolved. [Removed for confidentiality]

Franchise costs were highlighted and should reduce going forwards. The Board were reminded that the College typically paid out 80% of associated income as part of subcontracting arrangements but the whole income was accounted for within the income lines. In order to achieve the income the College had delivered through sub-contracting which was aligned to LCR priorities. Changes had been made to improve the way subcontractor costs were planned going forwards and this had been aligned against the curriculum planning process to achieve the income assumptions within the approved 16/17 budget.

[Removed for confidentiality]

Liquidity remained tight. Although the cash position was slightly better than forecast, this was largely to do with timing and what was converted into creditors/invoices. The Group FD cautioned that governors should not take any undue assurance from the resulting slight improvement in the current cash position going into the 2016/17 year. In common with most of the sector, March and April would be particularly tight due to the payment profile of agency funding. Some cash would be received when the sale of Bankfield was completed; funds were expected to be deposited the next day. The Chair underlined the monumental effort it had taken from all concerned to enact the sale so quickly and at market rates, and expressed his thanks to those involved.

The Principal stated that although there had been a deterioration in the deficit from the reforecast, it had to be acknowledged that the reforecast was started in the Group FD's first week of employment and that the Group FD had essentially had to rebuild the budget. The Board were assured that everything possible had been done in year to reduce costs and increase income; apprenticeships in particular were a success story. Governors were in agreement that the accuracy of the current year's budget was crucial and while they had every confidence in the Group FD's work, they were pleased that external verification work was being carried out to provide an additional layer of assurance.

[Removed for confidentiality] The work undertaken by PWC also included a sensitivity analysis which provided further assurance and the Group FD advised that there had been no surprises as a result of the work which had been a useful corroboration of the work done internally.

The Board formally recorded their appreciation for the work undertaken by the Group FD and DCEX which had been carried out in difficult circumstances.

*Mr Nolan (staff) and Mr Saeed (student governor) left the meeting at this point.*

## **16.82 Intervention Update**

As part of the intervention process, the FE Commissioner's team would be returning to the College the following week. [Removed for confidentiality]

The Principal advised that lot of information had been requested ahead of the visit regarding curriculum planning. There had been significant progress against each recommendation made following the April visit [Removed for confidentiality]. The budget was being externally verified.

Governors were fully aware that although the financial situation had been difficult, quality had not been affected and had largely improved. Governors reflected that improved success rates over the last three years was clear evidence that the College was moving in the right direction despite the difficulties of dealing with ongoing reductions in funding including an £8m funding cut in a single year. The hugely successful HE Review was another positive indicator and external verification.

The Board acknowledged that while being in an intervention process was not a pleasant experience, there were several achievements to be proud of. The College retained support locally from politicians and the business community and this was on the basis of what the College brought to the City Region. The actions taken with regard to Bankfield and F4S had been significant and it was testament to the commitment and skill of the team that they had been progressed in such a timely manner.

#### **16.83 Confidential Item**

#### **16.84 Risk Plan**

The DCEX had drafted the Group risk register following the two risk workshops which had taken place to enable governors, directors and the Executive to develop a shared understanding of the risks facing the Group and mitigations. Individual entities within the Group would retain their own risk registers at Board level, but the Corporation Board would contain risks to the Group for a complete "line of sight". Most risks listed would come from those discussed at the risk workshops but following an additional discussion around the Apprenticeship levy at Executive, sub-contracting had also been added. The final risk register would come to the October Board. Governors agreed that the document should be dynamic and continue to evolve.

The draft risk register was well received, but governors raised a few points including whether LBS needed to be on the risk register. It was agreed that in line with the arrangements for other subsidiaries, an individual risk register should be drawn up for LBS. Governors also queried why a target rating would be red and were advised that this was explained in the commentary as although the likelihood was reduced, the impact was so great that it was still rated red overall. The DCEX was happy to review the clarity of the wording and requested any additional feedback be sent directly to her.

**Action: JB**

In terms of specific risks in the draft plan, the Principal advised that it wasn't possible to give definite enrolment figures at this point due to the usual fluctuations, however it seemed as if performance against the target for loans was going fairly well. A full update would be brought to the September away day.

*The Executive team left the meeting at this point,.*

#### **16.85 Confidential item**

*The Chair thanked everyone for attending and drew the meeting to a close.*