# Minutes of the City of Liverpool College Board meeting held on 27th July 2015 at 4.30pm

Present:
Ms Elaine Bowker (Principal), Dr Martin Carey, Ms Sue Carmichael, Ms Gemma Charters (Staff Governor), Ms Clare Crowther, Ms Viv Lacey (Vice Chair), Mr John Nolan (Staff Governor)
In Attendance:… Ms Angela Cox (Deputy Principal), Mr David McIntyre (Vice Principal Finance and Corporate Resources), Mr Simon Pierce (Vice Principal Curriculum), Ms Stella Wride (Group Finance Director), Ms Christine Lenderyou (Clerk to the Board)

**15.35 Welcome and Apologies**

The Vice Chair welcomed everyone to the meeting.

Apologies had been received from Peter Grieve, Ian Pollitt, Peter Tavernor and David Wilson.

The Vice Chair would chair the meeting in the absence of the Chair. The Vice Chair stressed that the budget would be challenging and difficult. She reminded staff governors that they should highlight any conflict of interest suffered by them.

**15.36 Proposed Budget for 2015/16 and Three Year Plan**

Governors reflected on previous Board meetings and strategic planning events where decreased funding in relation to the College's specific situation had been examined. Although the Board had anticipated a substantial reduction in income, the Principal made clear this would be the toughest budget ever proposed for the College. Governors were reminded of an additional cut to funding that had been announced the previous week. This amounted to a further c£0.5m reduction in agency income.

[removed for confidentiality] If recruitment was to be successful over the summer, it could partially mitigate the impact but governors understood that 16-18 recruitment targets in 2014-15 would affect lagged funding in 2015-16. Therefore whilst increased recruitment would deliver larger class sizes there would be better utilisation of resources.

[removed for confidentiality]

The Principal gave context to adult funding and decreases from 2011 and that government appeared to be prioritising higher level skills and apprenticeships. The VPFCR added that in 2011 the College had £20m of income relating to Adult Skills Budget whereas the current budget would be closer to £7.5m. There had been had some success with partnerships and employability which was reflected in the proposed budget.

Governors expressed extreme disappointment about the erosion of the sector and impact on community provision. [removed for confidentiality] The Principal suggested that an expert in FE governance such as Dr Susan Pember could be invited to speak to the Board.

Mr Nolan was conscious that a budget needed to be set and that its consequences would be far reaching but suggested staff in vulnerable areas should be informed first to enable requests for voluntary redundancies to be facilitated where possible. The Principal accepted that view point and advised that informally managers had asked for indications from staff but this could not be done formally until the budget had been set and there had been a view taken on enrolment numbers. There was a requirement to balance with not risking unsettling staff unnecessarily or causing any unnecessary anxiety.

Governors challenged on the Executive's level of confidence about staff and stakeholders receptiveness given the implications of the budget. [removed for confidentiality]

The Principal believed that natural wastage could minimise the number of redundancies but where redundancies were necessary they could be achieved voluntarily. However there was a risk that too few people might volunteer for redundancy or might volunteer in the wrong areas. [removed for confidentiality] Following this debate, Governors were satisfied that the Executive team would secure the required balance and that appropriate actions would be planned and enacted to safeguard the College whilst minimising the adverse impact on staff. The Principal stated that external stakeholders would be sensitive to the reduction but would understand the totality of provision.

Governors challenged on the budgetary impact on students. The Principal said current students would not feel a direct impact but there would be fewer places available so some potential students would not be able to access provision. The Deputy Principal said some students in the community who had attended a cycle of courses may not be able to return. [removed for confidentiality] Every area would be told the maximum numbers of students that could be enrolled. The VPC added that although student numbers could only be increased by greater class sizes, evidence suggested that larger classes would not compromise education and improving utilisation would be key.

Governors wished to understand whether setting maximum enrolment numbers would cause potential students to be turned away and whether this could undermine the College's mission. Governors also sought assurance that students would be redirected to other appropriate provision such as apprenticeships. [removed for confidentiality] Demand for some areas of City 6 could be problematic although the Executive believed it may be possible to direct students towards apprenticeships as the College currently had 120 vacancies.

The Vice Chair said that the budget was extraordinarily challenging, but a proactive approach would help safeguard the College and pre-empt risk. Less agile colleges would probably struggle.

The VPC said most aspects of impact in curriculum had been covered but it was essential to be proactive and have a coherent, relevant and rational offer for the City. Dr Carey said that he was happy to contribute effort to the College on this front. [removed for confidentiality]

Governors were assured by the depth of analysis that underlay this contextual discussion and the rigor of responses to their questions and challenges. They welcomed the Group Finance Director's commentary on the technical elements of the budget paper including coverage of Income and Expenditure, the balance sheets, the covenants, the three year plan and the cash flow.

The Group Finance Director set her contribution in a clear context: the College had faced several highly challenging years, had addressed quality whilst tackling profoundly difficult cash flow issues and risks to the banking covenants. The Board and College scrutinised resource deployment to enable the transformation programme to be implemented successfully. Now the College was in a substantially improved position but needed to remain diligent, agile and responsive to risks from any failure to deliver.

[removed for confidentiality]

She reiterated utilisation and efficiency were under review. All budget holders had been involved from January/February. Some had been responsive and looked at how they could change delivery models but some had needed greater challenge. Financial health would be further improved by better cash flow around spring relative to the same period of the previous two years. Capital investment was required for growth and development – just over £3m had been secured for the Clarence Street STEM programme which should lead to increases in recruitment of 16-18 year olds although it would be challenging to deliver inyear. An £800,000 interest free loan for an energy efficiency project had been secured which would enable the College to reduce bills. The College would underwrite £1m for investment in a Creative and Digital academy, the Restaurant, and some small changes in the Technical and Enterprise pillar. The Board were assured that the College was trying to deliver the right strategic programme to strengthen the value of the College and protect the bank covenants. A cash surplus of £3.5m would put the College in a good position with the covenants but this required delivering on the Income and Expenditure targets as well as investing capital in the estate. A financial health score of Good would be achieved if all targets were met. But, the Board were warned that there was a very narrow margin for error. If performance against targets slipped slightly the financial health score would be satisfactory. The Principal referenced her earlier point about BIS' Area Reviews which would only allow resilient colleges to continue in their current forms so colleges would need to be very efficient to survive. The Vice Chair believed a number of institutions would not exist in their current form after going through Area Reviews.

The Group Finance Director referred to Income and Expenditure, reminding governors that a consolidated group position was taken. The rolling forecast predicted the group would deliver a surplus of £3.5m combined. There would be some reconfiguration for SharEd. Governors acknowledged that overall agency funding would reduce by £6.5m but the Group was aiming for the same level of surplus. [removed for confidentiality]

Governors noted the information provided in the appendices which included a summary of key movements against forecasted outturn such as not looking to recruit international students. All of the key movements underpinned the narrative delivered to the meeting. On the balance sheet the fixed assets had reduced year on year as they had depreciated at a greater rate than the College had invested although that would reverse in 2015-16. Governors received assurance that current assets and liabilities were now more balanced but that was assuming the programme of Income and Expenditure was delivered. The cash flow appendix gave governors more context. The College would also pay out £2m on loan capital but this would enable a saving of £200,000 in interest each subsequent year as well as improving the gearing ratio. The level of debt would also reduce so the College would find it easier to obtain financing in the future for any further changes to the estate. Appendix D related to the bank covenants which the governors were familiar with and agreed that they and the SFA financial health score were essential considerations. Governors were in agreement that it would be difficult to deliver a strong curriculum unless the College was financially robust.

The VPFCR stated that although the bank covenants had meant the budget seemed severe, in the long term they would make a positive contribution to the College's financial health as they had forced the delivery of strong surpluses.

Governors pressed for clarification on staff costs. Whilst they understood that First 4 Skills operated a lean model, the budget seemed to show that teaching staff costs made up a higher proportion of expenditure than at the College. The Principal explained that it was difficult to directly compare two different models. The Deputy Principal suggested that because of the differences in roles it could be helpful to consider overall staff costs and the impact of the number of College sites. Whilst Governors accepted this explanation they required that these matters be displayed more clearly. Other differences which made a direct comparison difficult were the College operating largely site based delivery, whereas First 4 Skills was field based. The College also had more teaching managers. The Executive Team agreed with governors that growth areas gave opportunities to improve ratios by reviewing delivery models and seeking economies of scale.

[removed for confidentiality]

The Group Finance Director offered to speak to any governor individually who required clarification on any matter. However, assured by the credible, accurate, realistic and consistent information received at previous Board meetings, the Board confidently approved the budget for 2015-16 and the three year financial plan.

**15.37 Confidentiality of Items**

Commercially sensitive items related to third parties / individuals would remain confidential.

**15.38 Date of Next Meeting**

A meeting dedicated to a review of the analysis of examination results would follow on 25th August.