

LEEDS CITY COLLEGE

MINUTES OF THE MEETING OF THE BOARD OF GOVERNORS HELD ON MONDAY 24 APRIL 2017

Present

Colin Booth	Chief Executive & Principal
Robert Clunas	Staff Elected Governor
Becky Hewitt	Governor
Gerald Jennings	Governor
Shaid Mahmood (Chair)	Governor
Libby Raper	Governor
Christine Smith	Governor
Tina Turnbull (Vice Chair)	Governor

The quorum for the meeting was seven Board members

In Attendance

Greg Clark	QAA/FDAP Scrutiny Team - observer
Lydia Devenny	Chief Financial Officer
Gerry Godley	Principal & MD, Leeds College of Music
Melanie Halstead	Clerk to the Board
Bill Jones	Deputy Principal Teaching & Learning
Jane Pither	Deputy Principal Corporate Services
Palvinder Singh	Vice Principal Growth & External Relations (item 7b only)
Ann-Marie Spry	Director of Adult, Community & ESOL (item 7b only)

The meeting was held at the Printworks Campus and started at 5pm

MEETING ADMINISTRATION

1. Apologies for Absence

Apologies for absence were received from Adam Beaumont, Emily Chapman and Cherry Fricker (governors). Apologies were also received from Andrew Whitaker (Executive Principal, White Rose Academies Trust).

2. Determination of Observers/Attendees at the Meeting

The Board agreed attendees/observers at the meeting as per the above attendance list.

3. Declaration of Interests in any Agenda Items

Governors were reminded of the requirement to declare their interest in any agenda items. The Chair declared an interest in item 7 relating to High Needs funding in his capacity as a Leeds City Council employee.

4. Minutes of the Meeting of the Board held on 27 March 2017

Group Vision, Mission, Values and Strategic Plan

In response to feedback provided by governors at previous Board meetings, the Chair had agreed with the Chief Executive/Principal that external consultancy support be secured to progress at pace the strategic work requested by the Board. A meeting had taken place with Gatenby Sanderson (GS) to discuss the requirements and the Chief Executive/Principal undertook to share their proposal with governors by email. It was noted

that, following a tender process, GB were already undertaking an extensive piece of work on management development training. It was therefore proposed to extend the remit of that contract to cover this additional piece of work, at a cost of c£50k. Governors stressed the importance of learning from the recent brief issued to Biskit when finalising and communicating the GS brief. In this context, the Chair shared with governors the initial brief discussed with GS at their recent meeting with the Chair and Chief Executive/Principal. Governors also highlighted the need for skill transference to form a key part of this work, providing assurance that the necessary skills are transferred internally. In terms of timescales, a progress update would be presented at the June Board meeting.

RESOLVED (B 21/17):

That the minutes of the meeting of the Board held on 27 March 2017 be approved and signed by the Chair.

(The following items of business were taken out of agenda order)

GROUP BUSINESS

7. Group Finance

(b) 2016/17 Income Forecasts

The Chief Financial Officer (CFO) introduced a report that provided governors with a summary of the forecast against the main income budget lines. Supplementary papers prepared by income stream owners were also presented. Overall, the income forecast for 2016/17 was £31k lower than budget. The circulated report highlighted a risk in relation to the additional student numbers required in several areas to achieve the income forecast and governors therefore asked the CFO for her view/level of confidence in this respect. The CFO expressed confidence in that the college had a good track record of recruiting at this point in the year to achieve the Adult Education Budget (AEB) and the new arrangements in place to support recruitment in certain curriculum areas. The CFO went on to advise that the greatest area of risk was Full Cost, representing c£200k of revenue funding. Governors asked that future reports provide the context/relativity in relation to the student numbers required to achieve the forecasts.

Income lines with a variance greater than 5% were SFA Apprenticeships and Traineeships and Full Cost, Projects and Contracts; these reductions had been reported to earlier meetings of the LCC Commercial Board and this Board. There remained a level of risk in both these areas that the period 6 forecasts would not be achieved. Mitigating actions were in place and being closely monitored by the Chief Executive/Principal and Chief Financial Officer.

The High Needs income forecast showed a significant increase in projected income between period 3 and period 6 and governors were updated on the arrangements for the Local Authorities' (Leeds and Bradford) commissioning of places for students with High Needs. The 2016/17 income position was considered to be secure and £154k above the original budget target. Discussions would continue to take place with Leeds City Council in relation to funding, and in particular the additional Element 3 income, for 2017/18 in order to ensure that the college was not unfairly financially disadvantaged. Governors also suggested that consideration be given to any third party support that might be available to the college to support this type of provision.

A substantial number of students would need to be recruited between now and the end of the year in order to achieve the period 6 Advanced Learner Loans income forecast. The circulated report outlined the actions being taken to support such recruitment, including the use of associate arrangements in the Sport and Engineering curriculum areas.

In response to questions from governors, the Director of Adult, Community & ESOL outlined the actions in place to ensure that the Adult Education Budget income forecast is

delivered. These included additional part time courses for the summer term for existing learners, aimed at increasing employability and building skills for progression, and early engagement with new applicants for 2017/18 through transition activities. The circulated paper referred to a “medium” risk around these part time courses failing to recruit well and governors questioned the size of that risk. The Director of Adult, Community & ESOL advised that this currently equated to c£700k but plans were in place to mitigate the risk. Governors asked that future reports quantify any risks identified.

(a) Group Management Accounts and Forecast 2016/17

The CFO presented the group’s current financial position for the period ending 31 March 2017. The year to date EBITDA position was reported to be significantly higher than budget, with the vast majority relating to savings in expenditure and pay in particular. The forecast outturn EBITDA to year end was based on full reviews undertaken in March with all budget holders.

Franchising costs exceeded budget, the vast majority of which related to the profile of Vine (specialist provision for students with learning disabilities) payments.

In response to previous feedback from governors, the circulated report included a summary of changes in the forecast between periods and by operating unit; this was welcomed by the Board. Governors also welcomed the revised presentation of the cash flow forecast, which was now broken down between “operational” cash and “project” cash, bringing a greater level of transparency around the timing of capital inflows. However, in considering the revised cash flow presented, governors did express some concerns around operational cash flow, this being negative in some months. The CFO explained that this resulted from the timing of payments from government funding sources, which was outside the college’s control.

RESOLVED (B 22/17):

To note the current financial position of the group and the updated forecast outturn for 2016/17.

(c) Target Draft Budget for 2017/18 and Revised Three Year Financial Plan

The Board considered a draft of the group’s financial plan for the period 2017/18 to 2019/20. The plan had been updated following the completion of the first round of business planning meetings with heads of department and served to meet the financial objectives agreed by the Board in December 2015.

An early version of the draft plan had been shared with governors to support its decision making around the Quarry Hill major capital project in March 2017. To aid governors’ understanding, the paper circulated for this meeting provided a summary of the changes from the previous version and the reasons behind the main changes.

The revised plan included a higher level of income in Year 1 and Year 2 (an additional £1.9m and £1.1m respectively), whilst EBITDA remained very similar. Governors queried why the EBITDA remained similar when income was forecast to increase in those two years. The CFO advised that for a number of years the college had not expended funds on upgrading equipment, maintenance works, and so on – the forecast increase in income would enable such investment. In addition, some additional staff costs had been factored in to support the planned growth in some areas. The CFO went on to advise that the £6.1m EBITDA target was still considered to be challenging.

Some investment was planned to support the Sainsbury’s apprenticeship provision (currently at pilot stage) and Board members went on to discuss the role of governors in relation to such investment decisions. It was suggested that going forward this should form part of discussions at the Board’s annual strategic seminar, supporting decisions around the determination of annual strategic priorities. Subject to Board approval of the proposed

group governance structure, the financial regulations would also be reviewed and would clearly articulate the levels of delegated authority in relation to investment decisions.

Governors asked that the HE growth be split between Leeds City College and Leeds College of Music in the next iteration of the plan.

The Board welcomed the market share data provided with the paper (appendix 1) and asked that relevant targets be added to the next iteration.

In response to a query from the Board, the CFO explained why the income growth assumptions showed a decrease in “other” income between Year 1 and Year 2. Governors asked that the next iteration of the plan provide additional commentary/explanation in relation to “other” income.

In conclusion, governors asked the CFO to reflect on the question previously asked by the Board in relation to the level of stretch within the financial plan. In terms of future growth, it was felt that a route map to direct Board discussions would be useful.

An updated version of the budget for 2017/18 and three year financial plan would be presented to the Board in June and then presented for final review/approval in July 2017.

(d) Comparative Financial Performance in the Sector

Following the recent publication of the FE Commissioner’s report on Hull College Group governors had requested a formal comparison be made between the findings in the report and the experience for Leeds City College. This comparison had been circulated in advance of the meeting and was welcomed by governors who had found it to be very useful.

(e) Reprographics Contract Extension

The CFO presented a paper seeking approval to extend the existing reprographics contract with Altodigital from July 2018 to July 2021. The extended period would enable the contract to cover Leeds College of Music whilst bringing savings to the group. Responding to a question from the Board, the CFO confirmed that White Rose Academies Trust’s existing contract with Altodigital would run to July 2021, bringing consistency across the group.

RESOLVED (B 23/17):

To approve the contract extension with Altodigital to July 2021 on the terms detailed in the circulated report.

6. Group Property Strategy

(a) Printworks Phase 3 Project Update

The Deputy Principal Corporate Services introduced an update on the progress of the Printworks phase 3 project. The Property Strategy Committee had considered a more detailed update at its meeting earlier that day. Whilst the overall project was still on programme and would be open for students in September 2017, there was currently a delay of approximately 4 weeks on the fit out contract. The college was considering its position in relation to a claim for damages to the value of c£100k in relation to the delay. Board members queried the cause of the delay and the Deputy Principal Corporate Services advised that the asbestos issue previously reported to the Board was a contributing factor. It was noted that the project remained on budget and a campus launch event was planned for 24 August 2017.

(b) Quarry Hill Project – budget update and contract recommendations

The Board received an update on the progress for setting a budget for the Quarry Hill major capital project, noting that insufficient progress had been made by the project managers

and preferred contractor in securing costs to enable a final budget to be agreed at this stage.

Following an independent review of WYG's performance, their replacement as project managers was recommended. It was proposed to appoint an external company short term (approximately six weeks) during May to help finalise the construction contract negotiations. Options for longer term project management had also been considered with the preferred option likely to be taking on the role internally through an extension of the current fixed term contract with the internal project manager overseeing the Printworks project. The risks associated with changing key personnel part way through a project were acknowledged but it was generally felt that retaining WYG represented a greater risk to the successful completion of the project. The risk of litigation on the part of WYG was discussed but was not felt to be a significant risk.

It was reported that the preferred contractor (Wates) had not yet reached the target price of £35m. However, there was a strong perception that they remained committed to the project and it was felt to be unlikely that a repeat tender process would result in savings. It was therefore proposed to examine the final 'Target Price' due to be submitted by Wates in June before reaching a final decision on the construction contract. On consideration of the options and the impact on cost, quality and timescale, it was recommended to continue with Wates as the preferred construction contractors up to the final design stage and that a final decision be made at that point.

The Property Strategy Committee had debated the above issues at its meeting earlier that day and supported the recommendations put forward for Board approval.

The building design changes resulting from value engineering necessitated a revised submission to the planning committee, scheduled for 18 May. The college team had spoken at length with the planning officers and did not envisage any difficulties in securing planning approval. The importance of messaging on 18 May was discussed; this would be considered further by the college team. The potential for any negative publicity arising from the change in project management services was also discussed; although considered low risk, governors suggested that a response to any press enquiries be prepared up front and that this should focus on how the college was seeking to ensure the best use of public funds.

The project programme (September 2019 opening) previously agreed by the Board remained unchanged.

RESOLVED (B 24/17):

To approve the replacement of WYG as project managers with effect from 28 April 2017 and the proposed arrangements for long term project management.

(c) Lease of Butterley Street

The Chief Executive/Principal presented a paper seeking approval to lease a warehouse on Butterley Street in Leeds to accommodate growth in student numbers at Leeds City College and allow for student moves following closure of the Horsforth campus. The Property Strategy Committee had considered the proposal and was supportive of the recommendation put forward for Board approval.

Governors considered the implications of not securing additional accommodation for September 2017 and considered the estimated financial implications associated with the proposed lease. It was reported that the lease costs and capital costs had been provided for within the draft three year financial plan presented at this meeting. The Chief Executive/Principal advised that based on a good utilisation of the additional space available, additional income from student recruitment as a result of leasing the space would be in the region of £500k per year.

The risk associated with the proposed lease was that the planned growth in student numbers did not materialise, meaning additional planned income and surplus would not be available to meet the capital and lease costs. The Chief Executive/Principal advised that it was planned to mitigate this risk by negotiating a ten year lease of part of the building with a five year break clause and an option to purchase the whole building at the five year point. Arising from this discussion around lease/buy options, it was suggested that the Property Strategy Committee be asked to consider the most appropriate mix for the group going forward. This would support the consideration of longer term options rather than short term tactical decisions. Governors also asked that relevant market information be presented to support future proposals of this nature.

The Board also discussed whether the proposed additional accommodation provided enough of a growth opportunity to justify the level of investment required. Having considered the paper presented, the Board supported the recommendation of the Property Strategy Committee to approve the proposed lease. One governor (C Smith) did not support the proposal, emphasising that this was a short term decision, and asked that this be recognised by the Board.

RESOLVED (B 25/17):

To approve the proposed lease of a warehouse on Butterley Street as detailed in the circulated report.

8. Group Structure and Governance

The Board considered a detailed paper setting out recommendations for a new group/governance structure. Initial proposals from the Group Structure Task & Finish Group had been shared with governors in March 2017, feedback from which had informed the final recommendations.

A high level analysis of different forms of legal entity had been carried out, following which the status quo (Statutory Further Education Corporation) was recommended.

The proposed governance structure aimed to build on the group structure proposals agreed by the Board in July 2016. It was recommended that a Group Board meet quarterly with membership consisting of an independent chair, the chairs of each group member, group committee chairs, staff governor, student governor, CEO/Principal and other external members based on the desired mix of skills and experience. The Group Board would have strategic oversight of all parts of the group, approving and monitoring long term and annual plans, and ensuring compliance with statutory duties. The following local/subsidiary boards were recommended as part of the new structure:

Leeds City College (new)
Keighley College (new)
LCC Commercial (in existence since 2016)
Leeds College of Music (in existence since 2011)
White Rose Academies Trust (in existence since 2014)

A query was raised regarding whether the chair of the LCC Commercial Board would be required to serve on the Leeds City College Board, the two being closely linked. The Task & Finish Group would consider this further and report back.

The local/subsidiary boards would meet either quarterly or half termly, depending on need, with membership consisting of governors, co-optees and the CEO/Principal. Draft terms of reference were presented for governors' review and approval.

Group Committees would include Audit (as existing), Remuneration (new), Governance & Nominations (new) and Property Strategy (new). Draft terms of reference for each committee were presented for governors' review and approval. It was noted that the issue

of group committees was being explored with HEFCE as part of LCoM's application for HEI status.

Subject to approval of the proposed group/governance structure, the remaining Task & Finish Group (English and Maths) would be disbanded with oversight of English and Maths provision being carried out by the Leeds City College Board, Keighley College Board and LCC Commercial Board (the latter being in relation to apprenticeships). No other Task & Finish Groups were proposed.

The Task & Finish Group had discussed in some detail the importance of retaining a strong staff and student voice within the governance structure and the role of staff and student governors in that. It was recommended that the relevant SU President (elected by students) be appointed as an ex-officio member on the local/subsidiary boards of Leeds City College, Keighley College and Leeds College of Music with the student governor for the Group Board being selected from those three. The same model was recommended for staff membership, with staff being invited to nominate/elect a member of staff to serve on the local/subsidiary boards and one of those staff members being selected to serve as staff governor on the Group Board. Governors asked that further thought also be given to how new staff and student members could be best supported in these roles. It was agreed to invite the current staff and student governors to attend the next Task & Finish Group meeting to discuss the proposed selection process and support needs.

Statutory responsibilities around safeguarding/prevent, health and safety, equality and diversity and SEND would rest with the FE Corporation (Group Board). To assist the Group Board in meeting its duties in these areas, each board would receive and consider regular reports on each of these areas and report up to Group Board on any key issues on a quarterly basis. An annual report would then be produced for the Group Board, providing a high level overview and assurance of how the statutory responsibilities were being met throughout the group. These annual reports would also serve to review the relevant (Group) policies relating to these statutory duties.

The current link governor system relating to statutory areas of responsibility and the monitoring of strategic objectives was subject to ongoing discussion by the Task & Finish Group; a recommendation would be brought back to the Board in June. Governors were asked to feed in any further thoughts on this topic via the Clerk.

The governance oversight of higher education (HE) had been considered. It was proposed that the Leeds College of Music (LCoM) Board continue to have oversight of all LCoM HE provision as it did currently. The Leeds City College (LCC) Board would have oversight of HE provision within LCC. Both boards would report up to Group Board on a quarterly basis.

A new approach to risk management across the group had been agreed in October 2016 and remained fit for purpose, providing an appropriate level of structure and robustness. This consisted of risk registers for each part of the group being owned by a member of the group executive, monitored by the relevant board. The group risk register summarised key risks at group level and would continue to be monitored at Group Board level. It was suggested that a risk based approach be adopted when setting the agenda for future Group Board meetings.

The Task & Finish Group had spent time considering/stress testing issues associated with membership numbers and the time commitment required of individual governors and co-optees. Following the most recent skills audit of the Group Board, additional members were being sought with either an educational or estates/property background. A number of additional co-opted members would also need to be appointed to serve on the new boards. Some expressions of interest had already been received and a further recruitment campaign was being planned. Going forward, the new Governance & Nominations Committee would advise the Group Board on the appointment/reappointment, training and

ongoing development of governors/co-optees and keep under review the systems, policies and procedures supporting the governance process. The need for a proactive and joined up approach to the recruitment and selection process was emphasised, taking account of the need for diversity, future succession planning and the reasonable time commitment required of individual governors/co-optees.

It was proposed that each board/committee carry out an annual review of its effectiveness against its terms of reference. Additionally, the Governance & Nominations Committee would advise on arrangements for performance evaluation of governance across the group as part of an agreed governance self assessment process.

Subject to approval of the proposed group and governance structure, detailed planning would commence with a view to the new structure being in place for the start of the new academic year in September 2017, with a shadow Group Board meeting in July 2017.

RESOLVED (B 26/17):

- (a) To approve the proposed group and governance structure as detailed in the circulated report subject to the Task & Finish Group considering and reporting back on the outstanding issues highlighted above.
- (b) To approve the draft board and committee terms of reference (subject to any final comments/suggested amendments being submitted to the Clerk by email).
- (c) That Tina Turnbull be appointed as Chair of the new Leeds City College Board with immediate effect.
- (d) That Gerald Jennings be appointed as Chair of the new Property Strategy Committee with immediate effect.
- (e) That Robert Sladdin and Richard Shaw be appointed as co-opted members of the Property Strategy Committee with immediate effect, subject to them confirming their willingness to serve on the committee.

9. LCC Commercial Division

Feedback from LCC Commercial Board

The Chief Executive/Principal introduced a paper updating governors on the discussions, decisions and recommendations from the LCC Commercial Board meeting held on 6 April.

A significant shortfall in income against the 2016/17 targets had been discussed and it was confirmed that this shortfall had been reflected in the financial papers presented at this meeting. It was noted that the impact of the shortfall in income had been successfully mitigated at LCC Commercial and at group level through reductions in expenditure.

The LCC Commercial Board had discussed the risk register for the division in detail; the significant risks associated with the work and income streams being managed by the division were being monitored and challenged closely by the LCC Commercial Board. The most significant short term risk related to the interim structure and management arrangements for the division and the Chair of the LCC Commercial Board expressed concerns around this, emphasising the need to move swiftly to secure a permanent structure and define the leadership requirements of the division. The Chief Executive/Principal advised that whilst this had been identified as a risk, he was confident that the current arrangements would stabilise the position and prove to be effective in resolving many of the immediate problems. However, this view was not shared by all Board members and it was therefore agreed that the Chief Executive/Principal and the Chair of the LCC Commercial Board would discuss this further outside of the meeting.

The Chair of the LCC Commercial Board advised that good progress was being made overall but there remained a significant amount of work to do to ensure the longer term success of the division. Governors commented that solid underpinning foundations still needed to be put in place to enable the division to be successful. However, it was felt that

the LCC Commercial Board consisted of the right people with the right skill sets to drive the necessary improvements.

Additional Sub Contract for the Skills Network

The Chief Financial Officer presented a report seeking approval of an Adult Education Budget (AEB) sub-contract variation to the value of £150k. The Skills Network, an existing and successful partner, had requested an additional allocation to support demand for their short courses. In response to a question from the Board, it was agreed to explore the possibility of internal delivery of this provision in the future.

RESOLVED (B 27/17):

To approve the additional contract of £150k of AEB to the Skills Network.

10. Group Strategic Risk Dashboard

The Board reviewed the strategic risk dashboard as at April 2017. The dashboard summarised risks across the group, with a total of ten risks RAG rated as red or amber. One new significant risk relating to the Quarry Hill project was highlighted; planned mitigation of this risk included improved project and programme management, as discussed earlier in this meeting.

RESOLVED (B 28/17):

To endorse the group strategic risk dashboard as at April 2017 and the mitigating actions in place or planned by management.

11. Reappointment of Group External Auditors for year ending 31 July 2017

RESOLVED (B 29/17):

That KPMG be reappointed as external auditors for the financial year ending 31 July 2017, as recommended by the Audit Committee.

(Christine Smith left the meeting at this point)

COMMUNICATIONS

5. Key Statutory Areas

Health & Safety and RIDDOR

No issues of concern were reported.

Safeguarding and Prevent

The link governor for Safeguarding and Prevent confirmed that there were no issues or concerns to bring to the attention of the Board.

SEND

Governors were informed of the arrangements for replacing the Director of Essential Skills following her recent departure from the college. A brief discussion also took place around the VINE provision and the need for this to be delivered to CQC requirements for 2017/18.

Equality & Diversity

The link governor reported that Leeds City College had contracted with the National Centre for Diversity and was now actively working towards the Investors in Diversity standard. Leeds College of Music and White Rose Academies Trust were not involved at this stage.

CONFIDENTIAL BUSINESS

12. Confidential Minutes and Notes of the Meeting held on Monday 27 March 2017

RESOLVED (B 30/17):

That the confidential minutes and notes of the meeting held on 27 March 2017 be approved and signed by the Chair.

FOR INFORMATION

The following papers were presented to governors for information:

- Contracts and Single Tender Actions
- Rolling list of Group Board actions and matters arising

There were no questions/concerns arising from these information papers.

ANY OTHER BUSINESS

North Yorkshire Area Review

The Chief Executive/Principal updated governors on recent discussions with the Assistant FE Commissioner. Whilst options were being explored, no commitment had been made on the part of the college. Detailed proposals would be brought to the Board for discussion if and when appropriate.

The meeting closed at 8.15pm

Signed: (Chair)

Date: