

**LUMINATE EDUCATION GROUP
LEEDS CITY COLLEGE CORPORATION**

**MINUTES OF THE MEETING OF THE
BOARD OF GOVERNORS
HELD ON MONDAY 15 APRIL 2019**

Present

Colin Booth	CEO & Principal
Salman Daji	Student Governor
Inder Hunjan	Governor
Gerald Jennings	Governor
Shaid Mahmood (Chair)	Governor
Ken Morton	Governor
Jane Pither	Governor
John Toon	Governor
Tina Turnbull (Vice Chair)	Governor
David Yates	Governor

The quorum for the meeting was seven board members

In Attendance

Lydia Devenny	Deputy CEO Services
Melanie Halstead	Clerk to the Board
Bill Jones	Deputy CEO Curriculum & Quality
Neal Parker	Board Member, Leeds College of Music (observer)
Gemma Simmons-Blench	Executive Director Curriculum & Quality
Andrew Whitaker	Executive Principal, White Rose Academies Trust

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

MEETING ADMINISTRATION

1. Welcome, Introductions and Apologies for Absence

Neal Parker was welcomed to the meeting and introductions were made. Apologies for absence were received from Adam Beaumont (Governor) and Gerry Godley (Principal & Managing Director, Leeds College of Music).

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. As an officer of Leeds City Council, Shaid Mahmood declared an interest in agenda item 11 insofar as this related to the Council. Other standing declarations as per the register of board members' interests were noted.

4. Minutes of the Meetings of the Board held on 17 December 2018 and 18 March 2019 and Rolling List of Actions and Matters Arising

Governors considered the draft minutes of previous board meetings and the rolling list of actions and matters arising from previous meetings; with regard to the latter, all identified items had been completed and/or appeared on the agenda for this meeting.

RESOLVED:

That the minutes and confidential minutes of the meetings of the board held on 17 December 2018 and 18 March 2019 be approved as a true and accurate record and that these be signed by the Chair.

COMMUNICATIONS

5. Update on Key Statutory Areas

The board received a written update on Health & Safety, Safeguarding/Prevent, Special Education Needs & Disabilities (SEND) and Equality, Diversity & Inclusion together with feedback from the nominated link governors. Governors noted the details of a RIDDOR incident reported at Leeds City College. With regard to safeguarding and the Prevent agenda, governors were informed of the community tensions being managed at Leeds East Academy; the academy was continuing to work effectively and proactively with a community transformation committee including West Yorkshire Police, Leeds City Council and other key stakeholders. Leeds City College and Keighley College had successfully achieved the Investors in Diversity Award, with the accreditation valid to March 2021. The SEND link governor provided feedback from a recent meeting with colleagues from across the group to shape a SEND Strategy Group and undertook to keep governors informed of progress.

6. Written Resolutions and/or Chair's Action

The board received a summary of the written resolutions circulated and approved since the previous board meeting. Two written resolutions had been approved relating to executive salaries and the Santander facility agreement. A further update on the latter would be provided later in the meeting.

7. Other Communications

The Clerk reported that the Chair had been appointed as Vice Chair of the AoC (Association of Colleges) Governors' Council.

STRATEGY AND POLICY

8. Proposed Acquisition of Harrogate College

The proposed transfer of provision at Harrogate College from the Hull College Group (HCG) to Leeds City College Corporation had been discussed at previous board meetings, most recently at the board's strategic planning seminar in February 2019, and the Deputy CEO Services now presented a paper seeking formal approval of the transfer on 1 August 2019.

Governors were updated on the iterative discussions that had taken place with the ESFA's Transaction Unit (TU) to agree a level of grant to support the transfer and this had involved detailed modelling of both the existing finances and the impact of Harrogate College's finances. The grant had been agreed by the Minister and was awaiting final approval from Treasury. The Deputy CEO Services advised that these funds would contribute to the costs incurred by the transfer, limited investments to improve the estate and the development of an infrastructure to facilitate growth.

The board received a financial summary for Harrogate, extracted from HCG's accounts at July 2018 and considered financial projections up to 2020/21. Having considered the information presented, board members were satisfied that the aforementioned grant funding was sufficient to cover the work and costs associated with transferring Harrogate College into the Luminare Group. In reaching this decision, governors sought and received

assurance that the planned EBITDA cash position would not change in 2019/20 when Harrogate is transferred into the group. In response to a question on the group balance sheet and financial health score, the Deputy CEO Services advised that there would be a net asset gain but that this would not improve the overall financial health score. The aim would be to ensure that the consolidated position did not result in a lower score for the group.

Governors also received and considered the key points from financial and legal due diligence along with a project risk register. The latter articulated the key risks associated with the proposed transfer and would be subject to ongoing review and monitoring by the steering group. In considering the due diligence, governors sought further clarity on the liability associated with a LEP grant agreement entered into by HCG in 2015. The Deputy CEO Services advised that the associated works had been completed but the outstanding impact of the agreement was a requirement to achieve certain project outputs by 2020, the details of which were yet to be confirmed. At the request of governors, the Deputy CEO Services undertook to seek appropriate indemnity from HCG in relation to any clawback of grant funding.

The board went on to discuss the proposed governance and leadership arrangements to be implemented on transfer, including the establishment of a local board for Harrogate College in line with the Luminate Group governance structure. In terms of business planning for Harrogate College, it was noted that the initial objective was to generate growth in the key income lines of 16-18 year olds and apprenticeships. To successfully integrate Harrogate College into the Luminate Group and support the college to create a strong growth plan for 2020/21 had been identified as a strategic priority for 2019/20, and a link governor was identified to monitor progress (agenda item 10 also refers).

At the request of governors, the Deputy CEO Services summarised the consents required from Santander and the Combined Authority, in accordance with the loan agreements entered into by the Leeds City College Corporation in 2018. In response to a further query, it was confirmed that the loan agreements did not obligate the Corporation to progress with any future merger or acquisition proposals.

RESOLVED:

To approve the transfer of Harrogate College from the Hull College Group into the Luminate Education Group (as part of the Leeds City College Corporation) on 1 August 2019, including the TUPE transfer of staff and other assets/liabilities, subject to (a) confirmation of a non-recoverable grant of £1.5m from the Education and Skills Funding Agency to support the transfer and recovery of Harrogate College and (b) the necessary consents being given by Santander and the Combined Authority.

9. Group People Strategy

Board members had previously provided feedback on a draft Group People Strategy for the period 2019-2022 and a final version incorporating this feedback was now presented for approval. Discussion focused on the recommended next steps to ensure effective implementation and monitoring of the strategy going forward. It was noted that subject to approval of the group strategy, each member organisation would create its own robust and realistic People Strategy, each having the same aims as the group strategy but with flexibility to plan bespoke actions. Governors queried the timescale for member organisations to produce their own strategy documents and it was confirmed that drafts would be presented to the relevant boards by the end of the academic year. Governors also discussed the need for robust HR management information systems and the differing challenges that this presented in each part of the group. It was agreed that a follow up report would be presented to this board detailing the progress made against the sub-aims detailed within the group strategy document. It was suggested that a final review of the document be carried out to ensure a consistency of language with the group strategic plan and other key documents.

Thanks were expressed to the link governor and to the Group Director of Development & Strategic Projects.

RESOLVED:

To approve the Luminate Group People Strategy 2019-2022 subject to the final review suggested by governors and to endorse the summary implementation plan as detailed in the circulated report.

10. Group Strategic Priorities

The CEO & Principal presented for approval the proposed group strategic priorities and nominated link governors for 2019/20. These had been revised in response to the suggestions made by governors during discussions at the board's strategic seminar in February 2019 and subsequently by email. Once agreed, the finalised strategic priorities would be included in the 2019/20 Strategic and Operational Development Plan. The nominated senior staff would also produce and agree high-level action plans with the link governors by the end of July 2019.

RESOLVED:

To agree the group strategic priorities and nominated link governors for 2019/20.

11. Group Property Strategy

Revised Property Strategy 2019

The board discussed a revised property strategy, noting that the proposed capital projects in the revised strategy were similar to the strategy approved in principle in April 2018 but with individual projects being brought forward due to student growth happening quicker than originally anticipated.

Governors considered the actual student number growth in 2018/19 and the forecast full time equivalent (FTE) student numbers up to 2023/24; whilst high, these were cautious compared to current performance. In particular, it was noted that student growth at Leeds City College (LCC) this year was around 9% and the college had now run out of space for students, resulting in the need to create more space or turn significant numbers of students away in September 2019 and make decisions about which courses or curriculum areas the college may need to close from September 2020.

A plan detailing current and forecast student numbers on each LCC site had been produced, showing how each capital project in the property strategy creates space over the next 5 years on a 'just in time' basis to accommodate student growth. Governors supported this approach to planning, it being financially efficient and serving to reduce risks around creating more space than is required long term. The CEO & Principal confirmed that individual projects could be delayed, brought forward or changed in size or scope depending on actual student numbers recruited each year. This plan had been scrutinised in detail by the Property Strategy Committee and the Leeds City College (LCC) Board. The LCC Board had also considered the detailed curriculum plan that drives the space required and the Chair of the LCC Board confirmed that the board had assured itself that the curriculum plans were robust.

Governors spent time reviewing the baseline financial plan supporting the revised property strategy and the associated loan requirements. It was clarified that the student growth forecasts sitting behind the financial forecast presented to the board were cautious, being lower than the sum of the student growth being targeted and lower than the maximum student capacity for the size of the estate that the overall property strategy creates.

The EBITDA figures in the financial plan were based on the target expected to be set each year in the overall group budget and it was highlighted that for the last two years the budgeted EBITDA figure had been comfortably exceeded. The financial forecast also matched the current 3 Year Plan, with the forecasts for both income growth and EBITDA below the current performance in future years.

In considering the proposed additional long-term loans to support the strategy, governors discussed the group's total debt servicing and considered this set against the EBITDA. Arising from this discussion, it was acknowledged that the financial plan provided for a much more comfortable position on cash flow and working capital. The resulting improved current ratio would also improve the group's financial health score to 'good' in 2019/20. The CEO & Principal reported that overall, the financial plan presented to the board would enable the group to invest in growth and improved facilities/equipment for students and staff whilst at the same time resolving a historical problem associated with low cash balances.

Governors queried the robustness of the estimated costs presented for each capital project within the revised strategy and whether estimates had been provided by contractors. The CEO & Principal advised that the projects to be delivered soonest had reasonably accurate estimates whilst those with a longer timeframe were less certain at this stage.

The board went on to discuss the associated risks, noting that the main risk would be to secure additional long-term loans and investing in the estate assuming a level of student and income growth that then does not occur. This risk was felt to be minimised due to the 'just in time' basis of the proposed property strategy, as discussed earlier in the meeting.

Subject to board approval, it was proposed to discuss possible loan arrangements with both Santander and Leeds City Council. With regard to the latter, the CEO & Principal outlined a proposal for Leeds City Council to provide a loan via the Public Works Loan Board and shared with governors a paper drafted to send to the Council. In response to a question from governors around the Council's appetite for such an approach, the CEO & Principal advised that initial meetings had taken place with Council officers, following which he had been requested to produce the paper shared with the board. At the request of governors, the CEO & Principal explained what the interest rate assumptions in the paper were based on and the basis on which the Council could access funds via the Public Works Loan Board.

There were a number of proposed leases in the revised strategy and governors therefore sought and received confirmation that these were included in the draft 3 Year Financial Plan presented separately on the agenda for this meeting. The Deputy CEO Services confirmed this and undertook to articulate more clearly in the next iteration of the plan.

Overall, board members were satisfied that the proposed property strategy was ambitious whilst being relatively low risk and welcomed the incremental approach afforded by the strategy and the mix of owned and leased accommodation. Members were also pleased to see that market share data by area had informed the strategy.

In conclusion, the board discussed the need for the college to be part of a local authority strategy for post 16 provision in the city and the CEO & Principal undertook to continue to follow this up with relevant officers.

RESOLVED:

- (a) To approve in principle the property strategy as detailed in the circulated report.
- (b) To approve approaching Leeds City Council to secure long-term loans as detailed in the circulated report.
- (c) That the Chair be authorised to approve and sign a letter from the board to Leeds City Council along with a finalised version of the paper presented at this meeting.

- (d) That more detailed designs and costings for each project within the property strategy be presented for scrutiny and approval via the Property Strategy Committee.

New Property Leases

The CEO & Principal introduced a paper that proposed taking a lease on AEU House and negotiating a lease with an option to purchase a site on Dolly Lane/Roseville Terrace. Both projects were consistent with the revised property strategy considered at this meeting and both projects had been considered in detail by the Leeds City College Board and the Property Strategy Committee.

It was reported that AEU House would create additional capacity for the expected number of students starting courses at Quarry Hill this year and in September 2020. The draft Heads of Terms were presented to the board, having also been reviewed by members of the Property Strategy Committee.

The Dolly Lane/Roseville Terrace site would enable a move from Enfield (a leased overcrowded community learning building). Heads of Terms for Dolly Lane/Roseville Terrace were currently being negotiated. Having considered all options, the Property Strategy Committee favoured an option to lease until 2025 whilst retaining the option to purchase as this allowed for a phased approach.

The overall financial impact of these projects had been considered earlier in the meeting as part of the board's discussion on the revised property strategy.

Arising from discussion, governors asked that the West Yorkshire Combined Authority (WYCA) be informed of the proposed leases.

RESOLVED:

- (a) To approve the proposal to lease AEU house and the associated capital fit out costs of up to £500k, subject to final details being considered and agreed by the Property Strategy Committee.
- (b) To agree to the progressing of negotiations to secure the Dolly Lane/Roseville Terrace site on the basis of a lease with option to purchase subject to final board approval being sought following further scrutiny by the Property Strategy Committee.

RISK, GOVERNANCE AND COMPLIANCE

12. Review of Group Strategic Risks

There was a thorough discussion on the group strategic risk register as at March 2019 and in particular the two risks that had increased from amber to red (significant). These risks related to group finances/cash flow and resourcing of the property strategy and both had increased to red due to the delay in the exchange of contracts for the sale of the Horsforth Campus.

The significant risks around cash flow had been the subject of an extraordinary board meeting held on 18 March 2019 and the CEO & Principal now updated the board on the progress made since that meeting and the ongoing issues to be resolved with the West Yorkshire Combined Authority. It was confirmed that a tranche of OfS income to be received in early May would serve to alleviate the current pressures on cash flow and therefore, should agreement not be reached between WYCA and Santander, the college would have sufficient funds to meet its liabilities.

RESOLVED:

To note the group strategic risk register and to endorse the mitigations in place/planned by management.

13. Feedback from Member Boards

The respective chairs and executive members presented papers detailing the discussions and decisions from recent meetings of the following local boards:

- Leeds City College (LCC)
- Leeds College of Music (LCoM)
- Keighley College (KC)
- White Rose Academies Trust (WRAT)

The FE college boards had approved the colleges' self-assessment reports and reviewed the progress being made against their quality improvement plans. They had also considered and agreed their FE and HE fees policies for 2019/20 and 2020/21 respectively. Early drafts of the operating budget for 2019/20 were discussed, with final versions to be presented to each board for approval in June. The Chair of the KC Board informed governors of the arrangements in place to recruit a new Principal in light of Heather Whitehead's impending retirement.

Governors noted the formal process underway to recruit additional members for the LCoM Board of Directors, including a new Chair to replace Libby Raper when she steps down from the board at the end of the current academic year. In the interim it was agreed that Shaid Mahmood would join the LCoM Board with effect from 1 August 2019, stepping down once a permanent successor for Libby has been appointed.

At the start of this meeting, the Chair of the WRAT Board and the WRAT Executive Principal had also presented to governors on the strategic context, challenges and opportunities facing the Trust in 2018/19 and beyond, including the proposed expansion of Leeds East Academy. In response to a question from governors, it was confirmed that the proposed expansion did not include SEN provision as the WRAT Board did not feel that the academy was able to support such provision at this stage.

RESOLVED:

That Shaid Mahmood be appointed as a Director of Leeds College of Music with effect from 1 August 2019.

14a. Feedback from Audit Committee

As requested by governors, the Audit Committee had discussed the scope for an independent lessons learnt review relating to the property strategy and more specifically the Quarry Hill project. RSM had been commissioned to carry out this review and would submit a draft audit brief for approval.

14b. Feedback from Property Strategy Committee

The board received and noted a paper summarising the discussions, decisions and recommendations from meetings of the Property Strategy Committee held in January and March. The paper included updates on the Quarry Hill Phase 1 and Phase 2 projects, potential disposal of the Park Lane and University Centre sites and disposal of the Horsforth Campus.

The Quarry Hill Phase 1 project was reported to be on programme and within budget; the budget assumed a 'Partial VAT Exemption' of £6.1m and governors noted the progress being made with HMRC in this respect. The chair of the committee advised governors of the positive feedback on the Quarry Hill campus being received from a range of stakeholders.

With regard to Horsforth, the Deputy CEO Services reported that exchange of contracts for both plots 1 and 2 was due at the end of April 2019. Plot 1 was subject to a reserved

matters application, with a planning decision expected in June 2019. Plot 2 was subject to a joint planning submission with the buyer and was expected to conclude in October 2019.

PERFORMANCE MONITORING AND SCRUTINY

15. Finance

Quarry Hill Project Financing and Cash Flow

Covered under agenda item 12.

Financial Position and Forecasts

The board considered the year to date performance and draft year-end financial position for the period ending 31 March 2019. Key year to date risks were identified as being the delayed exchange of contracts for Horsforth and the VAT rebate for Quarry Hill, both of which had been discussed earlier in the meeting. In reviewing the forecast EBITDA position, it was acknowledged that the increase was the result of exceptional growth in student numbers rather than poor forecasting.

RESOLVED:

To note the current financial position of the group and the actions being taken to manage cash flow requirements.

Group Membership Fee

The CEO & Principal outlined a proposal for covering the core central costs related to the membership and operation of the Luminate Group for 2019/20. The agreed fees would be implemented through the business planning and final budget setting process.

RESOLVED:

To approve the proposed group membership fees for 2019/20, subject to any final feedback from member boards.

Draft 3 Year Financial Plan

A first draft of the financial plan for the years 2019/20 to 2021/22 was presented by the Deputy CEO Services. The draft budget for 2019/20 did not meet the financial objectives agreed by the board in July 2018 relating to EBITDA and financial health. The Deputy CEO advised governors that this was due to the exceptional 16-18 growth predicted for Leeds City College in that the college would not be paid for all the students until 2020/21 due to the lagged funding methodology. Therefore, accommodating the level of growth predicted would put significant pressure on short-term costs which need to be met a year before the income is received. These costs included additional staff and resources and the need for additional space, as articulated in the revised property strategy discussed by the board. It was confirmed that the draft financial plan met the objectives set by the board from 2020/21 but satisfactory financial health was conditional on the group being able to refinance its current financing facilities so that a greater proportion of the debt is long term. It was also clarified that the current draft plan excluded the acquisition of Harrogate College.

A final version of the financial plan would be presented to the board for approval in July; this would be updated to reflect the language used in the revised DfE support and intervention policy.

Cleaning Contract

The board had received a paper seeking approval for the appointment of a cleaning contractor for Leeds City College and Keighley College. Having considered this, governors asked that a revised proposal be submitted to include a commitment to pay the Living Wage Foundation's Real Living Wage, consistent with college employees, and a request that the supplier actively looks at how it can work with the colleges to offer entry-level employment or training opportunities such as traineeships, supported internships and also in offering apprenticeships.

INFORMATION PAPERS

The board received the following additional papers for information:

- Group Data Dashboard
- In-Year Quality Update
- Teaching, Learning and Assessment (TLA) Update
- Higher Education (HE) Mid-Year Update
- Gender Pay Gap Reports 2018

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

The meeting closed at 7.30pm

Signed: (Chair)

Date: