

**LUMINATE EDUCATION GROUP  
LEEDS CITY COLLEGE CORPORATION**

**MINUTES OF THE MEETING OF THE  
BOARD OF GOVERNORS  
HELD ON MONDAY 22 JULY 2019**

**Present**

Colin Booth	CEO & Principal
Gerald Jennings	Governor
Shaid Mahmood (Chair)	Governor
Jane Pither	Governor
Richard Shaw	Governor
John Toon	Governor
Tina Turnbull (Vice Chair)	Governor
Ian Watling	Governor

The quorum for the meeting was eight board members

**In Attendance**

Lydia Devenny	Deputy CEO Services
Gerry Godley	Principal & Managing Director, Leeds College of Music
Melanie Halstead	Clerk to the Board
Bill Jones	Deputy CEO Curriculum & Quality
Gemma Simmons-Blench	Executive Director Curriculum & Quality
Andrew Whitaker	Executive Principal, White Rose Academies Trust
Heather Whitehead	Principal, Keighley College (for Keighley presentation only)

The meeting was held at Keighley College and started at 5pm

**MEETING ADMINISTRATION**

**1. Welcome, Introductions and Apologies for Absence**

Richard Shaw and Ian Watling were welcomed to their first board meeting and introductions were made. Apologies for absence were received from Adam Beaumont, Inder Hunjan, Ken Morton and David Yates (Governors). Apologies were also received from Salman Daji (Student Governor).

**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. Tina Turnbull declared an interest in the Leeds City College Supply Chain Fees and Charges Policy in her capacity as Chief Executive of People Matters (Leeds) CIC, People Matters being a subcontractor of the college. Other standing declarations as per the register of board members' interests were noted.

#### **4. Minutes of the Meeting of the Board held on 15 April 2019 and Rolling List of Actions and Matters Arising**

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

RESOLVED:

That the minutes of the meeting of the board held on 15 April 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 (EDI) together with feedback from the nominated link governors. Governors noted that there had been no RIDDOR reportable incidents since the previous board meeting; a separate Health & Safety report also appeared later on the agenda for this meeting. With regard to safeguarding and the Prevent agenda, the link governor reported that the safeguarding strategy group was now functioning well with all parts of the group represented. Mental health challenges had dominated in 2018/19 and would be an area of focus for the group in 2019/20. A much more joined up approach to EDI across the group had also been achieved this year, with many positive developments being reported.

#### **6. Written Resolutions and/or Chair's Action**

The board received and noted a summary of the four written resolutions circulated and approved since the previous board meeting.

#### **7. Other Communications**

Feedback was provided from the following meetings attended by governors and members of the executive:

- Councillor Peter Box (Chair of the WYCA Investment Committee)
- Councillor Susan Hinchcliffe (Leader of Bradford Council)
- Ben Still (Managing Director of WYCA) and Roger Marsh (Chair of the LEP)

Tina Turnbull informed the board of her appointment as one of Leeds City Council's Inclusive Growth Ambassadors (Education, Employment and Skills).

### **STRATEGY AND POLICY**

#### **8. Update on Transfer of Harrogate College**

At its previous meeting the board had approved the proposed transfer of Harrogate College from the Hull College Group (HCG) to the Leeds City College Corporation on 1 August 2019 subject to confirmation of a non-recoverable grant of £1.5m from the Education and Skills Funding Agency to support the transfer and the necessary consents being given by Santander and the Combined Authority. The Deputy CEO Services presented an update confirming that the grant had been confirmed in May 2019 and the relevant consents secured in May and June 2019 respectively.

The board had previously considered the key points from the financial and legal due diligence and since then, following guidance from Eversheds Sutherland, more detailed

surveys had been commissioned by the Corporation and additional protection secured in the following areas:

- Legal capacity and constitutional documents – it was noted that a Heads of Terms document was currently being finalised.
- Property and real estate – an estates and condition survey had been undertaken earlier that month with the final report awaited.
- Commercial agreements and assets (other than property) – it was reported that contract novation was ongoing.
- Employees – the TUPE consultation process had commenced mid June.
- Pensions – the Deputy CEO advised that Actuaries were supporting both parties with the transfer of pensions.
- Planning and Environmental – further to a request from the board at its previous meeting, it was confirmed that LEP terms and conditions for the new build had been met by HCG and KPIs would not transfer to the Leeds City College Corporation.
- Data Protection – a Data Sharing Agreement and Non Disclosure Agreement were in place.
- Information Technology – it was confirmed that the IT infrastructure would be in place for 1 August 2019.
- Health and Safety – governors noted that a safeguarding audit had taken place in June 2019 and estates colleagues were reviewing the currency and accuracy of Harrogate College health and safety documentation.

Governors queried the risk highlighted in the circulated report relating to delays in receiving HR data and the impact on payroll for August 2019; the Deputy CEO Services confirmed that the data had now been received from HCG and therefore the risk had not materialised.

The Clerk and Harrogate College Chair Designate provided an update on the ongoing recruitment and selection process for Harrogate College board members and proposed terms of reference for the board were presented for approval. The Chair had also taken part in the recruitment and selection process for the Harrogate College Principal; following a competitive process consisting of internal and external candidates, Danny Wild (Curriculum Director, Leeds City College) had been appointed.

The detailed legal documents to effect the transfer were currently being finalised by the Corporation's solicitors (Eversheds Sunderland); as these would require board approval it was agreed that they be circulated for approval by written resolution.

RESOLVED:

To approve the Harrogate College Board Terms of Reference.

## **RISK, GOVERNANCE AND COMPLIANCE**

### **9. Review of Group Strategic Risks**

There was a thorough discussion on the group strategic risk register as at June 2019 and in particular the three significant (red) risks identified. Two of these related to group finances/cash flow and resourcing of the property strategy and both remained red risks due to the delay in the exchange of contracts for the sale of Horsforth, as previously discussed by the board. A separate paper on the financing of the Quarry Hill project and cash flow appeared later on the agenda for this meeting. The remaining red risk was new and related to the group's relationship with the West Yorkshire Combined Authority (WYCA), reflecting the recent experiences of the group in accessing the overdraft facility and the complex legal agreements now in place. Governors were satisfied that action was being taken to reduce the probability or impact of these risks.

RESOLVED:

To note the group strategic risk register as at June 2019 and to endorse the mitigations in place/planned by management.

## 10. Health and Safety Update

The Deputy CEO Services presented a paper informing governors of the findings of a recent investigation. The board discussed the cultural issues identified and welcomed the actions taken in response to the findings and the planned next steps.

## 11. Feedback from Member Boards

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

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

At the start of this meeting, the Principal of Keighley College and the Executive Director Curriculum & Quality had also presented to governors on the strategic context, challenges and opportunities facing Keighley College in 2019/20 and beyond and governors had taken the opportunity to thank Heather Whitehead for her exceptional service to the college and the group. It was noted that Steve Kelly (Director of 14-16 and SEND at Leeds City College) had been appointed as Principal of Keighley College to replace Heather following her impending retirement.

Governors were pleased to note that LCoM had received a silver TEF award in year 4 of the Teaching Excellence and Student Outcomes Framework (TEF).

The LCC Board had identified a potential risk relating to OfS (Office for Students) approval of the college's access and participation plan for 2020-25 as to not secure approval would result in the college not being able to charge above the basic fee and/or impact on its OfS registration. The potential financial impact of this was reported to be c£1m. The Deputy CEO Curriculum & Quality advised that the risk of not securing approval was low - the college had now submitted its plan to the OfS and was awaiting feedback.

The LCC Board had also reviewed the performance of each of the college's subcontractors during 2018/19 and the proposed delivery partnerships for 2019/20. The college's revised supply chain fees and charges policy for 2019/20 had also been reviewed; the only change from the 2018/19 policy served to emphasise that subcontractors should anticipate the potential costs of reasonable adjustments provided under the Equality Act 2010 when planning their course delivery and include such costs within their overall maximum contract value. LCC board members were satisfied with the proposed delivery partnerships and revised policy for 2019/20 and recommended the same for approval.

The Chair of the WRAT Board reported that the process for setting and agreeing the Trust's annual budget and three year financial plan was now much improved. Thanks were also expressed to group colleagues for their help and support during the academies' Ofsted inspections.

RESOLVED:

- (a) To approve the proposed 2019/20 delivery partnerships and maximum contract values for Leeds City College (LCC), as recommended by the LCC Board.
- (b) To approve the Leeds City College supply chain fees and charges policy for 2019/20, as recommended by the LCC Board.

## **12a. 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. The draft audit brief, as recommended by the committee, was now presented for board approval.

At previous meetings governors had discussed IT security and whether it would be beneficial to work towards the ISO 27001 standard. Due to the specialist nature of this work, RSM Risk Assurance Services (RSM) had been engaged to perform an advisory review, taking the form of a gap analysis on the IT information security systems at LCoM, LCC and KC. Having discussed the gap analysis with RSM, a cost benefit analysis presented by the executive, and the existing systems and processes in place, the Audit Committee supported the view of the executive and recommended not seeking ISO accreditation but to continue to address the gaps identified by RSM. The Chair of the Audit Committee confirmed that the committee would monitor progress against the gap analysis.

In considering the group risk register, committee members had noted that a risk relating to the delivery of apprenticeships had reduced from amber to green and suggested that the relevant member boards continue to monitor apprenticeship provision.

At its meeting in June 2019 the Audit Committee had considered a draft internal audit strategy covering the period 2019/20 to 2021/22. The committee had requested that reviews of the implementation of the Group People Strategy and the Property Strategy be added to the plan for 2019/20. With these additions, the board was recommended to approve the internal audit strategy and plan.

The committee had also discussed risks associated with pensions and in particular the risk of the group not being able to meet its pension liabilities. This risk would be considered further by the committee as part of the year end external audit process and the group/member boards were recommended to consider the future pensions offer as part of the implementation of the People Strategy.

### **RESOLVED:**

- (a) To approve the proposed scope for the Quarry Hill Project 'Lessons Learnt' review.
- (b) To agree the Audit Committee's recommendation relating to ISO 27001 accreditation.
- (c) To approve the internal audit strategy and plan for the period 2019/20 to 2021/22.
- (d) To note the Audit Committee's recommendations relating to the role of member boards in respect of pensions and apprenticeships risks and ask that each board consider and report back.

## **12b. Feedback from Property Strategy Committee (PSC)**

The Chair of the PSC updated the board on render and other issues at Keighley College and the ongoing negotiations taking place with the contractor; a joint inspection with the college and the contractor was being arranged and it was confirmed that the issues identified did not present any immediate health and safety risk. In response to a question from governors around the financial risk, the Deputy CEO Services advised that the outcome of the joint inspection was awaited in order to identify a reasonable provision.

The Quarry Hill Phase 1 project was reported to be on programme and within budget. Partial practical completion was achieved week beginning 24 June with handover from Wates on 28 June and fitting out now taking place. It was reported that the final project budget was dependent on the amount of VAT exemption secured; following lengthy discussions, HMRC had approved the method of calculation and the exemption was expected to be at least £5m.

As previously agreed by the board, negotiations had continued regarding lease of a site on Dolly Lane and Roseville Terrace (with an option to purchase). Governors were briefed on an alternative site identified which was felt to provide much wider options for the long term in addition to the planned move from Enfield. It was noted that a valuation of the site was being carried out and would be presented to the PSC in the first instance.

## **PERFORMANCE MONITORING AND SCRUTINY**

### **13. Quarry Hill Project Financing and Cash Flow**

The board received an update on the position regarding repayment of bridging loans against the Technology campus and the Horsforth site.

On completion of the sale of Technology (31 August 2019), the funds would be used to repay Santander. With regard to Horsforth, the bridging loans would be repaid on completion of each of the plots, plot 1 being conditional on a 'reserved matters' planning approval and expected to complete by October 2019 and plot 2 conditional on a full planning application being agreed by Leeds City Council, estimated to be by December 2019. It was noted that Leeds City Council had adopted the Site Allocation Plan (SAP) the previous week, representing a very positive outcome for the group as the Council was keen to progress sites within the SAP. The CEO reported that contract documentation was currently being finalised with a view to exchange of contracts and governors went on to discuss the risk of not proceeding to exchange in that this would delay the submission of the planning application, in turn delaying the receipt of funds. The key risk arising from such a delay would be a requirement to pay back the bridging loan with WYCA in January 2020 before completing the sale of Horsforth plot 2. Discussions were taking place with Santander and WYCA in order to mitigate this risk. In addition, a long term loan had been requested from Leeds City Council which, if successful and in place before January 2020, would resolve this risk.

The CEO undertook to keep PSC and board members informed of progress.

### **14. Financial Position and Forecasts 2018/19**

Board members considered the year to date performance and forecast outturn position for the period ending 30 June 2019. The key risks identified remained unchanged, relating to the delayed exchange of contracts for Horsforth and the VAT recovery on Quarry Hill, both of which had been discussed earlier in the meeting. In response to a query on the staff costs variance (forecast versus budget), the Deputy CEO Services advised that this was a result of posts not being filled or not filled for the full year. In considering cash flow, governors noted that the forecast beyond July 2019 had now been updated to include the draft budget for 2019/20 (presented separately on the agenda) and that cash flow remained reliant on the exchange of contracts for Horsforth.

RESOLVED:

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

### **15. Budget 2019/20 and Three Year Financial Plan**

The board had considered a first draft of the financial plan for the years 2019/20 to 2021/22 at its meeting in April 2019 and a final version was now presented for approval with the board's discussion focusing on the changes since April. The financial plan did not meet the financial objectives agreed by the board in July 2018 due to the addition of Harrogate College to the group (the restructuring facility grant being excluded from the income and earnings) and exceptional growth, particularly in the number of 16-18 year old students, where funding is lagged. However, it was confirmed that the underlying performance did meet the criteria agreed by the board.

The financial health score was calculated as good in years two and three of the plan, with this being close to outstanding in 2021/22. However, it was acknowledged that this did not take account of any additional borrowing to support the property strategy, which would increase the debt to income ratio. Whilst this would make it almost impossible to achieve an outstanding financial health score, it would improve cash flow and a good financial health score could be maintained.

It was noted that the Leeds City College (LCC) budget included income of £70.6m and EBITDA of 7.5% which differed slightly from the draft budget presented to the LCC Board in June (£70.5m income and 7.6% EBITDA).

The board considered a detailed sensitivity analysis, setting out the various individual impacts of changes on the group budget. The strategic assumptions underpinning the forecast were also noted, those being:

- the group continuing to provide provision in its current markets, consistent with LEP priorities;
- the financial plan being consistent with overall group plans and including completion of Quarry Hill and disposal of Horsforth and Technology; and
- utilisation of credit facilities to underpin cash flow during the major build period of the Quarry Hill programme and in advance of receipts from sales of Horsforth and Technology.

The financial plan did not include any additional borrowing to support the property strategy and governors therefore asked that an updated plan be presented to a future meeting, highlighting the differences between that version and the version presented at this meeting.

As part of the assurance process, governors also received the financial plan checklist published by the ESFA; this had been cross-referenced to the college's financial plan, evidencing that all areas of the checklist had been adequately addressed.

**RESOLVED:**

To approve the three year financial plan and adopt Year 1 of the plan as the governors' budget for 2019/20.

## **INFORMATION PAPERS**

The board received the following papers for information:

- ESFA Finance Dashboard (published March 2019)
- Predicted Outcomes for Learners 2018/19
- FE Student Survey Report 2018/19

The results from student surveys conducted during the final term of 2018/19 showed that the response rate had dropped from the previous year, thought to be attributable to "survey fatigue". In response to a question from board members, it was confirmed that action plans resulting from the surveys would be reviewed as part of the period 12 performance reviews. Board members went on to discuss the culture of staff in relation to survey results and how the performance review process was helping to drive the desired culture.

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

The meeting closed at 7.30pm

Signed: ..... (Chair) Date: .....