

**LUMINATE EDUCATION GROUP
LEEDS CITY COLLEGE CORPORATION**

**MINUTES OF THE MEETING OF THE
BOARD OF GOVERNORS
HELD ON MONDAY 11 MAY 2020**

Present

Aqil Aziz	Student Governor
Colin Booth	Group CEO
Inder Hunjan	Governor
Asghar Hussain	Staff Governor
Shaid Mahmood (Chair)	Governor
Ken Morton	Governor
Helena Phillips	Governor
Jane Pither	Governor
Richard Shaw	Governor
John Toon	Governor
Ian Watling	Governor
David Yates	Governor

The quorum for the meeting was seven board members

In Attendance

Lydia Devenny	Deputy CEO Services
Gerry Godley	Principal & Managing Director, Leeds College of Music
Melanie Halstead	Director of Governance
Bill Jones	Deputy CEO & Principal, Leeds City College
Gemma Simmons-Blench	Deputy CEO Curriculum & Quality
Ann-Marie Spry	Group Vice Principal – Curriculum
David Warren	Group Vice Principal – Services
Andrew Whitaker	CEO, White Rose Academies Trust

The meeting took place via Google Meet and started at 5pm

MEETING ADMINISTRATION AND GOVERNANCE

1. Welcome and Apologies for Absence

The Chair welcomed Helena Phillips to her first meeting of the Board of Governors. There were no apologies for absence.

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. Shaid Mahmood declared an interest in the proposed lease of St Barts due to his role within Leeds City Council whilst noting that he had no direct involvement in that particular matter. Other standing declarations as per the register of board members' interests were noted.

4. Minutes of the Meetings of the Board held on 16 December 2019, 7 February 2020 and 6 March 2020 and any Actions or other Matters Arising

Governors considered the draft minutes of the board meetings held in December 2019, February 2020 and March 2020 and the rolling list of actions and matters arising from previous meetings. With regard to the latter, it was confirmed that all identified items had been or were on schedule to be completed.

RESOLVED:

That the minutes (including confidential minutes) of the meetings of the board held on 16 December 2019, 7 February 2020 and 6 March 2020 be approved as a true and accurate record and that these be signed by the Chair.

5. Written Resolutions and/or Chair's Action

The board received a summary of the two written resolutions circulated since the previous board meeting relating to the Mabgate site and board/committee memberships. It was noted that a separate paper regarding the Mabgate site had been prepared for consideration at this meeting.

ITEMS OF BUSINESS

6. Group Response to Covid-19

The board considered a series of papers detailing the response of each organisation within the group, their current position, and future plans. Governors focused on how students were continuing to engage with learning, safeguarding and supporting vulnerable and at risk students, staff and student welfare and wellbeing. Board members asked questions around the level of student engagement across the FE colleges and were advised that between 65-70% of students were fully engaged; the remaining 30-35% were engaging in learning but not quite to the same extent. The White Rose Academies Trust had an average of 60% of students regularly accessing online learning resources.

Governors also discussed the FE colleges' arrangements for students receiving results this year and in particular the plans in place for ensuring that students receive the grades they merit. Questions were asked about the students requiring a licence to practice, the numbers involved, and the plans being made to accommodate those students. The Deputy CEO & Principal advised that students would only be brought back into college before September if absolutely necessary. The likely numbers were yet to be confirmed as the exercise to prioritise students was ongoing. At the request of governors, the Deputy CEO Curriculum & Quality went on to provide an overview of the systems and processes in place for the 'autumn series' exams and explained that this was now likely to be a very small cohort.

In response to a question around student fees at Leeds College of Music (LCoM), the Principal & MD confirmed that no specific requests for refunds had been received – LCoM's position, as with other HEIs, was that the curriculum continues to be delivered and therefore fee refunds do not apply. The Deputy CEO Services reported that a small number of enquiries regarding fee refunds had been received by Leeds City College but these had been rejected on the basis that teaching was continuing. Governors also queried whether any modelling had been carried out on LCoM's financial position and whether this could affect the going concern position for 2019/20. The Deputy CEO Services advised that modelling work was currently taking place but the going concern position was not expected to differ from previous years.

Board members were also updated on the ongoing recovery and scenario planning being carried out across each of the group member organisations, both for the remainder of this academic year and for September 2020. Full plans and risk assessments were being

developed and would be shared with the relevant board(s). With regard to risk assessments, it was suggested that contact be made with the epidemiology unit. In response to further questions around the mitigation of risks, governors were advised that staff would be asked to self-assess, the results of which would be evaluated and used to identify any support needs and PPE requirements. With regard to the latter, it was noted that the group was discussing the sourcing/procurement of PPE with the local authority.

The Deputy CEO Services presented a paper outlining the approach taken to furloughing staff as a result of Covid-19 and the group's intention to make a claim under the Coronavirus Job Retention Scheme (CJRS), having considered the scope of the scheme and the guidance provided by the Department for Education (DfE) and other bodies. Governors queried whether it was proposed to backdate any application and, if so, the plans for ensuring that no work had been undertaken. The Deputy CEO Services advised that it was planned to talk to individual staff to determine whether any work had been carried out.

The board endorsed the principle that the group should consider furloughing as an option to recover some of the financial losses sustained due to the Covid-19 crisis, that staff be furloughed until 1 June 2020 with the position kept under review, and that staff affected should not experience a detrimental financial impact as a result of this decision.

7. Risk Management

Review of Group Strategic Risks

There was a thorough discussion on the group's strategic risk register as at May 2020. One new red rated risk had been added in response to the Covid-19 pandemic (the group fails to adequately plan and prepare for teaching, learning and assessment beyond the immediate crisis); governors focused on the identified risk control measures and further actions required to reduce the probability or impact of the risk, much of which had been covered as part of the previous agenda item.

Two other red risks remained unchanged from the previous meeting, relating to the delay in the completion of contracts for the sale of the Horsforth site, and it was noted that this would be considered in more detail later in the meeting.

The paper recommended that a red risk relating to the group's ability to resource its property strategy in the short term be downgraded to amber, recognising that this risk had reduced with the completion of the Quarry Hill project and the exchange of contracts for the sale of Horsforth. However, this was not supported by governors as it was felt that some financial risk remained, particularly in light of other matters to be discussed at this meeting. The Deputy CEO Services undertook to discuss further with the Chair of the Audit Committee in advance of the next iteration of the risk register being presented to the Audit Committee.

RESOLVED:

To approve the strategic risk register as at May 2020 subject to risk 2019.4 remaining as red rated rather than amber.

Keighley College Contract Dispute

The CEO presented a paper informing board members of the challenges relating to the poor condition of the external render at Keighley College and highlighting the possibility that the Corporation may need to pursue legal action against the contractor in order to resolve matters. The board went on to consider the formal dispute resolution options available to the Corporation and the guidance provided by the group's legal advisors. Board members also discussed the two key risks detailed in the circulated report, seeking and receiving assurance that the building remained safe.

The Property Strategy Committee had debated the matter at its meeting the previous week and took the view that the current offer from the contractor was unacceptable and that the matter should be followed up robustly. The committee had also recommended that a more detailed survey report be commissioned. It was therefore agreed that both the Keighley College Board and Property Strategy Committee be asked to discuss the matter further at their meetings in June and July respectively with a view to a recommendation on the way forward being presented at the next board meeting.

8. Financial Position and Forecast 2019-20, including Covid-19 Forecast and Cash Flow

Board members considered the draft outturn financial position (as at 31 March 2020) for the year ending 31 July 2020. The forecast had been updated to reflect the outcome of the period six performance reviews, with a further high level review and adjustment to reflect the ongoing Covid-19 situation.

It was reported that whilst the overall forecast income was £3m below budget due to Covid-19, EBITDA remained above budget. The Deputy CEO Services advised that work was continuing with colleagues on a more detailed forecast and it was expected that the situation would improve, with the current Covid-19 forecast representing a cautious approach. A discussion followed on the support to be provided to budget holders as part of the business planning process, particularly in light of the uncertainties created by Covid-19.

In response to a question from governors the Deputy CEO Services confirmed that the lagged funding figure reported was net of the Harrogate College overfunding in the current year.

In considering the cash flow forecast, governors' discussion focused on the key risk relating to the delayed completion of the sale of Horsforth. It was noted that the receipt from the sale had been deferred to October 2020 in the cash flow forecast to reflect the revised timescale associated with planning, as detailed in a separate paper.

9. Property Strategy

Disposal of Horsforth Site

The CEO introduced a report updating the board on the planned disposal of the Horsforth site. Governors were pleased to note the positive direction of travel with the planning officers and the progress towards presenting a supported scheme to Plans Panel in the summer or early autumn. In response to a question from governors, the protection provided to the Corporation by having exchanged contracts for the sale was noted and the CEO confirmed that Stonewater remained committed to the site.

The Property Strategy Committee had considered in some detail the revised scheme for the whole site and were satisfied that this would present the highest possibility of success. However, the revised scheme would have an impact on the land value and the likely completion date, both of which were highlighted to the board.

RESOLVED:

To support the plan to submit a new scheme for planning approval for the Horsforth site as set out in the circulated report and to approve a revised sale price of not less than £12m.

Purchase of Mabgate Site

The CEO introduced for discussion a paper exploring the impact of the Covid-19 crisis and governors considered at length whether there were any factors that represented a material change in circumstances such that the board should re-consider its previous decision in principle to progress the purchase of the Mabgate site. Both the Finance Committee and Property Strategy Committee had also considered the potential impacts at their meetings in April and May respectively and feedback from both committees was shared with the board.

A number of detailed questions had also been submitted by individual governors in advance of the board meeting and responses to each of these had been shared with all governors.

In particular the board considered the likely impact of Covid-19 on revenue funding and the overall impact on student numbers and income. Governors also discussed the group's cash position, its performance with regards to cash generation and underlying financial performance. The CEO confirmed that, having carefully looked at the situation with Covid-19, it was the executive's clear view that the crisis would not have a long term negative financial impact on the group. Governors asked questions about the draft financial plan and there was a discussion around how robust the projections and assumptions were at this stage. There was also a question on abnormal costs arising from Covid-19 and the CEO advised that the executive had reviewed but had not identified any such costs. He also advised that the group had good data systems which provided an accurate picture and none of the data/analysis was showing a negative impact on student numbers, retention or outcomes. In addition, any curriculum changes that may be required were not expected to result in significantly lower space requirements.

In terms of student numbers, the board had debated the demographics thoroughly at its strategic seminar earlier in the year and agreed that the data was robust. It was felt that this provided a clear justification to take what was recognised as a small risk to commit to the purchase of the site. However, the risks around development of the site would need to be carefully considered at the appropriate point in the future, with any substantial redevelopment being dependent on the availability of grant funding. It was confirmed that at this stage the board would only be committing to the purchase of the site.

The board went on to debate the availability of capital grant and loan funding for FE colleges and, at the request of governors, the CEO described the likely delivery mechanism for any future grants and the group's plans for the necessary stakeholder engagement. The CEO reported that following discussions with the Department for Education, the Education and Skills Funding Agency and the Association of Colleges, his assessment was that the Government would most likely continue with its capital grant investment plan after the current crisis ends. He added that, whilst there may be a slight delay in the timescale when the group could apply for funding, there was also some opinion from professionals along the lines that there would be a desire to speed up this infrastructure spending in order to help re-start the economy.

In response to a query around the proposed timescale for loan funding, the CEO confirmed that it was planned to secure loan funding to purchase the site by June 2021 as, beyond that date, the lease cost of £40k per month would become payable; the period up to December 2021 provided a fall-back position in the event that loan funding was not secured by June. The CEO also advised that he had spoken to Santander and considered what is likely to happen in the loan market in late 2020 and into 2021. Based on the advice and forecasts reviewed, he remained highly confident of the group being able to secure new long term borrowing between now and the end of 2021 and expected to be able to progress discussions and agreements with potential lenders quickly once the sale of Horsforth had been completed. It was noted that discussions with Santander remained positive.

In considering the value of land in central Leeds and whether more sites may be available over the next two years, it was noted that current forecasts did not show a medium or long term negative impact on the housing or property markets.

The board remained satisfied that its strategy to try to not restrict student numbers and therefore, out of necessity, to choose to take some balanced financial risks, remained appropriate. It was also felt that the previously identified risks relating to the purchase of the site were largely unchanged as a result of Covid-19. In conclusion, the majority view of board members was that, having explored the impact of the Covid-19 crisis, no factors had been identified that were considered to represent a material change in circumstances such

that the board should re-consider its previous decision in principle to progress the purchase of the Mabgate site.

RESOLVED:

To proceed with the purchase of the Mabgate site on the terms previously reported to the board (those being at the board meeting held on 6 March 2020 and the written resolution circulated on 8 April 2020).

Minor Capital Projects and Proposed Lease Arrangements

The CEO summarised the proposed capital investment over summer 2020 to accommodate growth in student numbers and to improve facilities. The proposals consisted of a range of small and medium sized projects across all Leeds City College main sites plus some repurposing of space for Leeds College of Music and Harrogate College.

The Finance Committee had considered and confirmed the affordability of the total £4m cost estimate for the projects described in the circulated report. The Property Strategy Committee (PSC) had also considered each of the projects and was satisfied that they were reasonable and represented value for money.

The circulated report also set out proposals for newly leased premises and leased premises due for renewal. With regard to the proposed lease of St Barts, PSC members had suggested that further negotiation take place on rental costs as these were felt to be too high in light of the dilapidated state of the property. However, the committee did support the CEO's recommendation to lease St Barts for 10 years on the assumption that the final deal would be an improved position compared to the draft Heads of Terms and had agreed to recommend for approval by the board.

RESOLVED:

- (a) To approve the list of capital projects to be completed between June and October 2020 as detailed within the circulated report with a total budget of £4m.
- (b) To support the proposals for a new lease of St Barts and potential lease of space at Meanwood Valley Urban Farm and delegate authority to the Property Strategy Committee to agree the final lease terms.
- (c) To approve the proposals to renew the leases of Deacon House and Enfield Centre.

10. Draft Three Year Financial Plan 2020-23

The Deputy CEO Services presented for discussion a first draft of the financial plan based on round one of the group's business planning process, noting that this had not yet been updated to reflect Covid-19.

The draft budget for 2020-21 and financial plan for 2021-22 did not meet the EBITDA target previously set by the board. It was reported that this was due to the predicted growth in student numbers and the resulting impact of the lagged funding methodology; after accounting for the impact of lagged funding, the underlying EBITDA in the budgets for those years would be above 10%.

The next iteration of the plan would reflect the impact of Covid-19 and the board's decisions relating to the property strategy. The Finance Committee had also planned a review of the group's financial objectives at its next meeting. A final draft of the financial plan would be presented to the committee and board for approval in July 2020.

11. Group Strategic Priorities 2020-21

The CEO presented for approval the proposed group strategic priorities and nominated link governors for 2020-21, having been discussed at the board's strategic seminar in February 2020. Once agreed, the strategic priorities would be included in the 2020-21 Strategic and

Operational Development Plan and the nominated senior staff would produce and agree high-level action plans with the respective link governors by the end of July 2020.

Governors questioned whether priorities should be added in relation to the Harrogate College sustainability plan and the group's Covid-19 recovery plan. Following discussion it was agreed that monitoring of the former be carried out by the Harrogate College Board with reports back to this board and that the latter should be a priority for each of the individual group members rather than at group level as the risks and approaches would differ between the member organisations. It was suggested that strategic priority 1 (relating to teaching, learning and assessment) be reworded and the CEO undertook to liaise with the nominated link governor to agree a final version.

It was suggested that members of each local board be invited to contribute to the group strategic priorities; the Chair therefore undertook to circulate the final draft version to them for feedback as a follow-up to the group world café event held in January 2020 and to invite ongoing engagement with the priorities.

It was agreed that the new Chair of the Leeds College of Music Board (once appointed) be assigned the link governor role for the HE related priority.

RESOLVED:

To agree the group strategic priorities and nominated link governors for 2020-21 subject to any feedback received from members of each local board and strategic priority 1 being reworded in consultation with the nominated link governor.

12. Proposed Dissolution of Leeds Apprenticeship Training Agency Limited

The Deputy CEO Services presented a paper recommending the dissolution of Leeds Apprenticeship Training Agency (LATA) Limited, a wholly owned subsidiary of the Corporation. It was noted that the introduction of the Apprenticeship Levy in May 2018 had significantly changed the market for apprenticeships and there had been no interest from businesses in utilising the service provided by LATA; the company had therefore hardly traded in the previous two years. The Directors had met to consider the proposal and confirmed that the company met the criteria for dissolution.

RESOLVED:

To approve the dissolution of Leeds Apprenticeship Training Agency Limited.

13. Reappointment of Internal Auditors

The board was recommended to agree the reappointment of RSM as internal auditors for a further twelve month period effective from 1 August 2020. The Chair of the Audit Committee reported that the service had recently been out to tender but postponed due to Covid-19. The Audit Committee remained satisfied with the service provided by RSM and it was therefore felt that continuity of service would be helpful and appropriate in the current circumstances. Governors sought and received assurance that RSM's fee level would remain unchanged.

RESOLVED:

That RSM be reappointed as internal auditors for a further twelve month period commencing 1 August 2020 on the basis that a tender process would be carried out during that year.

ANY OTHER BUSINESS

Short Term Financing

The Deputy CEO Services introduced a paper asking the board to consider and approve changes to the group's financing agreements with Santander and the West Yorkshire Combined Authority (WYCA) to support the group's short term financing position.

Overdraft Facility

In December 2019 the board had approved a £8.5m overdraft facility with Santander, replacing the £5.5m bridging loan and existing overdraft of £7.5m, and providing working capital for the period between January and April 2020 pending completion of the sale of the Horsforth site. At its meeting held on 6 March 2020 the board had agreed to extend the overdraft facility until such time that the overall financing position can be resolved and/or the sale of the Horsforth site is completed.

Revolving Credit Facility

It was reported that the group had requested Santander to agree to two waivers to the existing agreement, those being (1) to waive the need for a 30 day clean down before the end of the facility term in October 2020 and (2) to waive one of the elements of the bank covenant relating to the value of net assets at the year end. The Deputy CEO Services explained to board members the reasons for these waivers and, at the request of members, provided a more detailed explanation of the clean down.

Bridging Loan

The group had also made a request to the Combined Authority (WYCA) to extend the repayment date for the bridging loan from 31 July 2020 due to the delay in completing the sale of the Horsforth site. In addition, the group had requested that the interest rate be reduced back to its original value, having been increased from February 2020.

RESOLVED:

To note the contents of the paper, approve the proposed changes to the short term financing arrangements, and to authorise the Chair, Vice Chair and/or CEO to sign on behalf of the Corporation the necessary Amendment and Waiver Letters with Santander UK plc and the West Yorkshire Combined Authority.

The meeting closed at 7.45pm

Signed: (Chair)

Date: