

Further Education Corporation

Approved Minutes

Minutes of a Meeting of the Further Education Corporation held at the Basildon Campus on Monday 5 December 2016 at 6.00 pm.

Present:

- Mr D O'Halloran (Chairman) (from 6.30 pm)
- Mrs G Williams (Vice-Chairman) – in the Chair
- Ms S Bridle
- Mr B Brooks
- Ms O Buck
- Mr S Burrell
- Mrs S Carr
- Dr R Gray
- Mr T Knight
- Mr R Launder
- Mr B Mansell
- Dr G Ocen (from 6.15 pm)
- Ms A O'Donoghue CBE (from 6.35 pm)
- Mr Paramjit Singh Narang
- Mr R Patterson
- Mr T Thompson (from 6.10 pm)

In Attendance:

- Mr A McGarel (Deputy Principal & Chief Executive)
- Ms D Brown (Vice Principal, Curriculum & Quality)
- Mr S Smith (Vice Principal, Corporate Resources)
- Ms D Hurst (Director of Finance)
- Mr R I Millea FCA (Clerk to the Corporation)

1. Appointment of HE Student Member (Paper FEC.16.28)

The College Student Union Committee proposed Billy Mansell (a second year HE Student) as a Student Governor (HE) and the Board **APPROVED** that Billy be appointed to the Board for the remainder of this academic year, subject to him remaining a student of the College.

He will join the Curriculum & Quality Committee.

2. Apologies for Absence and Declarations of Interest

Apologies for absence were received from Lisa Rieffel and Maya West.

The Clerk declared his interest as Clerk to Chelmsford College and the Director of finance declared her interest as Assistant Principal, Finance & Risk at Chelmsford College and as General Manager of Essex Shared Services Limited.

3. Urgent Business

Initial Teaching Education Ofsted Inspection

The College was inspected two weeks ago by Ofsted on its Initial Teacher Training provision along with its partners, Colchester Institute and University of Essex (the lead partner).

It was a three day inspection was very successful with the awarded Grade being Good – 2. There were some areas where gradings were close to Outstanding. The previous two inspections for this provision were Grade 3 – Requires Improvement.

The Draft Report has been provided to the College (confidential at present) and it is expected the final Report will be available for the Curriculum and Quality Committee to review at its next Meeting on Tuesday 28 February 2017.

Some highlights:

- Outcomes improved – good levels of attainment and high level of employment for successful candidates
- Excellent tutors aligned to needs of the sector
- Strong personal support and wider academic guidance helped the trainees considerably
- Enthusiasm of the trainees
- Commitment to drive forward improvements

A governor asked how this inspection fits with a full Ofsted inspection – not directly but it is a good sounding board, and is not unhelpful, so it has some influence.

Resignations from the Board/Committees

The Board noted that Mrs S Carr has tendered her resignation from the Board with effect from the conclusion of this Meeting, after almost sixteen years of service. This creates a vacancy on the Curriculum & Quality Committee.

The Board also noted the resignation of Bryn Morris as a co-opted member of the Audit & Risk Committee.

The Board did not propose to fill these vacancies at the present time.

The Membership of the Board is therefore seventeen.

4. Minutes of the Meeting held on Monday 3 October 2016 and the Special Meeting held on Monday 17 October 2016

The Minutes of the Meetings held on Monday 3 October 2016 and 17 October 2016 were **APPROVED** and **SIGNED** by the Chairman.

The Minutes of the Annual General Meeting of South Essex Commercial Services Limited held on Monday 7 December 2015 were **APPROVED** and **SIGNED** by Mr Launder on behalf of the Company.

5. Matters Arising from the Minutes

There were no matters arising from the minutes which are not otherwise dealt with on the agenda.

6. Strategic Developments in South Essex (Paper FEC.16.29)

This was deemed to be a Confidential Item under the Instrument & Articles and a separate minute has been prepared in connection with this item and is attached to these minutes.

7. Finance Matters (Paper FEC.16.30)

Items 7.1 and 7.4 were deemed to be Confidential Items under the Instrument & Articles and a separate minute has been prepared in connection with these items and are attached to these minutes.

7.2 Annual Report & Financial Statements – year ended 31 July 2016

The Director of Finance presented the audited consolidated financial statements for the College and its subsidiaries for the year ended 31 July 2016 and briefly commented on the results for the year, using a slide presentation.

She took the Board through the amendments to the Accounts using the forecast outturn previously reported to the Board as the starting point. The management loss of £1,184K increased to a final loss of £8,433K, principally due to adjustments of £6,884K relating to the pension scheme required under FRS102. These adjustments are documented in the papers provided to the Board for this Meeting.

The Board was informed that the statements for the Group and South Essex Commercial Services Limited come to the Board this evening for approval on the recommendations (in principle, but with caveats due to outstanding matters) of both the Audit & Risk Committee and the Policy & Resources Committee.

There were no unadjusted Audit adjustments to any of the Accounts.

As part of the approval process, the Board specifically **CONFIRMED** that, in their opinion, to the best of their knowledge and belief, and having made appropriate enquiries of senior management, the College consolidated financial statements and the statements for South Essex Commercial Services Limited, present a true and fair view of the Group and the Company's affairs as at 31 July 2016 and their results for the year then ended.

In addition, the Board specifically **APPROVED** the disclosures regarding Going Concern made on pages 20 and 21 (Members' Report) and 33 (Note 1 to the Accounts) of the Annual Report and Accounts and that, in their opinion, the College was a Going Concern for the period of twelve months following today.

Overdraft Facility

In this connection, the Board noted that the College has arranged an overdraft facility with Barclays Bank for the period from January 2017 to April 2017 of £2million to cover cash flow pressures, mainly caused by phasing of the receipt of Government grants, arising in that period. This was also necessary last year.

Accordingly, the Board **APPROVED** a resolution agreeing to the terms and conditions of this overdraft facility as follows:

Meeting of the Board of Governors of South Essex College of Further and Higher Education (the College)
held:

On _____

There was produced to the meeting a document containing the key terms as well as terms and conditions for a sterling overdraft facility (together the **Facility Agreement**) from Barclays Bank PLC (the **Bank**) to the College setting out the terms and conditions upon which the Bank is prepared to make available to the College, a sterling overdraft facility (the **Facility**).

IT WAS RESOLVED

1. That the borrowing of the Facility by the College (subject to any limits contained in the Facility Agreement) on the terms and conditions set out in the Facility Agreement is in the interests of and for the benefit of the College and is most likely to promote the success of the College for the benefit of the members as a whole and that such terms and conditions be and are approved and accepted.
2. That ANGELA O'DONOGHUE and ANTHONY McGAREL are authorised to sign the Facility Agreement on behalf of the College to indicate acceptance of the terms and conditions.
3. That the Bank is authorised to act in all matters concerning the Facility upon instruction from the College signed in accordance with the Bank's mandate for any of the accounts of the College held with the Bank current from time to time or, where permitted, by telephone from any person specifically authorised to give such instructions.

Certified to be a true extract from the minutes of a duly convened meeting of the Board of Governors validly held on the date shown above.

----- Clerk to the Corporation

----- Chairman

The Board **NOTED** the following regarding the overdraft facility:

- It is subject to the College using its best endeavours to provide security to Barclays
- The security on the Thurrock Campus is insufficient due to the borrowing already existing on the property of £20million
- Further security will be provided over Luker Road/Queens Road, Southend where the outstanding borrowing is only £2million
- It is subject to Lloyds Bank permitting a second charge on Southend
- Providing security over Luker Road/Queens Road will leave no security available to provide to the Essex LGPS (see below)
- The amount is £2million for working capital at 2.5% over base – therefore 2.75%
- Arrangement fee of £5,000
- The excess interest rate is 29.5%
- Timely management information needs to be provided to Barclays

It was **NOTED** the results of Nova Education & Skills Limited, a subsidiary of the College, have been incorporated in the Group Accounts for the seventeenth month period ended 31 December 2015 at which point the Company ceased to trade. It is now intended the Company will be wound up and struck off the Register.

The Board **NOTED**, on the advice of the Clerk, that the Report & Accounts of Essex Shared Services Limited, which is a joint venture between the College and Chelmsford College, have been completed, audited and approved by the Board of Directors of the Company. The College's share of the results of the Company for the year and the balance sheet deficit (including pension scheme deficit) is included in the Group Accounts on the equity basis.

The Board **APPROVED** and **AUTHORISED** the Chairman to sign, Representation Letters for the Group, NovaSec and SECS as requested by the external auditors, KPMG.

The Board **APPROVED**, and **AUTHORISED** the Chairman to sign, comfort letters, requested by the external auditors, KPMG, wherein the College provides ongoing financial support to Essex Shared Services Limited, Nova Skills Education and Careers Limited and South Essex Commercial Services Limited. The Clerk informed the Board that Chelmsford College as joint owners of Essex Shared Services Limited will also be providing a comfort letter to KPMG.

Taking all the above matters into account, the Board **APPROVED** the consolidated financial statements of the College and the financial statements of South Essex Commercial Services Limited for the year ended 31 July 2016 and the financial statements of Nova Skills Education and Careers Limited for the period ended 31 December 2015 and **AUTHORISED** the Chairman of the Corporation and the Principal and Chief Executive to sign the College statements on behalf of the Corporation and Richard Launder, as Chairman of SECS, and Anthony McGarel, on behalf of NovaSec, to sign those statements on behalf of the Corporation.

It was **NOTED** that the approval of the SECS Limited accounts constitutes the business of the Annual General Meeting of the Company for the 2016 year and minutes to that effect have been prepared.

The Board **RECEIVED** the final Auditor's Management Letter from KPMG, following review of the first draft by the Audit & Risk Committee.

(At 7.00 pm, there was a brief adjournment to enable the Chairman, the previous Chairman, the Principal and Chief Executive and the Deputy Principal and Chief Executive to sign the College Financial Statements and the Financial Statements of the subsidiary companies and the related documents)

7.3 Management Accounts to 31 October 2016

The Director of Finance presented the Management Accounts with commentary for the three months ended 31 October 2016, including measurement of agreed Key Performance Indicators.

The Accounts showed that, to 31 October 2016, total income amounted to £12.1 million (including South Essex Commercial Services Limited) and total expenditure amounted to £12.3 million giving rise to a deficit to date of £193K, compared to a budgeted surplus to date of £55K, an unfavourable variance of £248K.

At 31 October 2016, group net assets stood at £36.6 million, including cash and short term investments of £2.3 million and fixed assets of £109.6 million. All bank covenants continue to be met.

Pay as a % of turnover is running at 62.24% for this year against a target of 62.5%.

The current ratio at 31 October was negative at 0.8, i.e. below 1:1 and total. All bank covenants are currently being met. The SFA have deemed the College has Inadequate Financial Health under their new methodology (see 8.1 above).

A full analysis of variances to date was provided to the Board, with a detailed commentary, which had been reviewed by the Policy & Resources Committee at its Meeting on 21 November 2016.

Cash flow is very tight and an overdraft facility has been arranged with Barclays Bank of £2 million for the period from January to April 2017 to cover cash needs during this period. The Board **NOTED** that this facility had been arranged and that it gives comfort to the Going Concern assertion.

A full reforecast of the College Accounts and comparison to budget will be completed by 31 December 2016 to demonstrate performance against the savings of £1.7 million required to be achieved in 2016/17 in order to achieve the budgeted surplus of £0.2 Million for the year.

The Board was informed that Management Accounts will be provided by the 25th of the month following the end of the month to comply with SFA requirements and these accounts will be reviewed by the Chairman of the Corporation (as designated Finance Governor) and the Board/Policy & Resources Committee if the meeting cycle permits.

The Board **RECEIVED** the Report.

7.5 Local Government Pension Scheme

The Director of Finance advised the Board of the results of the Actuarial Review of the Essex LGPS at April 2016, which had just been received. This shows that the cash deficit in the Scheme relative to the College has reduced from £5.6 million to £2.5 million, with assets covering 93% of liabilities.

Notwithstanding this improvement, the Scheme is seeking to reduce our deficit repayment plan from the current 24 years to 12 years, being the average working life of the College workforce. Such a reduction would increase cash outflow each year from £170K to £335K, which the College cannot, in the current tight financial climate, afford.

The Scheme further wishes to explore security from the Essex Colleges. In providing further security to the Bank (see above), there would be no scope to provide security to the Scheme. FEDEC Colleges are questioning whether security is needed by the Scheme and, indeed, whether it is in their power to require it, particularly given the reduction in the cash deficit arising from this latest valuation.

The Next Steps in this regard are:

- FEDEC Finance Directors meeting 12 December 2016 to discuss the issues
- Engage KPMG to challenge the request for security and other covenants
- Agree repayments with the LGPS by 28 February 2017 (new payments to commence from 1 April 2017)
- Review options for the future as regards employment of staff in the light of the College still at present being a scheduled body
- Possible redesignation of the Colleges as an appointing body which means it is not mandatory for new employees to be enrolled in the LGPS

The Board **ENDORSED** these proposed actions.

ACTION: DPCE/DoF

8. Curriculum & Quality Matters (Paper FEC.16.31)

8.1 Teaching & Learning Strategy 2016-17

The Vice Principal, Curriculum & Quality **PRESENTED** a Review of the Strategy during 2015-16 and sought Board approval for continuation of the strategy for the current year.

Members were reminded of their duty to monitor improvements in the quality of teaching & learning which is driven by this Strategy. The Paper had been discussed by the Curriculum & Quality Committee at its Meeting on 7 November 2016.

Two minor amendments were made to the Strategy from last year – inclusion of PDBW in Section 4 and to reference Blended Learning in Section 6.

The Strategy has been effective during 2015-16 in contributing to the improved outcomes for learners but needs further embedding in the College to reap full value.

The Board **APPROVED** the amended Teaching and Learning Strategy for 2016-17.

8.2 Final Report on Learner Performance (inc HE) 2015-16

The Board **RECEIVED** and **NOTED** the Report, which had been discussed in detail by the Curriculum & Quality Committee as described in the minutes of that Committee, and **AGREED** the comments made, particularly in respect of areas of underperformance, some of which are attributable to Maths & English and Level 2.

The Board were pleased with the outcomes for last year, although Level 2 and A Levels were disappointing. The outcomes for Maths & English are much improved but there is, in common with other Colleges, much more which needs to be done.

The Board noted the overall Achievement Rate for 16-18 learners of 87.9%, 7pp up on last year. For 19+, it was up 1pp to 86.9%. Both Rates were therefore close to National Averages. The Report contained full details in all key framework areas.

The Board noted that it was pleasing that there was very little difference between the College's predictions of outcomes and the actual results, which demonstrates our ability to predict our results and therefore the quality of our monitoring and tracking at course level.

A governor asked about Functional Skills and its improvement. Detailed Action Plans are embedded through the Quality Improvement Plan which is linked directly to the Self Assessment Report.

A governor noted the significant improvements but observed that the document would be improved by including the number of learners in each category as it adds depth to the tables and highlights further our success (at present, only total learners overall are included).

A governor was concerned that our A & AS levels are very poor and a radical solution is required. College Management are also concerned and realise it is dragging our overall performance downwards.

A governor mentioned that the FE Commissioner has indicated recently that poor performance in English & Maths would affect an overall Ofsted grade. However, it was noted that recently but Ofsted have said that it is not a limiting factor in an inspection. It would appear that Ofsted and the Commissioner are not necessarily on the same page and it was thought that the Commissioner may well have looked at a longer time period in making his comment.

The Board **NOTED** the Report.

8.3 Current Learner Performance 2016-17

The Board **RECEIVED** a Report on Retention and Learner Numbers up to 2 November 2016, which had been reviewed by the Curriculum & Quality Committee (see minutes). Retention so far this year have improved over last year and in most areas of delivery is above target.

Learner Numbers (16-18) have not reached the allocation for 2016/17.

Retention

Current retention is showing an increase of 2% for 16-18 learners at 95.6% and an increase of 6.1% for 19+ learners at 94.1%.

Retention overall therefore is holding up well.

Learner Numbers

The College is under target on 16-18 numbers and there is little chance of reaching our 6093 allocation. It is likely that the College will be short by 10% even if we get on board 150 Traineeships which are planned.

For the future, the Senior Team is seeking to rebase the College allocation to around 5200, which, for the last few years, has been the Campus enrolments. The rest of our students have been enrolled through collaborative provision with sub-contractors.

The Board was very concerned with the drop in student numbers and the financial effects next year under lagged funding model. Plans to address the financial effects will be brought to the Board early in the New Year.

It was noted that many other Colleges are facing difficulties in enrolments due to competition from 6th Forms, seeking to retain their students.

Attendance

Due to the implementation of the new MIS system and changes to the curriculum structure, attendance data is not complete at present and will be reported to the Board at the Special Board Meeting on 30 January 2017.

The local departmental records suggest attendance is satisfactory but the full picture will not be known until the central records are brought up to date. The Board will be informed with central figures as soon as available in the New Year.

ACTION: VPC&Q

The Report was **NOTED**.

8.4 Academic Performance Targets 2016-17

The Board received this Report, which updated a Report reviewed by the Curriculum & Quality Committee in November, and included details of headline achievement against the key targets set for 2015-16.

Members carefully reviewed the performance for the year just ended, noting improvements achieved, and the proposals for this year considering whether they are realistic and stretching.

The Board noted that some targets are below the last available NAs but agreed that the jump from last year's achievement to NA was not realistic this year, e.g GCSE English & Maths, functional skills.

It was agreed that targets should be rounded in future. The Board also noted the challenges surrounding continuing improvement in Level 2 provision, which is still below NAs. However, the Board were pleased with the level of improvement shown last year and the challenges embodied in the targets for this year.

The Board noted that the targets set are based on achievement in 2015/16 and the National Averages relating to the prior year as the NAs for 2015-16 will not be available until early 2017.

The Board **APPROVED** the proposed Key Performance Indicators for 2016/17 on the recommendation of the Curriculum & Quality Committee. They will be monitored by Curriculum & Quality Committee during the year.

9. Matters for Approval by the Corporation (Paper FEC.16.32)

The Clerk presented a verbal Report outlining matters for approval by the Corporation arising from items already considered in detail by Committee and are recommended for approval by the Board.

From the Audit & Risk Committee

The Board **APPROVED** the

- i. Annual Report of the Audit & Risk Committee 2015/16
- ii. College compliance document for 2015/16 relating to the Code of Good Governance for English Colleges

He also reported that a satisfactory Performance Review of the external auditors had been carried out by the Audit & Risk Committee and the Board **APPROVED** the re-appointment of KPMG for the current financial year.

The formal Performance Review of the Internal Auditors is not yet complete, but this is expected to be satisfactory.

From the Board

The Board gave its formal **APPROVAL** to the College Self-Assessment Report for 2015/16, noting that the amendments arising from the validation carried out by the Board at the Special Meeting on 17 October 2016 had been effected.

In particular, the College's scrutiny of risk was noted as robust and the reference to financial status removed. Otherwise, the amendments were textual and not material.

The Board noted that the HE Annual Quality Assessment Return had been lodged by the due date of 1 December 2016 following **APPROVAL** by the Board by email resolution after the detailed consideration of the Return by the Curriculum & Quality Committee at its Meeting on 7 November 2016.

10. Items for Information Only

The Board **RECEIVED** the following Committee Meeting Minutes (unapproved):

- Audit & Risk 9 November
- Curriculum & Quality 7 November
- Policy & Resources 21 November

The Vice-Chairman gave a verbal Report on the business of the Remuneration Committee on 3 October 2016.

11. Corporation Matters

The Board **RECEIVED** a verbal Report on the Performance Review in respect of the Chairman for 2015/16, which had been satisfactorily completed, based on input from Members. This has been discussed with the Chairman.

The Clerk **ADVISED** the Board that the Board Development Day scheduled for 16 January 2017 will not now take place, due to the timing of Area Review Panel Meetings and the need for the Board to approve the College's preferred option for the Area Review outcome between Area Review Meetings 3 and 4 on 23 January and 27 February respectively.

Accordingly, the Board will meet for a Special Meeting on 30 January 2017 (time and venue to be advised) to discuss and approve this matter and also to deal with some annual governance matters regarding Terms of Reference of Committees, the College Scheme of Delegation and Standing Orders and the Board's own Self-Assessment. The Chairman requested that the agenda also include a discussion on Pensions and the LGPS.

ACTION: CLERK

12. Forthcoming Events (Paper FEC.16.33)

The Board **NOTED** the contents of the paper, prepared by the Clerk.

13. Date of Next Meetings

Monday 30 January 2017 – date and time to be advised.

Monday 20 March 2017 – Thurrock – 6.00 pm.

Monday 10 July 2017 - Southend

There being no further business, the Meeting terminated at 8.15 pm.

Signed.....Dated.....