

## Further Education Corporation

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### Approved Minutes

Minutes of a Meeting of the Further Education Corporation held at the Basildon Campus on Monday 25 March 2019 at 6.00 pm.

Present: Mr R Launder (Acting Chairman)  
Ms O Buck  
Dr R Gray  
Ms A-L Harding  
Mr T Knight  
Ms J McGee  
Ms A O'Donoghue CBE  
Mr D O'Halloran  
Ms E Ponce  
Mrs G Williams

In Attendance: Mr A McGarel (Deputy Principal & Chief Executive)  
Mr S Smith (Vice Principal, Corporate Resources)  
Ms S Lane (Deputy Principal, Curriculum & Quality)  
Mr M Twitchett (Vice Principal, Curriculum & Quality)  
Ms R Brooks (Head of HR) (item 5 (a) only)  
Mr C Bladen-Kopacz (Dean of HE) (item 5 (b) only)  
Ms J Abbott (Executive Director)  
Mr R I Millea FCA (Clerk to the Corporation).

### 1. Apologies for Absence and Declarations of Interest

Apologies for absence were received from Mr P Griffiths, Mr G Ocen, Mr R Patterson, Ms M West and Mr P Moore (Director of Finance).

The Clerk declared his interest as Clerk to Chelmsford College, Company Secretary of Essex Shared Services Limited and that his wife's cousin is the Clerk to Writtle University College.

Mr Launder and Mr McGarel declared their interests as Directors of Essex Shared Services Limited.

### 2. Urgent Business

The Board **CONFIRMED** that Richard Launder continue as Acting Chair of the Corporation for the remainder of this academic year, given that David O'Halloran is on leave of absence from the Board.

### **3. Minutes of the Meetings held on Monday 3 December 2018 and Monday 14 January 2019**

The Minutes of the Meeting held on Monday 3 December 2018 and the Special Meeting held on Monday 14 January 2019 were **APPROVED** and **SIGNED** by the Chairman.

### **4. Matters Arising from the Minutes**

There were no Matters Arising from the Minutes which are not otherwise dealt with on the agenda other than to report that the submission to OfS to meet the formal undertaking for Condition B3: Quality & Standards was reviewed and submitted.

### **5. Curriculum & Quality Matters (Paper FEC.19.03)**

#### ***5(a) Staff Equality Annual Report***

The Head of HR **PRESENTED** the Staff Equality Annual Report for consideration by the Board.

The Report includes an analysis of staff data, actions taken and the impact, which informs the HR strategy and targets. The Board recognised the College's duty to operate in compliance with the Equality Act 2010.

The Report noted that, at a headline level, the analysis of staff data showed little change from last year (number/% of male staff, staff with a disability, religion, ethnicity etc.).

There has been no increase in male staff this year. It is recognised that the FE sector generally attracts more female staff due to the variety of family friendly contractual terms. Staff is 38.7% male and 61.3% female.

Rod Gray asked for clarity as regards the data relating to numbers of staff declaring their religion as compared to staff who indicate no religion or do not answer the question, as the statement in the Report could be misleading.

The Board was reminded that unequal pay is unlawful between men and women but a gender pay gap is not unlawful.

The Report included data on the Gender Pay Gap – mean 8.4% median 11.1%, virtually the same as last year. The national gap was 17.9% and the mean gap 17.1%. The Board were also provided with the figures (mean and median) for educational categories. The figures relate to the position at 31 March 2018 and require to be published by 6 April 2019.

The College has a significantly lower Gender Pay Gap compared with the public and private sector overall and with educational establishments.

The Board noted that the Staff Equality Annual Report is required by law to be published by 31 January and the attached Report was published within that deadline. The Gender Pay Gap report is required by law to be published by 6<sup>th</sup> April each year on the College website and Government Portal.

The Board **APPROVED** the Staff Equality Annual Report and the Gender Pay Gap Report.

## **5(b) HE Update**

The Dean of HE **PRESENTED** three papers for the attention of the Board and seeking comment.

Firstly, the Board **NOTED** the **HE recruitment forecast 2019/20** which shows 372 applications to date compared to 301 applications at this point last year. The challenge is to ensure as many of these applications as possible convert to enrolments. The target is 383 enrolments and the Dean of HE is optimistic this can be met.

The Dean reminded the Board that last year's figures were affected by the inability at that time to advertise some courses due to validation delays.

The Dean pointed out that some courses are vulnerable given low application numbers and gave details. The Dean raised concern that the increase in applications is insufficient and will make achievement of the College's growth strategy for HE more difficult.

The Board noted that efforts are being made to improve the marketing of the College's HE offer including launching the College's website. A new marketing manager has been appointed and is already making an impact.

The five year strategy for the College is to grow numbers of undergraduates to 1400 by 2023.

Secondly, the Board **RECEIVED** a Paper, which had been reviewed by the Curriculum & Quality Committee on 25 February 2019, explaining the Board's responsibilities regarding the **Access and Participation Agreement**.

The Board **NOTED** the requirement to comply with its statutory duty and OfS regulatory requirements to monitor Access Agreements including the potential sanctions which could be imposed by the OfS. These are detailed in the Minutes of the Curriculum & Quality Committee for 25 February 2019, which are part of this Agenda.

Robust processes are in place to allocate, monitor and evaluate the impact of tuition fee income allocated as part of the Access Agreements.

The Board noted that the monies allocated are spent on students to help those who have come from disadvantaged backgrounds. There is an ongoing need to evidence the validity of the amounts expended.

OfS is project led and wish to see the impact of the sums being spent, in line with the content and objectives in the Access Agreement.

The Board **ACKNOWLEDGED** their responsibilities to regularly monitor the implementation of identified actions and outcomes for the Access Agreement. The Curriculum & Quality Committee will monitor this on an ongoing basis and report through to the Board.

Thirdly, the Board was **INFORMED** of the background to the **TEF4 (Teaching & Excellence Framework) submission** which was sent to the OfS recently and has been considered by the HE Committee and the Curriculum & Quality Committee.

It was noted that it is prepared in conjunction with the Access Agreement (see above). More detail concerning the submission is documented in the minutes of the Curriculum & Quality Committee on 25 February 2019 (see item 10(b) below). In particular, governors noted the strategies in place to improve the College's HE outcomes, recognising this process will take some years.

It was noted that the metrics used to judge HEIs do not include, unlike Ofsted, any inspections of teaching and learning. Governors acknowledged the importance of improvement on a continuous basis so as not to impact the College's continuing HE Funding and OfS registration.

At this stage, the College expects a Bronze categorisation based on the OfS metrics. One weakness of our position is destinations of students, partly due to the fact that the OfS metrics do not take into account those students who go into self-employment. Longer term, it is likely to take the College up to five years to move to Silver.

Anne Lise Harding asked how our grade of Bronze compare to other providers in the sector. Colin responded that it is variable across FE Colleges who are delivering HE but he made the point that some of our individual courses are close to Gold.

The Board **NOTED** the Report.

#### ***5(c) Progress against Curriculum KPIs 2018/19***

The Deputy Principal, Curriculum & Quality **PRESENTED** a Paper providing Members with end of year predictions against KPIs for 2018/19, which had been set and approved by Governors on 5 November 2018.

Predictions are conservative and take into account students who may currently not have completed elements of coursework and are therefore RAG rated RED. These students are primarily those behind on their coursework and are being offered additional sessions and workshops to enable them to catch up.

It is more difficult to predict GCSE and A Level outcomes as final results will depend on exam performance and the predictions are estimated on class work to date.

At this stage, Value Added data has not been finalised but the final report from ALPS has now been received and our data is looking very positive.

Overall, the College is expecting improvements in outcomes this year compared to last year (82% up to 83%). Apart from GCSE English & maths, all predicted outcomes are above the final achievement rates for last year.

The PROCAT data has been difficult to analyse and there are some system anomalies.

Terry Knight asked that the data in each category should include the student numbers so that governors can review the information more in context and provide a better and more considered judgement and critique. This was **AGREED** to be done for the future.

### **5 (d) PROCAT OFSTED Report and Post Inspection Action Plan**

The Deputy Principal, Curriculum & Quality, **PRESENTED** an overview of the recent Ofsted Inspection of PROCAT, which took place between 4 and 7 December 2018. The Report was published on 18 February 2019 in the Closed College section of the Ofsted website.

PROCAT was adjudged Requires Improvement for all areas inspected and, as a result of the Report, the College has applied for Strategic College Improvement Funding to support with the significant amount of improvement required.

The College has produced a Post Inspection Action Plan for March to July in order to demonstrate some rapid intervention and improvement.

There is a significant amount of work and time required across all areas of PROCAT to start to drive forward improvements and steps are in place to ensure that there is no detrimental effect on the rest of the College. The drive for improvements is now underway.

The Acting Chair asked about the effects of the merger on staff. Sarah Lane said that manager meetings are going well and are being held regularly. Further integration has begun with some CPD being jointly run and SEC systems being applied to PROCAT. She said that bringing the two organisations together is a challenge and the notion of one College needs to be embedded as quickly as possible.

Terry Knight observed that, in his opinion, a reading of the PROCAT Inspection Report looks more like Inadequate rather than Requires Improvement (the official grade) so he felt there is quite a journey for them to raise standards. However, Sarah Lane said that the Report does provide a starting point for improvement.

It is clear, and governors recognised, that there will be impact on year end results for the College as a result of issues identified at PROCAT, especially with regard to apprenticeships.

A new Director of PROCAT, David Kellar, started in post on 4 February and is developing a College culture and curriculum plan to drive improvement.

A risk and concern is that improvement cannot be sufficiently improved before the next full College Ofsted inspection, which may occur during 2019/20. Due to the merger, Ofsted regard both SEC and PROCAT as 'closed' Colleges meaning that the 'new' College could be inspected relatively soon. However, the number of PROCAT learners are small compared to the whole College.

The Board **NOTED** the Report.

### **5 (e) Monitoring of Quality Improvement Plan 2018/19**

The Deputy Principal, Curriculum & Quality **PRESENTED** this Report monitoring progress this year, covering actions and progress to date and reflecting the key actions required in order to secure improvement this year.

The Report analysed steps taken and progress against each of the College's nine improvement aims which arose from the 2017/18 Self-Assessment Report, RAG rated, and had been validated by the Board in January.

In the majority of areas, progress is clear with two aims now Amber/Green, 5 Amber and one Red. One aim has been deleted.

The five remaining Amber areas have been left in this category in order to ensure sufficient emphasis is placed on continuing improvement.

The Board noted the intention to consolidate A Level provision in future resulting in a small bespoke curriculum offer for 2019/20 to allow greater focus on improvement of remaining A Level areas. Hopefully, this will not hamper the College's ability to meet 16-18 student number target.

David O'Halloran asked about A Level reform and consultation with staff. Sarah Lane responded by saying consultation is underway and staff recognise that the changes will have an impact with some restructuring being likely.

Terry Knight asked whether it is time to call a halt in full to A Level provision in the College. The Principal and Chief Executive said that, if A Levels were ceased completely, the College would lose 300 students and the financial impact would be very severe. Therefore, management have made the decision that another attempt should be made.

In response to a query from Estrella Ponce, the PCE confirmed that any two year A Level course would have to be run off, if the decision were to be taken at any time to cancel A Levels.

The Board **RECEIVED** the Report.

## **6. Strategic Developments in South Essex (Paper FEC.19.04)**

*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.19.05)**

### **7 (a) Management Accounts for Merged College**

The DPCE **PRESENTED** a Report updating the Board on progress on the completion of the merged College management accounts for February 2019.

The Board were made aware of the need to present merged accounts to permit essential monitoring against targets set by the TU and the Bank.

The Board were informed that accounts for PROCAT for its final trading period to 31 January 2019 are in the process of being prepared and audited. The balances and costs incurred from February onwards will be inaccurate as there may need to be adjustments required to the PROCAT figures.

The Board were provided with draft management accounts to 28 February 2019 which covered primarily SEC only (although some PROCAT staff are now 'paid' through the SEC accounting system) and included none of the direct costs of PROCAT. The deficit to 28 February was £988K against a budgeted deficit of £612K. The accounts provided brief explanations of the major movements since the January 2019 Management accounts. The budget is only the SEC budget and does not include PROCAT's budget for this year.

The Acting Chair raised the question of the transactions relating to PROCAT from 1 February 2019 being able to be segregated from continuing SEC operations, so that the true effect of the merger can be ascertained. Assumptions might need to be made to do this split but it was **AGREED** that the Board needed this transparency.

The Board **NOTED** the Report.

## **7 (b) Management Accounts to 31 January 2019**

The DPCE **PRESENTED** a Finance Report comprising the Management Accounts for the six months ended 31 January 2019.

The Accounts showed a deficit of £760K against a budgeted deficit to this date of £531K, an unfavourable variance of £229K. The deficit is after crediting £90K release from the revaluation reserve. It is expected that this will start to reduce over the next couple of months.

Total income to 31 January 2019 amounted to £19.805 million and total expenditure amounted to £20.565 million.

The Board noted that Financial Health at 31 January 2019, based on these results, shows a score of Inadequate, due to the profile of cash movements. The projection remains that the College's Financial Health will be Satisfactory at the end of the current financial year on 31 July 2019 as it was at 31 July 2018.

The Management Accounts included a detailed Commentary on all major lines of income and expenditure, with variances highlighted. The covering Report provided a commentary on the major lines of variance.

The DPCE indicated that a clearer picture of cash flow would be reported at the Policy & Resources Committee Meeting including claiming reimbursement for merger related invoices and receiving £500K cash from the transactions unit funding to support ongoing cash flow.

The DPCE reminded the Board that cash flow is monitored daily and will have to be planned very carefully in the future. Cash flow will be an element of ESFA Financial Monitoring post merger.

The Board were advised that, in future Management Accounts, there will be an analysis of cash flow provided between available operating cash and earmarked capital proceeds cash to give clarity as the latter is only able to be spent on new capital works.

### **Balance sheet**

At 31 January 2019, group net assets stood at £77.062 million, including fixed assets of £114.557 million. General provisions of £19.7 million represents virtually entirely the FRS102 pension liability, being the amount calculated at 31 July last year.

All bank covenants continue to be met. The current ratio at 31 January 2019 was 1.24.

Pay expenditure to 31 January 2019 was 66.4% of turnover against target of 63.3%, which is still too high.

Borrowing as a percentage of income (gearing ratio) stands at 58.22% against the sector target of no more than 60% and that 40% is reasonable.

The College Financial Health using the SFA methodology was Satisfactory (130 points) at 31 July 2018 but has declined to 110 at 31 January 2019.

The Board noted that outstanding debtors at 31 January 2019 totalled £6,968K, of which £3,110K related to HE fees (some of which has been received and the balance is due in May), Advanced Learner Loans of £400K and £2,010K to the Basildon Trust Account.

The DPCE advised that the College is preparing a revised Budget for the merged College based on funding model agreed with the Transactions Unit as part of the merger discussions. This model (Cash flow available for debt servicing) will be monitored on a quarterly basis by the DfE and will require senior management and governor oversight and approval.

The Management Accounts were **NOTED**.

## **7 (c) PROCAT Financial Statements 2017/18**

The Board **RECEIVED** a Paper from Judith Abbott (Executive Director), who was previously the Accounting Officer of PROCAT, accompanied by the draft Report and Financial Statements for PROCAT for the year ended 31 July 2018.

It was **NOTED** that these Accounts should have been signed and filed with the ESFA by 31 December 2018.

The Accounts Direction issued by the ESFA requires that accounts for a College dissolved on merger should, if not already filed by date of merger, be approved, signed and filed by the continuing College.

The Board **NOTED** this requirement, but were very concerned that the College and its governors were not responsible for the operations of PROCAT during the period covered by the accounts in question.

The Clerk advised the Board that, in order to safeguard its own position, the minutes should note that when the accounts for PROCAT are being adopted and signed to satisfy the administrative requirements of the ESFA, the Board is unable to take responsibility for the content of the PROCAT accounts. The Board **AGREED** the Report and Accounts should include suitable wording caveating their responsibility before they are signed.

The Clerk noted that the Board of PROCAT had reviewed the draft Accounts and Report at its Board Meeting in December 2018, before the merger date. The Audit Committee of PROCAT had also reviewed the documents in December. However, it was noted that changes to the Accounts have been made since.

The Board were also advised that RSM, the auditors engaged by PROCAT, had not yet completed their Audit Highlights Memorandum or the Accounts for the two subsidiary companies of PROCAT and had not provided draft Letters of Representation for the College Group and the two subsidiaries for review.



The Clerk **REPORTED** that he had reviewed the Report and Accounts and there were a number of textual and numerical errors which require correction.

He further **ADVISED** the Board that, in his opinion, some narrative changes should be made to the Report on Corporate Governance and in Note 1 Accounting Policies to make clear the respective responsibilities of the former PROCAT Board in preparing these accounts and the SEC Board in authorising them for publication.

The Board **AGREED** and asked that the Clerk and Judith Abbott to act on the Board's wishes to finalise the Accounts.

A way forward for finalising the Accounts for PROCAT and its subsidiaries was therefore **AGREED** as follows:

1 Clerk and Judith Abbott to correct typos and numerical errors in the accounts

2 Clerk to draft suitable wording as indicated above to make clear the responsibilities of the two governing bodies relating to these accounts

3 If possible, seek assurances regarding the content of the Report and Accounts from the former PROCAT governors

4 Receive all outstanding papers from RSM in connection with the Audit, including the accounts of the subsidiary companies

5 Provide the amended Report and Accounts to RSM for their audit review

6 Present the Report & Accounts, together with Audit papers, to the next Meeting of the Audit & Risk Committee on 8 May 2019 for scrutiny and review.

7 RSM attend the Audit & Risk Committee to present their Audit Highlights Memorandum and their proposed Letters of Representation, and to answer questions from the Committee

8 The Audit & Risk Committee to make a recommendation to the Board Meeting on 8 July 2019 that the Report & Accounts be signed off, if the Committee is satisfied

Finally, the Board **NOTED** that audited accounts are required to be prepared and filed in respect of PROCAT for its final trading period from 1 August 2018 to 31 January 2019, the date of merger.

These Accounts are in the process of being prepared and audited. When completed, the SEC Board will review the Accounts and sign them off. Although SEC was not in direct control of PROCAT during this final trading period, the SEC Board did have some involvement with PROCAT from August 2018 as part of the merger process (Merger Steering Group, Merger Implementation Groups, Due Diligence, ESFA monitoring of PROCAT etc.). On this basis, the Board felt that they would be able to sign off these accounts so long as they explain the circumstances surrounding their production.

## 7 (d) Learner Numbers and Financial Implications 2018/19 and 2019/20

The DPCE **PRESENTED** the above Paper.

The SEC target for 16-19 numbers for 2018/19 is 5010 and the PROCAT target is 255. Final numbers are expected of 5049, some 216 short of target. This will mean that income for 2019/20 for 16-19 numbers under the lagged funding model will be around £1.1million less than for this year.

Planning is in place to implement an enhanced curriculum offer to meet student needs and ensure that target numbers are met.

College delivery of the Adult Education Budget is slightly lower than at this stage last year but there is confidence that the target can be met. If there is a shortfall of more than 3% of the Budget of £3million, then the shortfall will be clawed back in January 2020.

HE enrolments are 701 against a target of 723 but income targets should be met as there are proportionately more full time students than hitherto.

The PCE said that there is a concern regarding the allocation for Apprenticeships from ESFA for next year as it does not currently include a 'PROCAT' allocation for next year based on their allocation for 2018/19. This is critical and is being chased with ESFA as a matter of urgency.

## 7 (e) Risk Management Policy

This is not yet finalised and will be presented to the next Meeting of the Audit & Risk Committee on 8 May 2019, following further discussions and advice from the Internal Auditors.

**ACTION: CLERK**

## 8. Matters for Approval by the Corporation

The Clerk presented a verbal Report with accompanying documentation 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 Curriculum & Quality Committee*

The Board **APPROVED** the Annual Safeguarding Report for 2017/18

## 9. Items for Information Only

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

- Curriculum & Quality      25 February 2019
- Search & Governance      4 February 2019
- Policy & Resources      4 February 2019

The Board also **RECEIVED** a Report on the Board Development Day held on 14 January 2019.

The Board **RECEIVED** the following document which had been considered by the Curriculum & Quality Committee:

- Current Learner Performance 2018-19 (Retention/Attendance, Learner Numbers)

## **10. Governance Matters**

### Recruitment of Chair/New Governors

There are currently three vacancies on the Board for independent governors.

David O'Halloran has indicated that he would not be putting himself forward for re-election as Chair of the Board when his term concludes on 31 July 2019.

The Search & Governance Committee engaged professional recruitment consultants to identify candidates to serve as Chair of the Corporation. Interviews took place earlier today by a panel comprising the Acting Chair, Principal and Chief Executive, Rod Gray, Gwynn Williams and Terry Knight.

The Consultants were also present and arranged and documented the process to ensure fairness and openness.

The Acting Chair commented on today's interviews. He said that he felt it was a very professional process run by the recruiters and they had identified good candidates, all of whom were felt to be qualified and appointable.

It was the unanimous view of the Panel that Elizabeth Sipiery should be **APPOINTED** to the Board with immediate effect and assume the Chairmanship with effect from 1 August 2019. She has a wide range of Board experience. Meetings with Elizabeth will be agreed to prepare her to take over as Chair from 1<sup>st</sup> August.

The Board also **AGREED** to approach Sarah Stone, another candidate, to see if she is interested in joining the Board as an ordinary Member.

### Governor Resignations

Hiba Khoury and Jasmine Twinning (FE Student Governor) have recently resigned from the Board.

In addition, Geoffrey Ocen has indicated that he will resign from the Board at the end of June, due to him relocating.

The PCE reported that she is meeting with a potential FE Student Governor, who is in year one of a two year course so, if suitable and appointed, would be able to serve through to 31 July 2020.

### Chair's Performance Review 2017/18

The Vice Chair of the Corporation, Gwynn Williams, gave a verbal Report. In the light of David O'Halloran's current leave of absence and his wish that he would not seek re-appointment as Chair of the Board for a further term, it was not felt necessary to carry out a formal Review for last academic year of his performance.

The Vice-Chair did report to the Board that the Search & Governance Committee had considered the issue at their last Meeting. Their view was that there were no concerns or issues arising from David's Chairmanship of the Board during 2017/8 and the Board **AGREED**.

The Board acknowledged David O'Halloran's efforts and stewardship as Chair through 2017/18 and to 31 December 2018 and to Richard for taking on the role as Acting Chair for the six month period to 31 July 2019.

Recruitment of Clerk 2019/20

Rob Millea is retiring as Clerk on 31 July 2019. An advertisement for his replacement will be circulated shortly. The appointee will work as a sub-contractor of Essex Shared Services Limited, in line with the current arrangement.

**11. Forthcoming Events** (Paper FEC.19.06)

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

**12. Date of Next Meeting.**

Monday 8 July 2019 at the Southend Campus at 5.45 pm.

There being no further business, the Meeting terminated at 8.10 pm.

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