

## **Further Education Corporation**

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### **Approved Minutes**

Minutes of a Meeting of the Further Education Corporation held at the Thurrock Campus on Monday 26 March 2018 at 6.00 pm.

Present: Mr D O'Halloran (Chairman)  
Ms O Buck  
Dr R Gray  
Ms A-L Harding  
Ms H Khoury  
Mr T Knight  
Mr R Launder  
Ms J McGee  
Dr G Ocen  
Mr R Patterson  
Mr N Smith  
Ms M West  
Mrs G Williams

In Attendance: Mr A McGarel (Deputy Principal & Chief Executive)  
Mr P Moore (Director of Finance)  
Mr S Smith (Vice Principal, Corporate Resources)  
Ms S Lane (Vice Principal, Curriculum & Quality)  
Ms D Garroway (Assistant Principal, Teaching & Learning)  
Mr R I Millea FCA (Clerk to the Corporation)

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

Apologies for absence were received from Ms A O'Donoghue CBE (Principal & Chief Executive) Mr L Fraser and Mr P Griffiths and Ms K Mulvey (Vice Principal, Student Services and Adult Programmes).

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

### **2. Urgent Business**

The Board was informed by the DPCE that, sadly, two students of the College have recently died. The Board recorded its sympathy to the family and friends of these students for their loss.

### 3. Minutes of the Meeting held on Monday 4 December 2017

The Minutes of the Meeting held on Monday 4 December 2017 were **APPROVED** and **SIGNED** by the Chairman.

### 4. Matters Arising from the Minutes

#### Encashment of Promissory Note

The Clerk **REPORTED** that the Board had resolved by email resolution (sent 23 January 2018) to authorise the Principal & Chief Executive to encash a Promissory Note, provided by Redrow in connection with the sale to Nethermayne in the amount of £10,691,650, following the agreement with Redrow becoming unconditional.

The Note was discounted through Barclays Bank at a cost of 1.5%.

#### Interest on SBC Loan

The Board **AGREED** that it was not the right moment to write to Southend Borough Council regarding the interest rate on the Loan in respect of the Stephenson Road project given that the SELEP contribution has enabled us to reduce the debt to SBC and hence the overall potential interest cost on the Loan.

This will be kept under review.

There were no other Matters Arising from the Minutes which are not otherwise dealt with on the agenda.

### 5. Strategic Developments in South Essex (Paper FEC.18.01)

*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.*

### 6. Curriculum & Quality Matters (Paper FEC.18.02)

#### **(a) Progress against Curriculum KPIs 2017/18**

The Vice Principal, Curriculum & Quality **PRESENTED** a Paper outlining progress against the academic targets for the College for 2017-18, approved by the Board on 4 December 2017.

All KPIs are currently showing below the targets set except Level 3 and Apprenticeships success and timely. However the majority of predicted outcomes are above the final achievement rates for last year. The exceptions are Level 1 courses, Adult programmes and GCSE maths and English. Predictions for GCSEs outcomes are difficult as not all mock examinations have yet been completed.

The predictions are based on information from Heads of Department taken from ProMonitor and this results in lower predictions due to the inclusion of all RED rated students who are potential non-achievers because of incomplete coursework or assignments.

These learners are receiving additional support above class tuition to enable them to achieve.

Retention is currently at 94.7% against target of 92%.

Terry Knight observed the poor Level 1 forecast (80% against target of 86% and achievement last year of 83%) and that this was disappointing. The VP, C&Q stated that there are some short roll-on roll-off courses to be run during the rest of this academic year and this should help raise the predicted outcome.

Otherwise, governors were encouraged by the positive predictions.

The Report was **NOTED**.

### **(b) FE Student Destinations 2016-17**

The Vice Principal, Curriculum & Quality **PRESENTED** a Report on Student Destinations for 2016-17.

Information was gained from enquiry of students between October 2016 and February 2018. The response rates were good with 3378 (88%: last year 94%) of 16-19 learners recording a sustained destination. A total of 2434 of those learners remained in education (72%). A further 706 students gained employment (21%) with only 2.3% declaring themselves NEET, with the balance in sundry categories, e.g. carer, voluntary workers.

The NEET percentage decreased by 2pp from last year and the percentage going into employment declined by 4pp compared to last year.

There are no like for like national benchmarks available for comparison. Nevertheless, most learners completing 16-19 study programmes achieve positive destinations.

The destinations of 1965 adult learners were recorded, being 86.5% of learners who completed an Adult Programme in 2016-17. A total of 27% are employed and 44% have progressed in Further or Higher Education. Experimental data collected by Government produced a benchmark of 72% of adults achieving a positive destination of employment and/or education. The College percentage is 71% so it compares well.

Terry Knight thanked Management for the comprehensive data provided and noted that it is positive. The VP, C&Q commented that the College still has further work to do in encouraging internal progression in the College for students.

Bob Patterson asked if there were any other benchmarks against which to compare our data, specifically for destinations and NEET and the VP, C&Q replied that there wasn't.

It was also discussed whether we should use destination data positively in our marketing.

## **(c) HE Update**

### HEFCE Visit Letter

The College received a visit from HEFCE to examine progress by the College in implementing the HEFCE APR action plan (9 June 2017). The main focus of this was retention of HE students which was below the benchmark level.

The visit was positive and the Board **NOTED** the letter sent by HEFCE following the visit for information. HEFCE said they 'were reassured that progress was being made'. David O'Halloran asked when we expect a judgement.

They also noted that other key actions, namely review of the College HE student induction programme, a 'student at risk' policy and a new HE Teaching, Learning and Assessment Policy, have not yet been fully implemented, but are being progressed.

Terry Knight asked about the impact of the actions taken by the College in response to HEFCE requirements. The VP, C&Q responded that it is too early to assess the impact of the actions taken as that has to await the outcomes of the year but it is believed that things are on track and good progress is being made.

### HE Student Recruitment Forecast 2018-19

The Board **REVIEWED** a Report prepared by the Dean of HE which covers the 2018-19 recruitment cycle now underway. Up to 16 March 2018, there are 329 applicants against a target of 277 for next year.

Progress is continuing in carrying out student interviews and making offers, especially in areas where the applications are behind target.

It was noted that all HE programmes have now been validated.

The VP, C&Q reported that considerable work is being undertaken concerning progression options from FE in the College into HE in the College and explaining to students the benefits to their futures.

Governors expressed their concern, however, about the recruitment forecast for next year.

The Chair did not feel the target is achievable based on the applications so far received and itemised in the Paper provided to the Board and therefore, there are considerable budget implications for next year, which is looking extremely difficult anyway.

The VP, C&Q reported on the HE Board which met last Friday and addressed some of these concerns. Recruiting had been difficult due it taking time to achieve all the validations from the new HE institutions with whom the College is now dealing.

Gwynn Williams asked when do students have to make applications for 2018/19 through UCAS and was informed that the closing date is 2 May 2018. She also enquired what options to increase our applications might flow from this process.

The VP, C&Q was concerned that if we indicate that we would accept a lower points through UCAS that we could be taking on students whose chances of success are reduced/riskier. There is a potential reputational issue here also.

The Board concerned about plans for recruitment and the indicative numbers for next year which will not make suggested targets in the outline budget (see later).

Rod Gray expressed concern as to the viability of some of the courses being offered based on indicative numbers at this stage.

A Staff governor asked about potential to run part time HE and if this would help recruitment.

#### **(d) Apprenticeship Update**

The Vice Principal, Curriculum & Quality **TABLED** a Report updating the Board on Apprenticeships for 2017/18 concentrating on progress against achieving the income reforecast for this year for this area, responding the challenge to the SMT made at the last Board Meeting and the last Policy & Resources Committee Meeting.

She reported the following:

- Success in driving up business to meet the amended budget
- Change of personnel in the new Apprenticeships Team to improve sales and delivery
- Projections are conservative
- Reforecast budget £4,091,000 – shortfall estimated at £246,104
- Confidence that the income will be close to reforecast

There are currently 1143 apprentices with the College, of which 894 are partner learners and the balance College learners.

For the future, there is increased confidence in growth of College apprenticeship provision while continuing with the strategic aim of reducing sub-contracting of apprenticeship funding.

A new Interim Director of Apprenticeships and Employer Engagement has been appointed and is supporting implementation of planned new processes and working practices to allow the College to achieve growth in this area and to meet targets.

The Chair wanted to know what is 'pipeline' business. The VP, C&Q explained this was business, whilst not contractually signed and sealed, is close to that point. The VP, C&Q explained that we cannot begin drawing revenue until a client is signed up to an Apprenticeship.

In the context of meeting the revised target for Apprenticeships income this year, the VP, C&Q believed it was reasonable to treat 'pipeline' work as likely to come to fruition and therefore it is fair to count such business in the reforecast for the rest of this academic year. Accordingly, it is the belief of the Management of the College that these estimates are 90% indicative of expected income for the rest of the year.

Meanwhile, more targeted sales activity is under way.

However, it has to be recognised that it is a tough challenge to meet the reforecast for 2017/18.

Richard Launder stated that, if a shortfall arises against the reforecast, then this directly hits the deficit for the year. To obviate this and achieve the reforecast (which itself is lower than the original budget), we would need 200 new sign-ups before the end of the year, which is unlikely.

The Chair asked if failure to achieve the reforecasted figures for Apprenticeships would move the College Financial Health into Inadequate due to the impact on the deficit. The DPCE responded that it probably would not do so but the College does not wish to report a larger deficit than is currently reforecasted in the Finance papers.

**The Board challenged the rigour in curriculum planning and whether they can rely upon the estimates for recruitment in all streams ie HE, WBL and FE. The VP C&Q explained the process to re assure the Board.**

## **7. Finance Matters (Paper FEC.18.03)**

*Items 7(c) to (f) on the Agenda are deemed to be Confidential Items under the Instrument & Articles and a separate minute has been prepared in connection with these items and is attached to these minutes.*

### **(a) Management Accounts for January & February 2018 and Forecast Outturn for the year ended 31 July 2018**

The Director of Finance **PRESENTED** a Finance Report comprising the Management Accounts for the seven months ended 28 February 2018. The Board also received a copy of the January Management Accounts for information, which had been reviewed by the ESFA Intervention Unit at the regular monitoring Meeting held on 28 February 2018.

The Accounts showed a deficit of £635K against a budgeted deficit to this date of £947K, a favourable variance of £312K, after crediting the Bursary Fund surplus of £149K.

Total income to 28 February amounted to £25.109 million and total expenditure amounted to £25.744 million.

The Board noted that Financial Health at 28 February, based on these results, shows a points score of 140 using the ESFA model, which is Satisfactory. The projection remains that the College's Financial Health will be Satisfactory at the end of the current financial year on 31 July 2018 as it was at 31 July 2017.

The Management Accounts included a detailed Commentary on all major lines of income and expenditure, itemising the variances to date in detail.

In particular, the favourable variance arises from payroll savings through teaching efficiencies and reduced payroll costs for assessors due to failure to achieve apprenticeship targets. However, there continues to be a risk from the level of agency staff costs, which are necessary to cover staff absences and 'hard to recruit' areas.

Governors continue to be concerned with the potential underachievement of Apprenticeship targets and the AEB Budget and therefore income streams for the year. An update on the Apprenticeship income position is shown above - minute 6 (d). However, governors acknowledged that the situation has improved albeit that the budget will not be met.

The Management Accounts continue to be subject to regular monitoring by the ESFA at monthly case conferences.

Olga Buck asked why staff costs as a percentage of income had improved. The DPCE stated that the reduced apprenticeship activity against budget means less staff have been required. In addition, there have been some restructuring savings and there continues to be concerted attempts to try and convert agency staff into permanent staff.

### Balance sheet

At 28 February 2018, group net assets stood at £36.8 million, including fixed assets of £108.6 million. General provisions of £25.2 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 28 February 2018 was 1.20, a considerable improvement from the position at 31 July 2017, due to the recent encashment of the Redrow promissory note.

Pay expenditure to 28 February 2018 was 64.8% of turnover against target of 62.5, but this is still too high, although just within the 65% suggestion made by the FE Commissioner.

Borrowing as a percentage of income (gearing ratio) stands at 54.4% against the sector target of no more than 60% and that 40% is reasonable.

Richard Launder, in commenting on the Management Accounts and the Forecast Outturn, said that the College's forecasting is inadequate. 2017/18 will be the third year in succession when the College will be reporting an Operating loss.

It is clear the College is not getting the budgeting and the forecasting right. The College continues to lose money even if the ESFA Financial Health is Satisfactory. It is not satisfactory to continually be incurring losses and, furthermore, cash remains very tight on revenue account.

The point about rigour in curriculum planning was noted again, see earlier minute. Suggestions to improve viability of courses was discussed and group sizes were commented on.

The Board asked for comments on how to grow income further. The priority being not just growing income but ensuring viability and a surplus from activities.

The Management Accounts were **NOTED**.

The Board **RECEIVED** the Report.

## **7 (b) Learner Numbers and Financial Implications 2017-18**

The Board was **INFORMED** that recruitment of 16-18 year old students had initially been on target but due to poor retention the college is now below target, as at RO7 (February 2018), 5060 learners had been recruited, which is 95% of target and includes the 19+ continuing learners previously funded by the ESFA.

The ESFA have notified the allocation for the College for 2018/19 based on 5010 learners, a reduction of 342 on this year's allocation. A discrepancy of 30 learners has been referred back to the ESFA, which would mitigate the funding reduction under the lagged funding model by about £125K.

Nevertheless, 16-18 funding next year will be around £1.9 million lower than this year and includes £0.6m as one off transitional funding for “T” Level preparation.

19+ learner numbers (ESFA) are recruited throughout the year and, as at RO7, about 60% of AEB-Other funding has been generated. There is reasonable confidence that the forecast for this year can be met in order that a clawback in January 2019 is avoided, although the VP reported a potential under recruitment of c£0.25m or 8%.

Accordingly, the AEB budget is being monitored on a two weekly basis to ensure numbers/income is achieved.

Retention so far this year for 16-18 students is 93.4% (last year 88.5%) and for 19+ 95.5% (95.8%).

The actual number of HE students enrolled is 749, against a target of 848 and this will result in an estimated shortfall against the planned budget of £404K. The College is reducing expenditure to try and cover this budget shortfall.

The Board **NOTED** the Planned Actions for the remainder of 2017/18 itemised in the paper to retain students and to recruit further students during the year.

Otherwise, the Board **NOTED** the Report.

## **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

- Final Self-Assessment Report 2016-17
- Annual Safeguarding Report

### From Board by Email

- Encashment of Promissory Note – see Matters Arising

## **9. Items for Information Only**

The Board **RECEIVED** the following documents for information:

- Health & Safety Report (from Policy & Resources Committee)
- Current Learner Performance 2017-18 (from Curriculum & Quality Committee)
- Monitoring of Quality Improvement Plan 2017-18 (from Curriculum & Quality Committee)

The Board **RECEIVED** the following Committee Meeting Minutes (unapproved) and Working Group Reports:

- |   |                  |
|---|------------------|
| • Curriculum & Quality                          | 26 February 2018 |
| • Search & Governance                           | 5 February 2018  |
| • Policy & Resources                            | 5 February 2018  |
| • Self Assessment Report Validation for 2016-17 | 15 January 2018  |
| • Board Development Day                         | 15 January 2018  |



The Board also **RECEIVED** a verbal Report on the AoC Governance Summit, attended by the Clerk, which took place in London on 14 March 2018.

## **10. Governance Matters**

### Recruitment of New Governors and Committee Memberships

The Clerk gave a verbal Report.

The inspiring fegovernance website (free recruitment resource) had not revealed any suitable candidates for Membership of the Board in the local area. He will widen the search.

Separately, the Director of Human Resources has a contact who may be interested in becoming a governor of the College and the Clerk will follow this up.

The Clerk reminded the Board that there are currently two Board vacancies and one vacancy on the Audit & Risk Committee and two vacancies on the Policy & Resources Committee.

The Clerk also reminded the Board that the term of office of Gwynn Williams as Vice Chair of the Corporation expires on 31 July 2018. She is eligible to serve a further term of two years. The Clerk will seek nominations for the position in due course.

### Governors' Self-Assessment Questionnaire 2016-17

The Clerk **TABLED** a written Report following the return of all questionnaires from governors (ten in all).

This will be considered at the Search & Governance Committee on 14 May with a particular focus on Governor Training & Development.

**ACTION: CLERK**

### Chair's Performance Review

The Chair left the room during the consideration of this item

The Vice Chair gave a verbal Report on the Review, which was based on responses received from Board Members in post during the last academic year.

She reported that the Review had been satisfactorily completed based on questionnaire replies from eight governors. It was a positive exercise. The results have been discussed with the Chair. No issues arose.

The Chair of the Search Committee asked Members if they felt the Questionnaire used required adaptation or amendment and to let him know before the Search Committee next meets on 14 May when the structure of the Questionnaire will be reviewed.

**ACTION: CLERK**

### Meeting Days for Corporation/Committee Meetings 2018-19

The Board **NOTED** that it is now the case that each College Campus closes at 6.30 pm on a Monday evening and, therefore for Meetings scheduled on a Monday evening, estates staff need to be on site to staff the building and then secure it on departure by governors. This creates a cost.

The Board debated the future days on which Meetings should be held.

It was **AGREED** that no changes will be made with all Board Meetings and Committee Meetings, with the exception of the Audit Committee, continuing to be held on Monday evenings at 6pm. When relevant, the Search & Governance Committee and Remuneration Committee will meet at 4pm on these days.

**ACTION: CLERK**

Recording Governors' Names in the Minutes

The Chair **PROPOSED** that, to better evidence challenge in the minutes, a governor raising a question should be named in the minutes and the respondent to the query should also be named.

After some discussion, this was **AGREED**.

**ACTION: CLERK**

**11. Forthcoming Events (Paper FEC.18.04)**

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

The Chair reminded the Board that the College FE Student Awards and Celebrations are due to be held in June (specific dates to be advised) and Governor attendance is encouraged as there was little representation from the Board last year, which was disappointing.

**ACTION: CLERK**

**12. Date of Next Meeting.**

Monday 9 July 2018 at the Southend Campus at 5.45 pm.

There being no further business, the Meeting terminated at 8.20 pm.

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