

EASTLEIGH COLLEGE BOARD

MINUTES OF THE FULL BOARD MEETING

WEDNESDAY 25 MARCH 2020, 1700hrs 'Virtual' meeting on-line

Present:

Jon Sendell (Chair)
Angela Cross-Durrant
Councillor Judith Grajewski
Bernie Topham
Natalie Wigman
Steve Johnson
Dr Jan Edrich (Chief Executive and Principal)

In Attendance:

Paul Cox Chief Executive and Principal designate
Kevin Jones, Vice-Principal (Finance, Funding and Management Information)
Dr Chris Davis OBE, Clerk to the Board

B.08.20 MEMBERSHIP & BOARD MATTERS

i Apologies

Apologies were received from Jem Musselwhite, Shirley Nellthorpe, Mairead Taylor, Gemma Baker Julie Richmond and Shannon Patterson.

ii Declarations of Interests

There were no declarations of interest declared.

iii Minutes of the Meeting held on the 29 January 2020

The minutes of the meeting held on 29 January 2020 were agreed and signed as a true and accurate record.

iv Matters Arising

There were no matters arising.

B.09.20 TO APPROVE

i College Strategy 2020-2024

Mr Cox took Governors through a post-consultation document, which outlined the following headings:

- Mission
- Vision
- Values
- Proposed strategic priorities
- Proposed strategic objectives
 - Sustainability and Direct Delivery Growth
 - High Standards and an expectation of excellence
 - Reputation and brand
 - Forward scanning
- Current Timeline (January to July 2020)

Questions from Governor followed:

- Collaborative/cross Solent approach, working with other colleges
 - *Mr Cox stated that collaboration was a key aspect within the 'forward scanning' strategic priority, recent examples include the Hampshire IoT EOI submission with Basingstoke College of Technology and the University of Portsmouth, and the SEND employability hub applications made in partnership with HSDC and the Lighthouse Trust*
- Clarity of term 'remission pool' under Forward scanning

- *This was in a staff perspective; reallocation of working hours, potential to use any spare hours to look at business development of potential new provision*
- Concerns about the assumption that during the next 3 years and the College's objective to break-even, was this realistic and achievable?
 - *The curriculum plans and draft I&E financial modelling have been through both Standards and F&GP for deeper discussion following the January board meeting. Scenario 7 is being modelled carefully by Mr Jones and will be subject to sensitivity analysis. , This modelling and testing would be accompanied by feedback from FEC and the ESFA and would be brought back to the Board in May. The board were reminded that the scenarios presented in January included those where the College no longer remained viable and would likely require a structural solution. Scenario 7 does require the college to urgently change and adopt a way of working very different to the last 10-13 years.*

The Chair asked for clarity over the decision the Board needed to make at this meeting.

Mr Cox responded by saying that the Board needed to indicate it was comfortable with the strategic direction, subject to any material changes as a result of the proposed financial modelling of scenario 7. The financial modelling and final strategic plan would come back to the Board meeting in May 2020.

Councillor Grajewski commented that she felt the plan was really beneficial document providing a sound overarching ambition for the College.

Governors' indicated that they were comfortable with the strategic direction, subject to any material changes as a result of the proposed financial modelling of scenario 7. The financial modelling and final strategic plan would come back to the Board meeting in May 2020.

ACTION: SMT

ii New Lloyds Bank Loan Facility

Mr Jones reminded Governors that a proposed minute referring to the new Lloyds Bank loan from Zander Rawlins of Womble Bond Dickinson (UK) LLP (WBD) had been sent by the Clerk to all Governors on the 23 March 2020.

He confirmed to Governors that no paper work had been received from Lloyds bank, he was therefore waiting for the new terms agreement on the existing loans to extend them for a further year. He reminded Governors that originally Lloyds had delayed the extension of the loan because the covenants were breached; the bank had now agreed to extend the loan for a further year.

He confirmed that when the paper work did arrive it would confirm that the terms of the facility and the payments would be unchanged. The covenants would be changed from the 1 April 2020 and will be slighter stricter. The new date on the loan will also be changed to the 31 March 2021.

A further negotiation for extension of the loan will take place in September 2020, when it is hoped that the financial position of the College will be better and there may be an opportunity to negotiate a longer loan term.

He asked Governors to approve the proposed wording of the proposed minute (see Annex A, DOC, 160666343(4), Eastleigh – Board Minute) referring to the new Lloyds Bank loan from WBD and the ability for the Board to create a 'Subgroup' of Governors to agree the new loan when it finally appears from Lloyds bank. The 'Subgroup' proposed consists of the following members:

- Jon Sendell (Chair of the Board)
- Natalie Wigman (Vice-Chair of the Board and Chair of Standards Committee)
- Steve Johnson (Chair of Finance and General Purposes)
- Dr Jan Edrich (Chief Executive and Principal)
- Paul Cox (Chief Executive and Principal designate) in his role as Deputy Accounting Officer

It is a requirement for at least two of these four Governors and or the Deputy Accounting Officer (in lieu of the Chief Executive and Principal's absence) to approve the agreement (post due diligence) to extend the existing loan for a further 12 months.

Governors' approved the proposed minute (Annex A, DOC, 160666343(4), Eastleigh – Board Minute) referring to the new Lloyds Bank loan from Womble Bond Dickinson (UK) LLP and the new Lloyds Bank Loan Facility (post due diligence); the Chair signed on behalf of the Eastleigh College Board.

Further questions followed concerning the following points:

- The monitoring of financial forecasts and the impact on the College of the Coronavirus (needs to be carried out daily)
- The potential of financial risks going through the roof
- The risk is live and unfolding on an hourly basis
- Risk management

iii Finance, Board Resolution

Governors' approved the formation of a 'Sub group' to approve the agreement to extend the existing loan for a further 12 months (post due diligence).

B.10.20 TO RECEIVE

i Integrated Financial Model for Colleges (IFM)

Mr Jones made Governors aware that this was something that the ESFA required Governors to approve before submission, a process that had been deferred to the Finance Committee because of timing. Each individual Forecast will consist of Income & Expenditure, Balance Sheet, Cash flow and ESFA Financial Health. The College's Forecasts have been submitted after approval at the F&GP meeting in February to meet the required deadline of 28 February 2020 using the new Integrated Financial Model for the first time.

Mr Jones took Governors through the new IFM:

- Statement of Comprehensive Income
- Balance Sheet
- Cash projections
- Assumptions (as presented to Finance and General Purposes Group in February ahead of submission)
- Annex A checklist to be shared with Governors, which covers the treatment of income and expenditure alongside risk and prudence. Dr Edrich said she would forward the checklist to Governors when completed.

ACTION: JE

Mr Jones highlighted the surplus/deficit line from the Statement of Comprehensive Income, which showed a forecast surplus of £407k for 2020, £86k for 2021 and £113 for 2022. He felt that the current forecast presented here is overstated, with his current workings showing the latest surplus for 2020 being closer to £100k.

He concluded by taking Governors through the next actions:

- the College has used the unlocked version of the IFM to create a version with the capacity for three additional years to be populated which would support the necessary strategic testing of Scenario 7.
- the unlocked version is being sense checked for cash movements as the surplus levels should lead to cash growth
- two additional years have been drafted and added into the unlocked version and this is now been checked and verified (data correct and formulae working correctly)
- College is also modelling financial impact of Coronavirus and this will be modelled through the IFM to understand the short term impact and medium term
- Financial impact modelling includes a number of scenarios and guidance is changing daily as to what support the College may receive
- Mr Johnson felt that the model was a top down process, the College ended up with small surpluses each year, which would be very challenging in later years because of managing the fixed costs downwards. There was he said a need to fine tune this model to build-up a bottom-up state going forward.
- *Mr Jones responded by saying that the IFM is built from the bottom up, the detail is loaded by income and expenditure line and includes month-by-month detail.*

Governors' received the Integrated Financial Model for Colleges.

(Confidential item)

ii Legal Advice on Alternative Structure Solutions update

Mr Cox explained that this was an action from the January 2020 Board meeting. This related to the item referring to the potential for acquiring income opportunities for the College from one or more of our Sub-contractors.

Further discussion had taken place and he reported that as a result of those discussions only one Sub-contractor remained to pursue further negotiations.

A solicitor has been engaged to advise on a subsidiary model; the advice to date is that we could possibly pursue a company limited by shares, sitting within the incorporated body of Eastleigh College. The Sub-contractor would therefore cease to trade at Company's House and become part of Eastleigh College Ltd.

The result of this engagement with the Sub-contractor would be brought back to the May Board to consider, with the view to incorporate from 1 August 2020.

Governors' received the update on the Legal Advice on Alternative Structure Solutions update.

(End of Confidential item)

iii Coronavirus Action Plan and Related Financial Modelling

Dr Edrich and Mr Cox provided an update on the measures being taken by the College during the Coronavirus pandemic, together with the related financial modelling.

Dr Edrich said that the campus had been condensed into three blocks, the two new blocks and the Technical block had been shut. The remainder of the College was open for vulnerable learners. The Government has asked that colleges remain open during the Easter break for these vulnerable learners.

The College staff were learning how to use different 'platforms' and resources to provide on-line learning opportunities for learners. Technicians were still working at the College to provide the on-line support required.

She said the College is falling in between the cracks of being a school and a business. The situation is a difficult one, with no expectation on delivery. Apprenticeship funding will only be provided for those that the College already has on its books and those who progress. Funding is available for existing apprentices and new enrolments but it is hard to know what business will do with their apprentices.

In terms of the Commercial work, she reported that the College has no idea how it is going to compensate for the lack of income. Dr Edrich concluded by saying that there is a lot of work and focused dialogue between the FE sector and the Treasury to try and resolve the many issues now being experienced.

Dr Edrich said that the other thing, which needs further clarification, is the examinations.

Mr Cox reported that as of the 25 March 2020 that had been a change to the College calendar, mandatory annual leave had been introduced for staff across the College, there will be no carry-in from this year and the period from Easter to the May half-term there will see some mandated annual leave introduced to enable full capacity for June, July and August to finish off this academic year in full and to enable enrolment to take place.

No staff had yet to be furloughed, as there was still enough work for all members of staff to be getting on with. This position may need to be reviewed and further explored at a later date.

Questions from Governors followed:

- Mrs Cross-Durrant asked about students being able to enrol in the normal way or through a 'virtual' process.
 - *The College's working assumption is that there will be physical enrolment at the end of August, however without any GCSE results and without any other qualifications the IAG process will face a constant review to ensure learners find themselves on the right courses.*
- Mr Johnson asked about the risk assessment of the health risks of those vulnerable learners attending College and what the Government position was on this.
 - *Dr Edrich said that this was a Government requirement at the present time and that the College was obliged to take all vulnerable learners as a service requirement.*

Mr Cox said the College was stringently following the Government's comprehensive guidelines for social distancing.

iv, v Gender Pay Gap Submission and Gender Pay Gap Action Plan

Dr Edrich reported that the report indicated a worsening situation over the past 12 months with the mean hourly rate difference dropping from 7.6% to 11.86%, with a median increase of 1.49%.

She reported the change identified from the previous report focusing on the 2 upper quartiles with the data as follows:

- Upper Middle is 53.49% male and 46.51% female
- Upper is 40.23% male and 59.77% female

She confirmed that all the salary scales are the same across the College; the action plan will now source an independent review of the College's recruitment campaigns to ensure unconscious bias is not taking place. There will also be a development of inclusion groups to establish focus groups to review the processes, to discuss and identify potential barriers to enable the College to take positive steps.

Dr Edrich concluded by saying that the report would be uploaded to the website at the end of March.

Governors' received the Gender Pay Gap Submission and the Gender Pay Gap Action Plan 2019/20.

vi FE Commissioner's Visit

Dr Edrich reported on the FE Commissioner's (FEC) diagnostic visit (albeit by the use of virtual meetings/discussion and thus more of a strategic review than a diagnostic assessment) on the 24 March 2020. She said that a huge amount of data/financial reporting/QIP/strategic plans/SAR had been sent to the Commissioner's office before the visit took place. A strategic interchange was undertaken between the team from the FEC and the College, with the conclusion most likely being a letter, which will provide their key thoughts and advisory points.

Dr Edrich provided Governors with a summary of the key points that the FEC did pick up:

- Significant appropriate reshaping taking place in response to the multiple financial pressures, which had occurred very rapidly
- They picked up on the good commitment from the staff
- The scale of the strategy shouldn't be underestimated, but agreed with the general direction of the strategy
- They noted that the Board and the Clerk was very strong
- The timely actions of the College over reducing staff costs
- The timely actions of the College over reducing sub-contracting
- Very impressed with the achievement and attendance rates
- And the improvements in the study programme
- The new Strategic plan, positivity around finance and stress testing
- Actions taken by MIS to speed up the data reporting and overcoming the backlog issues

The FEC did come up with three advisories:

- The financial testing of the strategic plan modelling (Scenario 7) prior to Board approval
- The Board needs strengthening/recruitment/co-opting, especially members more financially qualified
- QIP and SAR was felt to be too detailed and might be better focused if these were streamlined

Governors' received the verbal report from the FE Commissioner's Visit.

**B.11.20 Date of the next meeting:
Wednesday 6 May 2020, 1700 hrs**

Board and Training Event,

There being no further business, the meeting closed at 1830hrs.