

Meeting of the Board of Governors

Supplement for information

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Minutes of the meeting of the South Bank Colleges Board

**held at 4.00pm on Tuesday, 4 May 2021
Meeting via Microsoft Teams**

Present

Ruth Farwell (Chair)
Andrew Owen (Vice-Chair)
Steve Balmont
Sue Dare
Nigel Duckers
Jacqui Dyer
Mee Ling Ng
David Phoenix

Apologies

Shakira Martin
Theresa Quinton

In attendance

Michael Broadway
Richard Flatman
Paul Ivey
Rachel McCafferty
Fiona Morey
Jacqueline Mutibwa
Wayne Wright
Moriam Folawiyo – SU Rep (item 8)

1. Welcome and apologies

The Chair welcomed the trustees to the meeting. The above apologies were received.

The Board had just received an informative development session on the new Ofsted inspection framework, which was delivered by Kam Nandra an educational consultant and specialist in preparing colleges across the UK for Ofsted and FE Commissioner visits.

Introducing Wayne Wright, the new Lambeth College Deputy Principal and Lead on Quality

Wayne Wright gave a brief update to the Board about his background, achievements and plans for the College. He will be responsible for quality, standards of provision, raising standards of student attainment and preparing the College for the next Ofsted Inspection visit. The Board welcomed Mr Wright to the College.

2. Declaration of Interests

No member declared an interest in any item on the agenda.

3. Minutes of the previous meetings

Meeting held on 17 February 2021

The Board approved the minutes of the meeting held on 17 February 2021 as an accurate record, subject to an amendment and their publication, as redacted.

4. Matters arising

The Board noted the update on matters arising from the previous meeting.

5. Update on Equality, Diversity and Inclusion (EDI) Matters

The Board discussed an update on EDI work being undertaken by the College in ensuring that EDI is a key component of the college's vision, values, behaviours and culture, and central to SBC strategy.

The Board discussed:

- the EDI framework and that an EDI project lead had been appointed to fully embed all aspects of EDI across the College and would be supported by the LSBU EDI Group Director.
- the new EDI Working Group that had been formed to lead on all aspects of EDI work.
- the EDI action plan. The EDI project lead and EDI Working Group would develop a new updated action plan with KPIs and targets, which would be shared with the Board.

The Board welcomed the update and noted the good progress being made, emphasizing the importance of delivering the action plan.

6. Executive Principal's Report

The report provided an update on the key areas of the college since the last meeting in February 2021.

The Board discussed:

- an update on the College situation in regard to Covid19 and the educational delivery since the students return to College (from 12 March 2021) in line with government guidelines. Students and staff were being offered support. Future ways of learning and working post-pandemic are being considered by management.
- DfE guidance that was published in March 2021, regarding the arrangements for awarding of qualifications at the end of the academic year 2020/21. There was concern about the predicted drop in 2020/21 achievement compared to the previous year. Attendance performance was also an area of concern. Retention was positive and in line with last year's performance and above the national average. Further work needed to be undertaken to improve the outcomes. The Quality & Improvement Committee would discuss further in detail the performance on achievement and attendance and any concerns would be brought to the attention of the Board.

- student recruitment 2020/21, the College growth target for students had not been achieved which would have a negative impact on the budget for 2021/22. There was a risk of ESFA and GLA claw back.
- work being undertaken on business planning for 2021/22. The strategic focus continued to be: growth in 16-19 year old provision, to reduce reliance on sub-contracting and partnership delivery, and delivering a sustainable cost effective model. Curriculum planning work was underway which included, the introduction of new courses to support the career progression pathways; new sector based employability and digital skill courses and the new adult gateway curriculum focused on pre-employment and work training programmes.
- an update on planning for the new technical college at Vauxhall. The Board noted the proposed name of the new technical college was London South Bank Technical College. The brand proposition documents would be circulated to the Board. Curriculum planning work for the STEAM centre (Block 'A' at Vauxhall) was underway and the new brand and offer would be launched in September 2021 for student recruitment for 2022/23.
- the rescheduled Deputy FE Commissioner and FE Adviser visit to the College to undertake a progress review specifically linked to the College's special designation status and unique FE/HE Group model would be held on 30 June/1 July 2021. Ofsted would resume visiting colleges in the autumn term and the College's inspection would be in 2021/22.
- a positive achievement, the College had been shortlisted for two TES FE Awards for best teaching & learning initiative and support for learners. The ceremony would be held on 28 May 2021. Staff were congratulated on being shortlisted.

7. Update on Estates Programme

The Board was provided with an update on the Nine Elms STEAM Centre (NESC) at Vauxhall.

It was noted that the demolition works on the Vauxhall site had resumed.

A progress report on the NESC project was provided. The Board noted:

- that the contract with Graham Construction for the construction of Block 'A' had been signed and construction had commenced.
- that due to project delays, the grant funding spend had again fallen short of GLA expectations for the year 2020/21 and that a new Deed of Variation was being negotiated to recover the 2020/21 underspend.

The Board discussed the importance of IT and technology in the new buildings and was updated on progress of the College IT strategy.

The Board requested for a progress update on the development of the NESC Vauxhall site after the monthly project meetings.

8. Update from the Students' Union President

Moriam Folawiyo joined the meeting

In the absence of the Student Union (SU) President, Moriam Folawiyo SU representative was invited to the meeting to update the Board on SU matters. The Board was not able to receive an update on SU matters due to technical issues. The Board thanked Moriam Folawiyo for preparing the report and attending the meeting. The SU report would be circulated to trustees.

Moriam Folawiyo left the meeting

9. Chief Financial Officer Report, Update on 2020/21 Budget Performance and Budget Planning 2021/22 onwards

The Board discussed:

- the management accounts as at 31 March 2021, noting that these were the first set of management accounts to be produced following the extended LSBU IT outage. Due to the IT outage, the March management accounts were not fully complete. The Board expressed its concern about the long period of time without access to complete financial data and received assurance that the April 2021 management accounts would be complete. Reassurance was also given that adequate controls had been maintained. It was noted that the IT systems had resumed operation and the recovery work was underway.
- that the full year forecast was trending towards a deficit of £2.5m (before pension costs) against the previous forecast of a deficit of £2.25m. The Transition Unit grant covers the deficit. There was then only 12-18 months of runway left of the grant.
- the key risks to delivering the 2020/21 budget, including reduced student income due to the impact of the Covid19 pandemic and subsequent lockdowns. In addition, there was a risk of ESFA and GLA claw back of funding for achievement levels 2020/21.
- the balance sheet position which had been updated to include KPIs to reflect the revised FE Commissioner financial benchmarks published in February 2021.
- the ESFA Covid19 cash flow return for April 2021 which was a risk-based return and would be submitted by 30 April 2021. CFADs monitoring return as at 30 April 2021 was due at the end of May 2021.
- an update on progress being made on delivering the cost saving strategies to manage the 2020/21 budget position, discussed at the meeting in January 2021. It had not been possible to introduce all the measures to implement savings. However, contracts for some operating costs had been reviewed and that significant savings and efficiencies were expected to be realised later in the year.

- the development of budget 2021/22 and a 3-year financial sustainability strategy which was informed by the report and findings from the external benchmarking exercise carried out by Tribal Consulting. The key findings were outlined in the report. The strategy was also driven by assumptions and key objectives set out in the report along with the modelled target outcomes.
- the key budget management strategies included; an increase in the level of in-house curriculum delivery, improved efficiencies in the curriculum delivery, changed approach to the curriculum delivery and improved course contribution rates, savings on staff costs and management of other costs.
- the challenges in achieving the target improvements identified in the Tribal report and the key risks were; growth in student recruitment in particular 16-18 year old provision (uncertainty due to the current situation), ensuring continuing high levels of curriculum delivery, new revenue opportunities and delivering a cost effective sustainable curriculum model.

The Board expressed its concern about the College's financial situation and the challenge in achieving a break-even budget agreed with DfE on the College's turnaround in an appropriate timescale.

The Board noted:

- that a more aggressive approach to delivering the strategies would address the budget deficit especially through growth and delivering a cost effective sustainable curriculum model.
- that further work needed to be undertaken on budget planning 2021/22 including Board input; challenging and reviewing the assumptions in the budget planning report, reviewing the proposed areas of savings, further measures and interventions that would need to be considered to achieve the required savings and further consideration on the 3-yr strategy.
- that an update on budget planning and the management accounts would be discussed further at the forthcoming meetings. The 2021/22 budget approval would be sought at the next Board meeting in July with further discussion and an update on progress at the June strategy meeting.
- that the April 2021 management accounts would be circulated as soon as they were available.

10. Health & Safety Annual Report - December 2020

The Board discussed the annual group health, safety and wellbeing report 2019/20.

The Board noted the health and safety developments and in particular the significant work on Covid19 arrangements and the various wellbeing support initiatives progressed at the College.

The Board noted that mental health and stress were the main reasons for staff absences.

The Board thanked the Group Health & Safety team for the comprehensive report and support provided to the College. The Board noted the good progress that had been made on health, safety and wellbeing.

11. SBC Estate Disposal and Development

The Board discussed the proposed disposal strategy for part of SBC's Clapham and Vauxhall sites. The preferred approach was to accept the offer made by London Realty for a new gateway provision building at Clapham plus a cash amount of £77.9m.

The Board noted:

- that the development costs for Vauxhall and Clapham required selling 'block C' at Vauxhall and much of the present campus at Clapham. The disposal strategy aimed to raise capital by maximising the assets' value and hence reduce the financial risk and project timescale. The challenge was the shortfall in the capital raised by disposal that was needed for the development.
- that a number of approaches to the estate disposal had been considered and had evolved to both close the shortfall in capital and minimise development risk.
- that in 2019, Avison Young (AY) was consulted and their report showed a capital shortfall of £5m-£8m. In 2020, the disposal approach was further considered by Jones Lang Lasalle (JLL). The report suggested that the capital shortfall could be reduced if a slightly revised disposal approach was adopted and if SBC gave up the frontage at Clapham overlooking Clapham Common.
- that the challenge with both disposal approaches was the uncertainty in the market following Brexit and the unknown post Covid19 environment affecting both disposal and development valuations. There were also challenges inherent in a piecemeal market approach to asset disposal and building development which would increase project delivery time and delay the educational delivery and SBC turnaround.
- that in 2021, a different disposal approach was presented by a developer, London Realty that suggested that the shortfall could be reduced further and give greater confidence in both financial planning and project timescales.
- that the disposal approach from London Realty to purchase the two sites in one transaction provided a net cash sum greater than the market value advised by either AY or JLL and also provided a new gateway provision building at Clapham.
- that on 13 April 2021, SBC board members, LSBU MPIC committee members and LSBU group Executive received a presentation from London Realty including a draft Heads of Terms covering timing and amount of payments. On 21 April 2021, the LSBU group Executive further discussed in detail the London Realty offer and agreed in principle to recommend partnering with London Realty, subject to satisfactorily resolving the outstanding matters as set out in the report.

- the changes to the planning process, as advised by Lambeth Council. The pre-planning process may now take up to nine months, though it was hoped that this could offset the work required during the full planning process. The implications for the opening date at Vauxhall were noted.

Steve Balmont left the meeting

The Board challenged the Executive on whether some part of the frontage on Clapham Common could be retained as part of the deal. It was noted that the proposed offer by London Realty was based on SBC giving up the entire frontage facing Clapham Common and retaining any of the frontage would likely result in a vastly reduced offer from London Realty.

The Board noted the work that should be undertaken prior to seeking final agreement and received assurance that it would be:

- the draft heads of terms would be negotiated with London Realty; confirmation of the monies to be transacted, net of the costs of building the new gateway college at Clapham and that the risk of the construction rests with London Realty.
- that the SBC Board would consider and be fully satisfied with the due diligence of London Realty and of its directors (financial and fit and proper person examination) undertaken by AY. The Board noted that the due diligence, when complete, would be made available to both the SBC Board and LSBU's Major Projects and Investment Committee for information and comment as soon as it becomes available.
- the Board noted the legal advice from VWV to the SBC Board on trustees' legal duties and responsibilities.
- the revaluation of the capital disposal and development costs including an update on construction costs for 'block B' and 'block D' at Vauxhall, and SBC costs for final fit out of the gateway college at Clapham.
- that DfE agreement on the disposal approach to SBC 'assets' from London Realty would be required and was being sought; that the JLL report is deemed adequate as a valuation report as a substitute for a surveyor's report.

The Board agreed in principle only, at this stage, to partner with London Realty and that final agreement would be sought at an additional SBC board meeting to be held at 4pm on 21 June 2021. The Board noted Nigel Duckers' dissent to giving in principle approval. Mr Duckers requested that negotiations with London Realty are conducted to assess whether, as part of the deal, a part of the Clapham Common frontage could be retained by the College or whether the current 'A' Block at Clapham could be retained to form the Gateway College. LSBU consent to the transaction would be sought at a joint Board and MPIC meeting on 24 June 2021.

12. SBC Strategy - KPI and Milestone framework

The Board discussed the proposed KPI and milestone framework linked to the SBC strategic plan and fit in with the Group framework and would enable the delivery of the overarching goals.

It was noted that the dashboard was 'work in progress' and would be reviewed quarterly to monitor progress being made and areas of risk. The College Leadership Team would monitor the progress made at the operational level.

The Board approved the 5-year KPI dashboard.

13. Career Strategy

The Board discussed and approved the College's careers strategy.

14. Declaration of Interests – Update

The Board authorised the declared interests of Steve Balmont, LSBU nominee trustee.

15. Board Effectiveness Review Action Plan

The Board noted the Board Effectiveness Review Action Plan.

16. Any other business

Update on IT Strategy

The Board was updated on progress of the College IT strategy, which would be taken forward by the new Group Director of IT who would start on 4 May 2021.

Board Reports

The Board expressed its concern about the number of late reports and requested that the matter is addressed as part of the board effectiveness review action plan.

Resume face-to-face meetings

It was suggested that face-to-face meetings should resume at Lambeth College when possible following government guidance.

**Date of next meeting
4.00 pm on Wednesday, 9 June 2021 – strategy meeting**

Confirmed as a true record

(Chair)

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**Notes of the South Bank Colleges Board Strategy Day
held at 4.15pm on Wednesday, 9 June 2021
Meeting via Microsoft Teams**

Present

Ruth Farwell (Chair)
Andrew Owen (Vice-Chair)
Steve Balmont
Sue Dare
Nigel Duckers
Jacqui Dyer
Shakira Martin
Mee Ling Ng
David Phoenix

Apologies

Theresa Quinton

In attendance

Michael Broadway
Philip Cunniffe
Clare Dignum
Alistair Dunkwu
Romy Jones
Monica Marongiu
Rachel McCafferty
Fiona Morey
Jacqueline Mutibwa
Ralph Sanders
Sammy Shummo
Wayne Wright
Phillip Moseley, Tribal Group
Alison May, Lambeth Council

1. Welcome and apologies

The Chair welcomed the trustees to the meeting.

2. Strategy Overview – Fiona Morey, Executive Principal of Lambeth College

The Board was presented with an overview of the strategic work being undertaken to build a high performance college that would deliver its vision to transform lives, communities, business and society through applied education and insight and strategic ambitions.

The challenge was achieving the DfE expectations on the College's 3-year turnaround linked to quality by an Ofsted "Good", growth through the Technical College and

Gateway College and financial sustainability by achieving an operating budget with a 1% surplus.

3. Tribal Data - Presentation by Phillip Moseley, Tribal Group

The Board was presented with the current financial performance of the College using Tribal benchmarking. The Board discussed the key findings:

- The profile of provision was different to other benchmark colleges: no higher education and higher adult education and high needs.
- Reliance on sub-contracting activity which had an impact on the overall financial position (17% of total revenue generated and was £1m more than other colleges), suggesting it should be brought in-house or delivered more efficiently.
- Core activity. Income was £17.5m, expenditure was £21m leading to a 20% deficit which was unusual. The cost of delivering teaching for the same volume of tuition income was more compared with other colleges.
- £3.51m core financial efficiency was needed to 'break-even' and £4.63m to align with other London Colleges.
- The key variance and high cost area was teaching activity. The pay and the teaching delivery costs were significantly higher than other colleges. This may be due to the specific circumstances of the college such as a greater number of 'high needs' students than the benchmark.
- The significantly high spend on estates non pay costs.

It was noted that further work would be undertaken on data modelling/scenario planning to ascertain what the matrix would look like if Lambeth College had the same size as other colleges. A breakdown of the teaching activity would be provided to the Board.

The Board recognised the findings from the report and that there were many ways to address the issues raised and in particular, delivering a more cost effective curriculum. However, it was also important to manage any changes without disrupting the College's work.

FE Commissioner benchmark data linked to KPIs - Presentation by Rachel McCafferty, Lambeth College CFO

The Board was presented with what 'Good' financial performance would look like in the future in light of the revised FE Commissioner financial benchmarks published in February 2021.

The Board discussed:

- the 2020/21 financial KPIs that needed to be achieved in order to meet the FE benchmark and the financial strategy to develop a financially sustainable operating model making the best use of available resources.
- the challenges concerning the changes that were required to deliver a cost efficient curriculum bearing in mind the College's students' profile (high proportion of 'high needs' and adults) and achieving the needs of the local community.
- the 2020/21 budget had not achieved the intended goals i.e. reducing the £2.7m operating budget deficit as the agreed savings strategies had not been achieved. The reason for this was it had been an exceptional year and the pandemic had an impact on growth target, operating costs and the ability to achieve the savings on staff costs. There were challenges in achieving a sustainable position by 2022/23 and the budget management strategies needed to be implemented.

The Board expressed its concern about the challenges in achieving the FE Commissioner's and DfE expectations on financial performance. The Board noted:

- that growth targets had not been met due to delays on the project delivery of STEAM Centre and its impact on the educational delivery, SBC turnaround and the financial position.
- that a more cost effective way of delivering learning needed to be considered including the role of staff in delivering the changes and the budget savings strategies that were needed to achieve the required savings. A number of strategies needed to be considered to address the financial performance such as changing the subject and qualifications mix to achieve growth combined with savings in the meantime.
- that further work needed to be undertaken on the budget modelling to challenge and review the budgets and forecasts, cost analysis and have a better understanding of the financial situation.
- that a step change was needed to improve the financial and growth performance and get the College KPIs in line with the FE Commissioner's expectations and also achieve the DfE break-even budget position.
- that the 2021/22 budget planning would be discussed further at the Estates Disposal and Development meeting on 21 June 2021. The 2021/22 budget approval would be sought at the next Board meeting in July 2021.

4. Quality and Progress since the last full Ofsted Inspection in May 2019 - Presentation by Lambeth College Leadership Team

There were six main areas for improvement identified by the Ofsted inspection of the College carried out in May 2019 which were; developing learners' English and Maths, improving attendance at lessons, providing better support to apprentices so that timely achievement improves, planning & delivering learning to meet individual learning

needs, learners know what progress they are making & what they need to do to improve, and continuing to implement strategies to improve the quality of Teaching, Learning & Assessment (TLA).

The Board discussed the actions that had been put in place to address the areas for improvement, the progress and impact made since the last inspection.

The Board noted the preparation work for the Ofsted visit which was anticipated in the autumn term 2021/22. It would be the College's first Ofsted inspection under the new Education Inspection Framework (EIF) which was significantly different from the previous inspection framework.

5. Growth:

Gateway College – Presentation by Monica Marongiu, Assistant Principal Curriculum Innovation

The Board discussed the Gateway College's vision, curriculum provision and planned growth. The curriculum offer focussed on employers' needs and upskilling/reskilling the workforce in key areas such as Health & Social care and hence the launch of the Health Centre at Tabard Street. A new Adult Gateway department (within the Gateway faculty) had also been launched to address the needs of unemployed or furloughed individuals and local employers as a consequence of the Covid19 pandemic. The Board noted the 10% planned growth in the next five years and that the quality of provision would be maintained.

London South Bank Technical College – Presentation by Romy Jones, Project Director

The Board discussed the curriculum strategy and planned growth for the London South Bank Technical College at Vauxhall. The curriculum had been aligned to the GLA skills policy, Lambeth Council's adult skills strategy and the labour market. The curriculum strategy focused on growth targets for L3-4 provision and apprenticeships.

Apprenticeships – Presentation by Philip Cunniffe, Assistant Principal Student Success and Sammy Shummo, LSBU Group Director Apprenticeships

The Board discussed the apprenticeship strategy, offer and delivery which was aligned to the LSBU group. The apprenticeship organisational structure was unique within the sector, the model offered the benefits of shared staff resources and a joint approach to the apprenticeship delivery and management which would improve the quality of the apprenticeship experience and outcome and was a cost effective model. The Board noted the 5-year plan for apprenticeships which was aligned to local and national priorities for skills.

6. Lambeth Council Workshop - Presentation by Cllr Jacqui Dyer and Alison May, Assistant Director Skills and Employment at London Borough of Lambeth

The Board received a presentation on the Local authority context on skills & employment. The key message was the severity of unemployment in the Borough of Lambeth (forecast to have the highest numbers of unemployed residents), a disproportionate impact on minority groups and the post pandemic recovery indicated high skilled jobs growth i.e. upskilling and not reskilling.

The Board discussed how SBC could work with Lambeth Council to deliver its skills & employment strategy. The Board discussed:

- the role of the College as an anchor organisation in South London and how it could support the Council address the disproportionate matters discussed in the presentation. The skills strategies for both organisations were closely aligned and the College needed to consider how it could provide the services needed to deliver the Council's strategy.
- the connectivity of the LSBU group organisations in partnership with NHS needed to be fully utilised to enable a more collaborative approach in delivering the needs of the local community.
- the skills strategy should consider more effective working with local businesses to support pathways to work. Enterprise skills in order to stimulate entrepreneurship and provide support to SMEs and startups hence creating opportunities and facilitating partnerships.
- a curriculum strategy that would meet the needs of the local community and would include; a greater emphasis on English & Maths, more higher qualifications, good quality apprenticeships, gateway provision that enable long term aspirations, pathways that would encourage long term learning and transform students' lives.

7. Summary and close

- The Gateway college and Technical college had the potential to meet the local skills needs.
- The priority was to manage the challenges concerning DfE and FE Commissioner expectations on quality, growth and finances and the expected Ofsted inspection. A more effective use of finances and resources and growth forecasts that were realisable was needed to improve performance. The need to work with staff to deliver the regulatory expectations should be borne in mind and the improvement strategies should be cost effective and sustainable.
- The Board supported the Council's skills & employment strategy and that it was closely aligned to SBC strategy.

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Minutes of the meeting of the South Bank Colleges Board
(Estate Disposal)

held at 4.00pm on Monday, 21 June 2021
Meeting via Microsoft Teams

Present

Ruth Farwell (Chair)
Andrew Owen (Vice-Chair)
Steve Balmont
Sue Dare
Nigel Duckers
Jacqui Dyer
Shakira Martin
Mee Ling Ng
David Phoenix

Apologies

Theresa Quinton

In attendance

Michael Broadway
Stephen Lamont
Richard Flatman
Paul Ivey
Rachel McCafferty
Fiona Morey
Jacqueline Mutibwa
Carol Rose
Wayne Wright

1. Welcome and apologies

The Chair welcomed the trustees to the meeting. The above apology was received.

2. Declaration of Interests

The Board noted that David Phoenix is a director of both LSBU and SBC. The Board agreed that this did not lead to a conflict of interest in the proposed London Realty transaction on the basis that SBC's and LSBU's interests in the transaction are aligned. Accordingly, the Board agreed that David Phoenix can participate fully in the decision-making of SBC in relation to this transaction.

The Board noted Cllr Dyer's previously declared interest that she is a Lambeth Borough Councillor and Deputy Leader of the Council.

3. SBC Estate Disposal and Development

The Board discussed the proposal from London Realty for the purchase by London Realty of SBC's Clapham site and 'Plot C' at Vauxhall, and the construction by London Realty of a Gateway Centre for SBC at the Clapham site.

At its meeting of 4 May 2021, the Board had agreed, in principle, to partner with London Realty and consider the due diligence report undertaken by Avison Young consultants which would inform a decision as to whether or not the proposal would be progressed.

The Board received a presentation on the overall income, expenditure and affordability of the entire estates programme at Vauxhall and Clapham sites. The Board discussed:

- the cost of developing the Technical College at Vauxhall (blocks 'A', 'B' and 'D') and making the 'Gateway Centre' from a suitable part of the campus at Clapham which was forecast at £88m and would be funded by GLA funding (for Block 'A') of £20m (to be 'match funded' by SBC) and the disposal of both Block C at Vauxhall and much of the present campus at Clapham.
- that SBC had engaged consultants Jones Lang LaSalle (JLL), Turner Morum and Avison Young to advise on the disposal strategy for the two sites 'block C' (Vauxhall) and Clapham. The reports indicated a value of £71.5m might be raised from the disposals which was insufficient to cover the cost of the Block 'A' match funding, the provision and fit out of Blocks 'B' and 'D' at Vauxhall and the upgrade of 'S' Block at Clapham for the required 'Gateway Centre' which was projected to cost £81.2m.
- the proposal from London Realty provided a net cash sum of £77.9m and a new building for the 'Gateway Centre' at Clapham which was greater than the market value advised by the consultants.
- the net cash receipt received for the transaction is forecast to lead to a £0.8m shortfall in funding the estates strategy.

Due diligence

Trustees had reviewed in detail the due diligence report on London Realty and raised questions by email.

The Board discussed the questions and responses attached to the report as appendices A – G. It noted a letter of comfort from Brecher solicitors acting on behalf of London Realty (appendix B) and that concerns raised about Parkside Clapham Holdings Limited would be kept under review.

Draft Heads of Term

The Board discussed:

- the draft Heads of Terms which was being finalised by Eversheds solicitors acting on behalf of SBC and Brecher solicitors acting on behalf of London Realty. The draft document and accompanying appendices were attached to the report (appendix H and 1-7).

- the total cash sum payable (minus the funds paid into the Escrow account by London Realty to pay for the Gateway Centre) was £77.9m and comprised: Phase 1 – total of £33.5m payable in September 2022; Phase 2 – total of £60.4m payable in September 2024. The project timeframe had been extended due to the changes to the planning application process.
- that the Heads of Terms were not legally binding. A contract would be entered into once planning permission had been obtained for the development of the scheme. This was expected in April 2022.
- that an Exclusivity Agreement was currently being negotiated.

Obligations of the Board

The Board discussed:

- the legal advice from VWV solicitors acting on behalf of SBC on trustees' obligations in relation to the proposed transaction. The Board noted that the approach taken on the proposed transaction complies with the trustees' (a) duties and responsibilities under company law and charity law (b) the obligations to the DfE under the Asset Deed.
- any personal liability that may arise for trustees in respect of the proposed transaction and whether the Directors' and Officers' (D&O) insurance policy in place was adequate to cover any issues that may arise.

{Secretary's note: At its meeting on 14 July, the Secretary confirmed that the D&O policy provided cover of up to £5m which included any legal defence costs}

Obligations to the DfE under the Asset Deed and the Amendment and Consent Deed

The Accounting Officer gave an update on discussions held with DfE on the proposed transaction. DfE had given its conditional consent to the disposals as proposed by London Realty. The conditions of DfE consent related to sharing of information and allowing DfE an opportunity to have an input. Ahead of final legal completion, DfE agreement to the 'Sales Proceeds' of the transaction was required. This agreement was awaited. The Board would be kept updated on the matters.

It was noted that LSBU consent to the disposal of any SBC's assets was required under the Governance agreement and would be sought at an LSBU Board meeting on 24 June 2021.

Having discussed the matter in detail, the Board:

- accepted the due diligence report prepared by Avison Young and the responses to the queries raised;
- acknowledged its duties under charity and company law and its contractual obligations to the DfE for the sale of the properties;

- resolved that the assets being disposed of are no longer required for or ancillary to delivering the education to students studying at the institution (as required under the asset deed with the DfE);
- resolved that the proposed use of the proceeds of sale is the best way to further SBC's charitable objects (as required under the asset deed with the DfE);
- noted that the DfE had given its prior written consent (through the Amendment and Consent Deed dated 14 January 2021) to the disposal of the assets (as required under the asset deed with the DfE);
- resolved that the terms of the disposal were the best that can reasonably be obtained for SBC (as required under the asset deed with the DfE);
- having taken into account the six matters above, in principle approved the draft Heads of Terms in substantively the form presented and that Board approval would be sought (via email) on any subsequent substantive variation to the agreed Heads of Terms and any related agreements.

4. Establishing a Project Working Group

The Board discussed the proposal to set up a project working group to provide oversight of the significant estates project that is based on the delivery of the new estates strategy consisting of the new London South Bank Technical College, Lambeth gateway college and the Brixton ESOL Centre.

The Board approved the setting up of a project working group and its terms of reference.

5. Three Year Financial Plan Discussion

The Board received a presentation on an update on budget setting 2021/22 and onwards within the 3-year financial planning framework.

The Board discussed:

- the context in which the 2021/22 budget and 3-year financial plan was prepared; to ensure sustainability within the framework of the transaction unit grant (TUG) of £13.75m, the delays on the project delivery of Technical College and its impact on the SBC turnaround plan, the impact of Covid19 on the delivery of 2020/21 budget (revenue growth), end of 2020/21 forecast of £3.3m remaining on the TUG and a proposed 2021 budget position of £1.4m operating deficit (before pension cost).
- the budget planning approach. The strategies focussed on; improving the underlying financial model, FE Commissioner's financial KPIs and sector benchmark performance.
- the keys strategies and assumptions within 2021/22 budget, focussed on increasing the level of internal delivery, implementation of the revised increased

45.5% departmental contribution rate, savings in staff costs which would include a 2.5% restructure target.

- the 3-year strategic approach. key strategies and assumptions made within the 3-year framework would include: growth in 16-18+ (ESFA) funding, increase in the level of internal delivery within the total grant funding, improve departmental contribution rates, reduce the high level % budget expenditure of staffing costs and cost savings on other operating costs.
- the budget strategies were driven by assumptions linked to curriculum delivery plans and student enrolment targets. Though the robustness of these plans had been challenged throughout the business planning process, they remain a significant risk to delivering a financially sustainable model.
- the 3-year financial model did not include the impact of the new provision at Vauxhall. Work was underway on the curriculum strategy and planned growth.

The Board was concerned about the College's financial position and whether the proposed budget strategies would achieve a financially sustainable operating model. The Board noted:

- that it was concerned about the budget assumptions for 2021/22 and onwards which relied heavily on student growth. Flexibility was essential to review and adjust the budget, in case the targets were not achieved and that prompt action would be taken on reorganisation of the staff structure. Student growth targets were key to delivering the proposed 2021/22 budget and reducing the deficit further in future years. If it was unachievable, a contingency plan with further interventions would need to be implemented.
- that the budget strategies were informed by the external benchmarking exercise carried out by Tribal Consulting. The key findings were that staff pay and teaching delivery costs were relatively high and staff productivity was relatively low compared to the benchmark. Work needed to be undertaken to address the underlying inefficiencies in the curriculum delivery and also consider the staff structure that would be sustainable to deliver the future curriculum model. A cost effective curriculum delivery model needed to be in place when the new technical college starts operating.
- that staff expectation on pay awards would need to be managed due to the College's financial position while being mindful of the importance of staff to the delivery of the turnaround. The Board needed to consider the AoC guidelines and the Executive were requested to engage with the trade unions.
- that the budget strategies should not only focus on staff costs savings, but address the underlying financial inefficiencies linked to the curriculum delivery that needed improvement and also opportunities for delivering additional revenue.
- that the 3-year financial strategy was linked to the estates strategy and would be scrutinised further by the Board project working group.

The Board's approval of the 2021/22 budget and 2021/22 curriculum plan would be sought at its meeting in July 2021.

The Board noted the additional reports on the budget and 3-year financial plan. It also noted the management accounts and cashflow forecast as at 30 April 2021.

Date of next meeting
4.00 pm on Wednesday, 14 July 2021

Confirmed as a true record

(Chair)

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