

**Minutes of the meeting of the Board of Governors
held at 4.00 pm on Thursday, 18 May 2017
Boardroom - Technopark, SE1 6LN**

Present

Jerry Cope (Chair)
Andrew Owen (Vice-Chair)
David Phoenix
Temi Ahmadu
Steve Balmont
Michael Cutbill
Douglas Denham St Pinnock
Neil Gorman
Carol Hui
Hilary McCallion
Kevin McGrath
Mee Ling Ng
Jenny Owen
Tony Roberts
Calvin Usuanlele

Apologies

Shachi Blakemore

Observers

Sodiq Akinbade
Suleyman Said

In attendance

Pat Bailey
Richard Flatman
James Stevenson
Michael Broadway
Sodiq Akinbade
Suleyman Said
Matthew Dunn (*for minute 10*)

1. Welcome and apologies

The Chair welcomed members to the meeting.

The above apologies were noted.

2. Declarations of Interest

No governor declared an interest in any item on the agenda. The Board noted Shachi Blakemore's previously declared interest in Project Larch and that she had therefore given apologies for the meeting.

3. Minutes of previous meeting

The Board approved the minutes of the meeting of 16 March 2017 and their publication with the proposed redactions.

4. Matters arising

All matters arising would be discussed at a future meeting.

5. Independent governor recruitment

The Chair updated the Board on independent governor recruitment. The Appointments Committee had approved the appointment of Prof Peter Fidler, former Vice Chancellor of Sunderland University with effect from 1 August 2017.

The Appointments Committee would next consider the appointment of Julie Chappell, Chief Digital Officer at London and Partners.

Second interviews were taking place with two candidates who are potential successors to the Chair of the Audit Committee, whose term of office expires in 2018.

6. Chancellor update

The Chair updated the Board on the appointment of the Chancellor. It was reported that the Chancellor designate was a candidate in the forthcoming General Election. The planned installation in July 2017 had been cancelled. If not elected as an MP, then the installation would take place later in 2017. If elected, then the Board would start to search for a new candidate.

The Board welcomed Richard Farleigh's confirmation to continue as Chancellor until a successor was installed.

7. Vice Chancellor's report

The Chair prefaced the report by congratulating colleagues for contributing to LSBU's rise to 92nd place in the Guardian league table (107th in the previous year). In addition, the Board welcomed the indicative Ofsted outcome of "good" for the University Academy of Engineering.

The Board discussed in detail the Vice Chancellor's report, which reviewed progress against the three outcomes in the corporate strategy: student success; real world impact; and access to opportunity.

The Board noted an update on recruitment. The focus now was on conversion to firm acceptances. It was noted that apprenticeships were bringing in additional income which would help address any potential shortfall in recruitment.

The results of the employee engagement "pulse" survey were noted, indicating that staff engagement was up by 4% on last year's survey. A report would be provided to the Finance, Planning and Resources Committee meeting of 26 June 2017.

The Board discussed the increase in student withdrawals during 2016/17. The Board requested a breakdown to be circulated.

8. Corporate strategy progress report

The Board noted the report and the progress made on delivering the corporate strategy.

9. Chief Financial Officer's report

The Board discussed the Chief Financial Officer's report, including the March 2017 management accounts. The forecast surplus for 2016/17 is £1.5m, ahead of budget.

The 2017/18 grant letter from HEFCE had been discussed at the Finance, Planning and Resources Committee meeting of 9 May 2017. The HEFCE grant was better than forecast.

Pat Bailey left the meeting

10. **Project Larch strategic business case**

Matthew Dunn joined the meeting

The Chair reminded the board that the proposal was to bring Lambeth College into the LSBU group to enhance educational opportunities for learners. The first stage would be for LSBU to become the appointing authority for the majority of Lambeth College Board members (the “TEN” model). The second stage was to establish a designated institution as a wholly-owned subsidiary of LSBU, dissolve Lambeth College Corporation and transfer the business of Lambeth College to the designated institution.

The Board discussed the strategic case, “red lines” and approvals journey for Project Larch in detail. The Board noted that the Major Project and Investment Committee (MPIC) had received an update on the project and reviewed the key risks, “red lines” and due diligence reports on finance, tax and pensions at its meeting of 4 May 2017. Papers and draft minutes for the meeting had been available for all governors to review.

The board noted that the draft minutes of MPIC required further amendment in relation to the “redlines”.

Strategic case

The Vice Chancellor outlined the strategic case for Project Larch. LSBU’s ambition was to have a range of specialist education institutions in the LSBU group which would have a common vision, educational framework and operating system. Bringing Lambeth College into the LSBU group would contribute to this vision, improve progression routes to LSBU and contribute to group delivery of apprenticeships, access courses and extramural education.

The proposal intended to align the curriculum of Lambeth College under the following headings: Advanced Manufacturing; Business and Enterprise; Creative Industries; and Health & Wellbeing;

Approvals journey

The Board discussed the proposed approvals journey as set out in the paper. The Board agreed that consideration of the full business case and the decision to bring Lambeth College into the LSBU group was a matter for the whole Board. Accordingly, the Board agreed that these matters would be considered by an extraordinary meeting of the whole board on 13th June 2017 and not by MPIC alone.

The Board noted that the executive was working jointly with Lambeth College on the application for restructuring finance to the DfE's Transaction Unit. The Lambeth College Board would be asked to approve the application at its meeting of 25 May 2017.

The application was based on the assumption that Lambeth College would join the LSBU group and that LSBU would support delivery of the turnaround plan. The Board noted that the application did not commit LSBU to legally complete any transaction.

In preparation for the second stage of the project, LSBU would be making an application in June 2017 for "designation" of a wholly-owned charitable subsidiary company.

The Board noted that there were three potential "break points" if it decided not to proceed with the transaction:

1. if the Education & Skills Funding Agency (ESFA) did not support the restructuring finance bid. This should be known by the time of the 13 June 2017 Board meeting;
2. at the Board meeting of 13 June 2017, if the Board did not approve the full business case; or
3. in autumn 2017, if the outcome of the restructuring finance bid or the designation application was unsatisfactory. In this case, the Board would need to decide whether to continue to be associated with the College through the "TEN" model or to unwind the transaction in the best interests of the College.

The Board noted that there would be reputational risks to consider at any of the above "break points".

The Board noted that legal advice had been received that it is legally possible to unwind the "TEN" model. However, a key consideration would be the impact on LSBU's reputation. A communications and stakeholder plan was being prepared in relation to these potential scenarios.

The Board endorsed MPIC's view that the reputational risks, from any necessity to withdraw from the transaction because it transpired that red line conditions (set out below) could not be met, were manageable with a good communications strategy.

The Board noted that both the ESFA and HEFCE were being kept informed of the project.

The Board noted the proposed revised Instrument & Articles of Lambeth College which would give LSBU power to appoint the Chair of the Board of Lambeth and the majority of governors.

Temí Ahmadu, Neil Gorman, Carol Hui, Hilary McCallion, Kevin McGrath, Mee Ling Ng and Calvin Usuanlele and left the meeting. The Secretary confirmed that the meeting remained quorate.

Due diligence

The Board noted that due diligence had been undertaken on Lambeth Corporation by PwC (finance, tax and pensions) and VWV (legal). The PwC due diligence reports had been reviewed in detail by MPIC at its meeting of 4 May 2017. The VWV due diligence report would be available for the Board meeting of 13 June 2017.

The Board noted that the PwC had highlighted a number of financial risks in the college including poor financial control, unreliable forecasting and a poor cashflow and financial position.

The Board discussed due diligence on the “educational character” of the college and why LSBU would be better placed to run the college successfully than previously. It was reported that LSBU should be able to make improvements to the operating environment, governance and oversight, the leadership and vision of the college, and the course profile. The interim nature of the current leadership team in the college provided LSBU an opportunity to shape the new leadership of the college.

The Board requested a paper for the next Board meeting on the extent of the problems with educational delivery in the college and LSBU’s proposals for rectifying them.

Red lines

The Board discussed and approved the following ‘redlines’ that would need to be satisfied before approval of the Full Business Case:

1. The Restructuring Finance application from the ESFA to the Transaction Unit must be acceptable to LSBU. It should provide adequate financial support so as not to put the group’s future financial position at risk;
 - a. An update would be provided to the Board meeting of 13 June 2017
2. Confidence that LSBU Group can achieve a minimum break-even position for Larch within 3-5 years;

- a. It was reported that this would be achieved through cost reduction and increased income. Details would be provided in the full business case.
3. The final agreed estate option must fit with the future needs of LSBU and must be self-funding (there must be no additional investment requirement from LSBU);
 - a. Estates options would be provided to the Board meeting of 13 June 2017
4. LEP grants and previous DfE grant for Clapham must be written off or paid back by ESFA before January 2018 and there must be agreement in writing that there can be no future comeback to LSBU in terms of clawback;
 - a. An update would be provided for the Board meeting of 13 June 2017
5. The transaction must not impact on LSBU pensions categorisation (category B);
 - a. The in principle indication should be available for the Board meeting of 13 June 2017.
6. Larch pension liabilities do not crystallise (i.e. no cessation); and
 - a. An update would be provided to the Board meeting of 13 June 2017
7. Any liability for historic Lambeth College actions or decision (financial or otherwise) do not result in any liability or exposure to LSBU staff and governors.
 - a. An update would be provided to the Board meeting of 13 June 2017

The Board discussed whether pensions risks outside LSBU's control would affect "redline 6" and the Board's decision to proceed.

Conclusions

The Board approved the strategic business case and confirmed that the executive should continue to develop the full business case for consideration and approval by the Board at an extraordinary meeting to be held on 13 June 2017.

The following papers would be available for the Board meeting of 13 June 2017:

- full business case
- update on transaction unit submission
- confirmation that there would be no clawback for LEP and DfE grants
- "in principle" pensions categorisation
- confirmation that there would be no pensions crystallisation
- estates strategy for Lambeth College
- Ofsted report
- legal due diligence report
- legal advice on unwinding the "TEN" model

- governance agreement – summary
- new composition of the Board of Lambeth College
- collaboration agreement – summary

11. Reports on decisions of committees

The Board noted the reports on decisions of committees. The “roadmaps” for 2017/18 would be recirculated to governors for information following amendments requested at the Finance, Planning and Resources Committee meeting of 9 May 2017.

12. Board strategy day report

The Board noted the board strategy day report from 26 April 2017.

13. SU election results and report

The Board noted the SU election results and returning officers report which demonstrated that the election was run in a fair and democratic manner as required under the Education Act 1994.

14. Corporate risk register

The Board noted the corporate risk register.

15. Schedule of Matters Reserved update

The Board approved the tabled revision to the Schedule of Matters Reserved to the Board.

**Date of next meeting
4.00 pm, on Tuesday, 13 June 2017**

Confirmed as a true record

..... (Chair)