

Meeting of the Board of Governors

4.00 - 6.00 pm on Thursday, 18 May 2017
in Boardroom - Technopark, SE1 6LN

Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
9.	Project Larch strategic business case (to approve) <ul style="list-style-type: none">• Delegation of authority to MPIC (to approve)	143 - 148	DP

Date of next meeting
4.00 pm on Thursday, 13 July 2017

Members: 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 and Calvin Usuanlele

Apologies: Shachi Blakemore

In attendance: Pat Bailey, Richard Flatman, James Stevenson, Michael Broadway and Matthew Dunn

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From: Broadway, Michael
Cc: [Executive Members](#); [Kelly, Joe 11](#); [Evans, Megan 15](#)
Bcc: "[ewartcope@aol.com](#)"; "[andrew@owenracing.freeserve.co.uk](#)"; [Phoenix, David](#); "[temi@lsbsu.org](#)"; "[steve.balmont@lawdeb.co.uk](#)"; "[Blakemores@buzzacott.co.uk](#)"; "[michael.cutbill@btinternet.com](#)"; "[ddp@owengate.co.uk](#)"; "[ntgorman@icloud.com](#)"; "[carol_hui@heathrow.com](#)"; "[hilaritymccallion@gmail.com](#)"; "[kmcgrath@mandmfund.co.uk](#)"; "[meelingng@btinternet.com](#)"; [Owen, Jenny](#); [Roberts, Tony](#); [Usuanlele, Calvin Felix](#)
Subject: LSBU - draft MPIC minutes - 4 May 2017
Date: 16 May 2017 13:24:00
Attachments: [Draft 4 May 2017 MPIC minutes - approved by the Chair.pdf](#)

To the Board of Governors

Dear governor,

Ahead of the Board meeting on Thursday and the discussion on Project Larch, please find attached draft minutes, as approved by the Chair of the committee, from the Major Projects and Investment Committee meeting of 4 May 2017 for information.

At the meeting Project Larch was discussed in detail. Papers for the meeting are available for governors to view on modern.gov [here](#).

Please let me know if you have any questions or require any additional information.

Best wishes,
Michael

Michael Broadway

Deputy University Secretary | Governance and Legal Team | London South Bank University | 103 Borough Road, London, SE1 0AA
t: +44 (0)20 7815 6032 | e: michael.broadway@lsbu.ac.uk



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**Minutes of the meeting of the Major Projects & Investment Committee
held at 4.00 pm on Thursday, 4 May 2017
1B16 - Technopark, SE1 6LN**

Present

Douglas Denham St Pinnock (Chair)
Temi Ahmadu
Jerry Cope
Carol Hui
David Phoenix
Tony Roberts

Apologies

Hilary McCallion
Kevin McGrath
Ian Mehrtens

In attendance

Pat Bailey
Richard Flatman
James Stevenson
Joe Kelly
Matthew Dunn

1. Welcome and Apologies

Jerry Cope was Chair for the meeting, as the Committee Chair was unable to attend in person. The Chair for the meeting welcomed members, in the room and by phone. Apologies were noted, as above.

2. Declarations of interest

No members declared any interest in any item on the agenda.

3. Minutes of the previous meeting

The committee approved the minutes of the meeting held on 2 March 2017.

Minute 7: discussion of LSBU estates development will now take place at the MPIC meeting on 29 June 2017.

Minute 6: negotiations have continued with London Borough of Southwark in relation to the Passmore building and related legal charge.

4. **Matters arising**

There were no matters arising.

5. **Project Larch update**

The Vice-Chancellor outlined the journey of Project Larch, from the Area Review in November 2016, to Lambeth College's (LC) selection of LSBU as its preferred partner, and submission of a joint business case to the Transaction Unit (TU) by 1 June 2017. A decision from the TU is expected in September/ October 2017.

The committee agreed that the restructuring finance package from TU must not put the LSBU group's future financial position at risk. It also stated that the final agreed estate option must be self-funding (there must be no additional investment requirement from LSBU).

The committee discussed the due diligence reports on finance, pensions and VAT, including information on loans and grants. The committee discussed the significant weaknesses in control systems and operational performance, and the challenges this presents in accurately assessing current and future risks.

The committee discussed the pension risks associated with Lambeth College, and potential risks to LSBU, on acquisition. The committee noted feedback from the CFO's discussions with LPFA and LPP that the strength of the group's balance sheet, post-acquisition, could positively impact the categorisation of its pension schemes. The committee agreed that Project Larch must not impact negatively on LSBU's pension categorisation (B).

The committee discussed the Top Programme Risks. The committee requested that an additional column be added detailing residual risks.

The committee was informed of ongoing constructive discussions with Barclays, a significant provider of loans to both Lambeth College and LSBU, which is keen to work with LSBU to ensure best case scenarios for repayment. The committee will be updated at the next meeting.

The committee discussed the "showstoppers"/redlines. The committee agreed that ensuring adequate financial support from the Skills Funding Agency / TU was of primary importance. The committee noted that further due diligence reports from external lawyers would cover legal matters, including the likelihood of future actions against LC. These reports will be circulated to the committee.

The committee discussed the risk of reputational damage to LSBU within the local community and among stakeholders, including government, in the event it withdraws from the project once it appoints the new LC board.

The committee stated the importance of effective communications, and was informed that LSBU communications teams were already working on internal

and external plans in relation to the issues which were thought likely to emerge. The committee concluded that most of the reputational risks could be managed, if necessary.

The committee noted that LSBU has already seconded two LSBU finance staff, and that similar interventions over the coming months might be made to improve the chances of the project being successful. The committee also noted options for additional LSBU senior management support, and installing a change team to enable the major issues to be addressed more quickly. The committee noted the success of other south London FE Colleges and anticipated a positive impact on recruitment of an improved LC.

After careful consideration, the committee concluded that the known project risks were manageable and that the project should be pursued for its major strategic benefits, providing the red lines, as amended, are not materially crossed. The next stage would be Full Business Case.

6. Elephant studios post investment review

The committee discussed the evaluation of the investment in Elephant Studios. The committee noted that all project success criteria had been met and that positive impact was already being felt through increased student recruitment numbers, and in moving up 24 places in the Complete University Guide. The Chair requested a further report to the committee at its meeting on 31 October 2017 detailing success in generating enterprise activity.

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

Confirmed as a true record

..... (Chair)

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