Item 8b of these minutes are deemed to be CONFIDENTIAL by virtue of Instrument 16(2) as they contain personal information. These minutes are <u>not</u> available for public circulation, and are held separately by the Clerk.

MINUTES OF THE EXTRAORDINARY BOARD MEETING HELD ON WEDNESDAY 20 SEPTEMBER 2017

Present

Charlotte Desourdy	Governor
John Doherty	Governor
Ian Falconer	Governor
Debbie Hilditch	Governor
Gavin Hinchliffe	Staff Governor
Nigel Jackson	Staff Governor
Mathew Lynds	Governor
Paul Pascoe	Chair
Robert Stubbs	Governor
Mark Swales	Governor
Keri Walker	Student Governor
John Toon	Governor
Anne Tyrrell	Joint Interim Chief Executive
Meryl White	Governor

The quorum for the meeting was eight members.

In attendance

Laura Clark	Clerk to the Corporation
David Reeve	Interim Director of Finance
Peter Doherty	Merger Project Manager
Martin Chapman	KPMG (Item 4)
James Stronach	KPMG (Item 4)

The meeting was held in the Boardroom at the Hub and started at 5.45 pm.

Item **Minutes** **Action**

1 Apologies

Apologies for absence had been received from Paul Senior and Catherine Parkinson. Josh Fox (Student Governor) did not attend.

The Chair welcomed Nigel Jackson (Teaching Staff Governor) to his first meeting of the Corporation.

2 Declarations of Interest

Members were reminded of the need to declare interests as and when they arise within the agenda. It was recognised that there is a Register of Interests held by the Clerk.

3 Determination of Any Other Business

The Chair stated he and the Chief Executive would provide a number of verbal updates under item 8 – Any other business. Some elements of the update are deemed confidential and therefore Staff and Student Governors would be asked to leave the meeting.

4 Due Diligence (Phase 2) Report - KPMG

Martin Chapman and James Stronach of KPMG provided a brief summary of the Due Diligence Report (Phase 2) highlighting a number of aspects including;

- The report detailed post-merger plans for the next 3 years and contains a number of assumptions and KPMG opinion;
- the College forecast was very prudent and well-constructed; there were some challenges which had been highlighted; and there were opportunities for the College to perform better.
- Sensitivities had been applied to give an idea of quantum and risk should these come to pass;
- £5m potential receipts for High Melton had been included, but if this was removed it would still generate cash; forecast at the end of the 3 year period = £9.4m
- Mitigating actions have not been shown within the sensitivities, and therefore it should be noted that the cash position would be better than outlined taking into account College management mitigating actions.
- The banks have received the reports.

The table of sensitivities (page 43) was presented in more detail and key points highlighted were as follows;

1. An increase in market share of 16-18 year olds is assumed at DC; and the cash impact of removing this market share growth cumulatively over 3 years was £439k;
2. The forecasted income increasing due to improving demographics and 2% increase in funding is an uncertain assumption as there is no policy guidance indicating that this will occur;
3. and 4. Both about apprenticeships; from a risk perspective and for prudency these have been included as sensitivities and reflect the current uncertainty; they are collective for both colleges. There is a challenge regarding the mix of apprenticeships and the value of each type of apprenticeship and the funding and also reflecting the risk of slower course uptake;
5. The management assumption of 5% annual growth of Doncaster College HE income has been included, to take into account the relocation from High Melton and any risks associated with this. There would be a large impact of approximately £780k if the growth assumption was reduced to 3%.
6. The Doncaster College reduction in subcontracting costs did not appear to have firm plans underpinning the assumptions and therefore these have been held for FY18 before reducing costs from FY19 onwards.

KPMG reiterated to Members that any due diligence is a snapshot in time and these are the areas KPMG have highlighted as potential vulnerabilities / sensitivities at this moment in time. The importance of Governors monitoring KPIs, particularly on these sensitivities was raised. These areas are not necessarily critical risks but are areas where financial performance can be improved. In their summary, KPMG, emphasised that the financial forecast was robust and well thought through, and that they had been comfortable with the information provided. The curriculum plan had been reviewed and there was a clear profile on how managers will deliver the plan and work is on-going. If all the factors included in the sensitivities occurred and the College took no mitigating steps (which is an extreme example) the College would still have sufficient funding. This gives clear assurance to stakeholders/funders and banks.

Through Members questions and further discussion / consideration of the Phase 2 Due Diligence a number of key points were made, including;

- In response to a Governor question, KPMG confirmed that the sensitivities were not necessarily more of a 'realistic' outlook; it was more about being prudent based on risks of assumptions. The report does not highlight the actions which would be undertaken by management to mitigate against the risks which would improve the financial position.
- It was agreed that any loss of income would need to be understood and mitigating actions put in place. Growing income and ensuring the College has the resources to grow income is also crucial.
- The Staff Governor raised a point regarding apprenticeships; including the impact of the levy and also how companies are often using their own training provider. It was agreed this will continue to be closely monitored.

In response to questions, the Interim Joint Chief Executive provided an update on recruitment. There had been some concerns on 16-19 recruitment, and it was explained that a lot of colleges have had similar concerns due to demographic decline, more competition and more choosing apprenticeships. Doncaster College had taken action to ensure all enquiries were responded to quickly and effectively and recruitment has now reached the student number target. The College will continue to focus on recruitment and retention, with further work taking place on improving retention in the first six weeks. Recruitment with integrity i.e. ensuring students are on appropriate courses is crucial and increases retention levels. Further work is also taking place on HE recruitment as it is anticipated this may be below target. With regards to 19+ a range of actions had been put in place and the College was now ahead of the same time last year. Governors were updated that it was difficult to give a specific figure for apprenticeships at this moment in time, but there were lots of positives including regaining apprenticeships from DMBC. In conclusion, the Chief Executive and Interim Director of Finance reiterated that recruitment is the key, and that a review of processes will take place for the future, but a considerable amount of progress had been made. There was still time ahead of the first census date to keep on recruiting and the College will resource to that.

The Chair provided a summary of discussions commenting that the Phase 2 Due Diligence report and presentation / responses to questions from KPMG had provided assurance to the Board that a robust financial plan was in place. The Board had also received further assurance in terms of recruitment.

KPMG reiterated that this was a prudent basis to plan upon; it was now about challenging performance to build upon for the future.

KPMG were thanked for their work.

RESOLUTION (C 35/17): Members considered and approved the Due Diligence Report (Phase 2) and commented positively on the assurance it provided to the Board.

(Martin Chapman and James Stronach of KPMG left the meeting at 6:40pm).

5 Feedback and Response to Consultation

The Interim Joint Chief Executive reported that the formal consultation period ended on 31 July 2017, and there is a requirement for the outcome to be published within two months of the end of the consultation period. i.e. by 30 September. An overview of the draft document was provided, and Members engaged in questions and discussion. A number of key points were made including;

- There were 89 responses which was considered a reasonable number, and responses had been received in various forms (mostly on-line but some letters of support had been received).
- The highest number of responses had come from staff and students; other responses had come from a range of stakeholders including universities, schools, unions, LEPs, councils, businesses.
- The responses had been predominantly positive - the majority of respondents strongly agreed or agreed with the proposal to merge (it was noted that 20% neither agreed nor disagreed). All the external stakeholders had responded positively;
- There had been some issues raised by staff regarding job security and whether there would be changes to their terms and conditions of employment; work has taken place with unions to explain there would be no changes;
- There were some concerns expressed by students over misconceptions about location of courses and travel – these concerns have been addressed in the Consultation Response.
- There were also concerns raised regarding the HE move from High Melton. There will be focus groups to deal with these issues but this is not included in the consultation document as it is a separate matter.
- Attention was drawn to Appendix 2, the additional text for the final page of the consultation document which includes the outcomes of discussions at each College's respective Board meetings in September; the Interim Joint Chief Executive stated that no changes were recommended at the North Lindsey meeting on 18 September 2017.
- Through further questions, a number of suggestions were made including: a slight amendment to 'LEPs' rather than name specific LEP areas which had responded; grouping categories of responses in a more logical manner; including a point regarding HE, and curriculum development being further built on; add in that staff will be transferred to DN Colleges Group.

In conclusion, Members approved the Consultation Response for publication by the end of September 2017. A decision on the additional text for the final page would be taken after agenda item 7. The Consultation Response document would be published on the Colleges' websites and distributed to certain respondents and other agencies e.g. the Department for Education; FE Commissioner etc.

RESOLUTION (C 36 /17): Governors commented positively on and approved the Consultation Response for publication by end of September 2017.

6 Merger Project Update

Peter Doherty, Merger Project Manager, provided an update to the Board on the merger indicating that merger preparations were making good progress and that key milestones have been achieved to date in line with the agreed merger timetable and merger risks continue to be managed. On that basis the target date for formal merger remains at 1

November 2017. An update on staff consultation around the TUPE of Doncaster College staff to DN Colleges Group and the transfer of North Lindsey Staff to South Yorkshire Pension Fund was provided. It was confirmed that communications with Unions and Staff were being maintained. The Staff Governors were asked for their perspective and both confirmed that the sessions with staff had been positive and were alleviating staff concerns / misconceptions. The Interim Chief Executive confirmed that further work is on-going with managers and there will be follow ups and further staff and student briefings.

Working groups continue to meet and good progress is being made in planning for the merger, and post-merger. Particular work is underway around the review of systems, to ensure these are fit for purpose and deliver value for money. A tender exercise is being completed for a new finance system, and a new student records system.

A formal application to the Secretary of State for Education by North Lindsey College is required in order to change its name to DN Colleges Group. There had been no issues raised in the public consultation regarding change of name; hence following Board approval (18 September) an application will be submitted. The change of pension provider requires Secretary of State approval following formal application.

P Doherty updated Members that a copy of KPMGs Phase 2 Due Diligence Report had been provided to both Lloyds Bank (with whom Doncaster College has existing bank loan commitments) and Santander UK (with whom North Lindsey College has existing bank loan commitments). Indications from Santander were that they would not look to increase on their terms; Lloyds would look to increase charges however there would be an opportunity for negotiation on the proposed terms. Santander had expressed an appetite to extend borrowings and take the Lloyds borrowings. However, this would involve Doncaster College breaking the loans with Lloyds – this had been previously calculated by Lloyds however, P Doherty had today received news from Lloyds that this had been miscalculated and that the accurate figure was higher. Members asked questions with regards to how best to deal with this, and it was suggested that the loan can be kept with Lloyds albeit with a change of College name.

Members considered and reviewed the merger Risk Register (which was reviewed and discussed at each meeting of the Joint Management Team), noting that the highest risk remained the risk regarding time delays.

RESOLUTION (C 37/17): Members considered the Merger Project Update and commented positively on the work undertaken to date, and that the target date for formal merger remains as 1 November 2017.

7 Resolutions for the Boards

The Interim Joint Chief Executive talked through the draft resolutions to merge for approval by both Doncaster and North Lindsey Colleges, and the North Lindsey College resolution to change its name (both prepared by Eversheds Sutherland). The following points were highlighted;

- Doncaster College would be the main administrative centre and registered address / head office of DN Colleges Group;
- Resolution 3 – regarding name change - was formally approved by NLC on 18 September;
- Resolutions 1 and 2 were draft resolutions for each college to approve. Doncaster

College was obliged to publish their resolution a month before merger date. The notices should be placed on the respective websites by the end of September. The resolutions would be draft until the legal merger.
- Doncaster is the dissolving college so legally it was the college to undertake the consultation.

Following these discussions, members referred back to agenda item 5 and the additional text for the final page of the Consultation document. The amended text was approved.

RESOLUTION (C 38/17): Approval was given to the additional text for the Consultation Document as required at agenda item 5; and the respective draft resolutions to merge were agreed along with publication on the College websites as drafts.

1.1 **IT WAS RESOLVED** that following:

1.1.1 publication of the results of a statutory consultation exercise undertaken by the Corporation of Doncaster College (as required under The Further Education Corporations (Publication of Proposals) (England) Regulations 2012);

1.1.2 the carrying out of due diligence exercises in respect of the Corporation of North Lindsey College; and

1.1.3 publication of the draft resolution of the Corporation of Doncaster College to dissolve and provide for the transfer of its assets, rights and liabilities

the Corporation of Doncaster College hereby unconditionally **RESOLVES** to merge with the Corporation of North Lindsey College with effect from 1 November 2017, with the Corporation of Doncaster College dissolving at one minute past midnight on 1st November 2017 and its assets, rights and liabilities transferring immediately before that time to North Lindsey College.

8 Any Other Business

The Chair explained that as this is an Extraordinary Board meeting he had requested verbal updates to be provided on a range of College matters.

It was noted that an update on student recruitment had been given earlier in the meeting.

a) The Interim Director of Finance provided the financial update:

- The 2016/17 outturn will achieve the target of £250k deficit; the auditors are currently in College and have not identified anything that will affect this;
- GVA Gormley had completed their market research on High Melton and put a proposal together. An informal tender invitation will be placed in the Estates Gazette requesting offers preferably on the whole site; a draft timetable will be in place by November. The intention is to exchange contracts by end of March, and it was noted that planning consent is likely to be required due to the site being on green belt land. Sanderson Weatherall's valuation of the site is £4.7-£5.5 m; £4.7m has been put in

the statutory accounts (not in next year's forecast as it will be further down the line). There continue to be on-going costs regarding security and also in maintaining Old Hall as it is a listed building;

- The Lennartz case was on-going as a tribunal had been held but the judgement was not expected until possibly November 2017.
- English and Maths – there were some issues but efforts were being made this week to resolve this; the Staff Governor (Teaching) commented positively that this year's issues with English and Maths had been resolved much quicker than in previous years.
- Efforts were being made to get the best possible outcome for Achievements (English and Maths were part of this but it was across the curriculum).

RESOLUTION (C 39/17): Members received and commented positively on the College update.

b This item of business is confidential and kept separately by the Clerk of the Corporation.

(The Staff and Student Governors, and Peter Doherty, left the meeting at 7.35 pm. The meeting remained quorate).

9 Date and Time of Next Meeting

The next meeting of the Board will be held on Wednesday 18 October 2017, 5.30pm.

The meeting closed at 7.45 pm.

Laura Clark
Clerk to the Corporation

Signed: ………………………………………… (Chair) **Date: ……………………..**