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MINUTES OF THE BOARD MEETING HELD ON MONDAY 13 MAY 2019

Present:

- | | |
|--------------------|----------------|
| Governors: | Ross Martin |
| Pete Adams | Harold Osborne |
| Antony Ball | Paul Pascoe |
| Angela Briggs | Paul Scanlon |
| Greg Clarke | Paul Senior |
| Paul Grinell | Louise Sharp |
| Nigel Jackson | Mark Swales |
| Madeleine Keyworth | Anne Tyrrell |
| Abid Khan | Lee Walker |

The quorum for the meeting was six members.

In attendance

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|-------------------|-------------------------------------|
| Kathryn Brentnall | Acting Principal, Doncaster College |
| Jo Garrison | Clerk to Corporation |
| Peter Doherty | Chief Operating Officer |
| Mick Lochran | Principal, North Lindsey College |
| Ciara Campfield | Stone King (Items 1-4 only) |

The meeting was held in the Boardroom, Doncaster College and started at 5.30 pm.

Item	Minutes	Action
1	Apologies	
	Apologies for absence had been received from Mathew Lynds, Ruth Brook, Lee Tillman, Charli Byrne, Luke Savage.	
2	Declarations of Interest	
	Members should declare any personal or financial obligation, allegiance or loyalty which would in any way affect decisions in relation to the subjects under discussion.	
3	Financial Dashboard	
	P Doherty advised members that DN Colleges Group submitted its audited financial statements, finance record and assurance returns to the ESFA in December 2018. Based on DN Colleges Group’s audited financial statements and finance record, the ESFA assessed the Financial Health grade as being Good for 2017/18.	
	Members were assured this was in line with the Financial Plan for 2017/18. However, the Financial Plan for 2018/19 (approved by the Board in July 2018) included a forecast outturn for 2017/18 that translated to a Financial Health grade of Outstanding (at the lower end of the range).	

The ESFA has noted that the final Financial Health Grade for 2017/18 was lower than the forecast. It also noted two areas where the final figures differed from forecast with a £405k adverse variance against forecast for total expenditure. P Doherty advised members this was mostly an increase in staff costs, including LGPS actuarial adjustments and holiday pay accrual.

There was also a £1,237k adverse variance against forecast for current liabilities. P Doherty advised members this was forecast assumed Lennartz VAT liability to have been repaid.

Members were assured the ESFA's review identified no significant financial control concerns.

The finance dashboard was discussed and members were updated on the adjusted current ratio and cash days in hand charts. P Doherty explained the reduction in these two solvency measures for DN Colleges Group in 2017/18 reflects full repayment of three Doncaster College Lloyds Bank loans totalling £3.2m, upon the merger in November 2017.

4 Finance & Governance Information and Training

P Doherty welcomed Ciara Campfield from Stone King to present to members on the insolvency regime and intervention.

C Campfield provided members with an overview of the insolvency regime, special administration, governor liability and the intervention regime. Members were reminded the insolvency regime was launched on 31 January 2019 and the intervention regime on 01 April 2019. Both were introduced due to increased pressure of DfE concerns surrounding large college bailouts and the spend on education and training.

The insolvency regime normally prioritises the college's creditors before students and has been modified for colleges to facilitate the special administration regime (SAR). The SAR enables the Secretary of State to apply to the court to appoint an Education Administrator to protect the learner provision. The Education Administrator would manage the college's affairs, business and property with a view to avoiding or minimising disruption to the studies of existing students.

Governors were advised on the liabilities they could face and that fraudulent trading would require dishonesty, whereas wrongful trading which is negligence based is where governors' liability could be more likely to be challenged. Student governors do not have the same liabilities as external governors.

A financial knowledge and continued training to understand cash flows and balance sheets are imperative for governors to ensure they obtain financial assurance on a regular basis. Early warning signs of insolvency issues should be apparent and challenged by the governing body.

Governors were reminded to ensure practical guidance within the governing body, ensure the right skills mix sits on the Board, providing financial experience and professional advice. To ensure governors act within their legal duties under the instruments and articles, external professional advice should also be taken.

C Campfield continued to inform members around the intervention regime. The regime aims to enhance the ability to spot problems early and make greater use of Independent Business Reviews (IBRs) to inform decision making where appropriate,

and to accommodate the new statutory insolvency regime. It will ensure the right processes were in place to identify quality and financial issues within FE colleges earlier, deliver appropriate support and intervention and focus on preventing colleges getting into a position of insolvency. The regime will have four stages, prevention, early intervention, formal intervention and restructure or exit.

IBR does not automatically result in a college going into insolvency. An IBR in itself is not a decision rather it is a tool to inform decision-making. Members were assured the desire from ESFA and FEC is to engage in early dialogue to head-off issues.

[C Campfield left at this point]

P Doherty presented the financial trends for general FE / Tertiary Colleges to the Board. Slides were discussed that highlighted annual trends around average total income, operating surplus deficit, negative net assets.

Financial benchmarking for 2017/18 highlighted DN Colleges Group is the 26th highest college for total income with £49.36m and 38th highest with its financial health score of 230 points out of 300. P Doherty also highlighted the group is the 5th highest college with HE income as a percentage of its total income at 21.22%.

Quartile positions were presented against liquidity, EBITDA, borrowing, staff costs, net assets, capital expenditure, cash at the bank and finally local government pension scheme.

P Doherty concluded assuring members of the healthy forecast position, but continued close management against potential future risks with increasing pension contributions and the level of financial burden that could impact the financial position in the future.

5 Confidential Item – CEO Report

This item is deemed confidential as it contains commercially sensitive information. The minutes are held separately by the Clerk.

6 Confidential Item – Staffing Matter

Members were advised this item was removed from the agenda.

7 Date and Time of Next Meeting

The next Corporation Board meeting is scheduled for Wednesday 22nd May 2019, 5.30 pm at North Lindsey College.

The meeting closed at 7.35pm.

Jo Garrison
Clerk to the Corporation

Signed: (Chair) **Date:**