

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

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}

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)

.....