

HART LEARNING GROUP

Minutes of a Part 1 meeting of the Hart Learning Group Board, held on Monday 10 December 2018 in the Council Chamber, the old Town Hall, The Broadway, Letchworth.

PRESENT

David Chalk (Chair)
Lynne Ceeney (Vice-chair)
Liz Calver (Staff Governor)
Kit Davies
Peter Johnston
Daniel King (Student Governor)
Vernon McClure

Liz Mitchell
Jeremy Newman
Andrew Simmons
David Stern
Rhys Thomas (Observer, ESFA)
Jack Tomlinson

IN ATTENDANCE

Lucy Hann (Chief Operating Officer)
Paul Harte (Group Finance Director)
David Hitchen (Corporate Services Director)
Gary Phillips (Director, Quality, Curriculum and Organisational Transformation)

Kerry Pritchett (Head of Quality) - Item 3
Lindsey Sherring (Director, Hart Learning & Development Ltd)
Robert Dale (Company Secretary)

WELCOME

- The Chair welcomed Kerry Pritchett, presenting Item 3.

ITEM 1A: APOLOGIES FOR ABSENCE

- Apologies for absence had been received from Danny Malyon.

ITEM 1B: DECLARATIONS OF INTEREST

- The Chair reminded members of his professional role as Group Financial Risk Director for Lloyds Banking Group.

ITEM 1C: MINUTES OF THE PREVIOUS MEETING

- Minutes of the Part 1 meeting held on 15 October 2018 were approved and signed as an accurate record of proceedings.

ITEM 1D: MATTERS ARISING/ACTIONS

- Actions had been addressed as follows:
 - Appoint other members and set up meeting schedule for the Finance Committee. **Action under way.** The Committee had met on 29 November and would meet again on 29 January. A schedule of meetings was aligned with stakeholder case conferences. Four members (including two non-executives: Andrew Simmons, in the Chair, and Peter Johnston) had been appointed and a third non-executive with a financial qualification is being sought.
 - Develop paper on strategic direction and report to the Board in early 2019. **Action not yet due.** This matter will come to the Board in February 2019.
 - Arrange meeting/teleconference to consider the recovery plan. **Action under way.** The plan is in draft, and a BDO report which will inform its review has just been received. The ESFA was content to defer consideration of the plan until there has been a chance to examine the independent report from BDO.

ITEM 2: RATIFICATION OF BOARD DECISION REACHED BY CIRCULATION – SEARCH COMMITTEE UPDATE

- The Search Committee had interviewed a candidate for Board membership (David Stern) and a recommendation that he be appointed circulated to the Board by email. Members had approved the recommendation by responding to this email. A letter of appointment had been issued and David invited to join the Audit Committee.

The Board ratified its decision to appoint David Stern to the Board and Audit Committee.

- A member of the Board (Vernon McClure) had completed his first four year term of office. He was eligible and willing to stand for a second term. The paper circulated set out the reasons why reappointment was reasonable and appropriate.
- Lynne Ceeney **proposed** and Andrew Simmons **seconded** the reappointment of Vernon McClure for a second four year term as Governor of North Hertfordshire College Further Education Corporation.

The Board approved the reappointment of Vernon McClure to the Board and as Chair of the Quality & Innovation Committee.

ITEM 3: DRAFT SAR 2017/18 AND QIP (2018/19)

- Kerry Pritchett presented the Self-assessment Review (SAR) for 2017/18 and Quality Improvement Plan (QIP) for 2018/19. Both had been reviewed by the Quality & Innovation Committee on 21 November 2018 and were recommended to the Board.
- Members commented on the evidence of progress at the Engineering and Construction Campus (ECC) in Stevenage they had seen during recent learning walks and in comparison with past experiences. They knew of the extra support for and changed approach towards staff development and thought the campus was moving in the right direction. The team was on an improvement path – but challenges remained.

Question: *How much impact had raising the profile of management at the ECC had?* There had been considerably more visibility of the senior team on site, making use of hot-desking facilities there. A governors meeting could also be considered.

- Apprenticeships remained a key risk area and was currently assessed as ‘Requires Improvement’, although as the proportion of directly-delivered outcomes rose, performance would improve. Governors asked if more detailed analysis of success rates at different levels could be supplied? Data relating to performance with higher level qualifications suggested that there might be a developing issue here.

Action: Share detailed curriculum level SAR and QIP.

- Work on actions identified in the QIP had been ongoing since earlier in the year, and progress would be reported under Item 5.

ITEM 4: CHIEF EXECUTIVE’S OVERVIEW

- The paper drew attention to positive indicators across the Group including student retention at the college (98.2%) and attendance above 90%. Indicators of student progress and forecast outcomes were also strong. The key data submission to the agency – which would have implications for future funding – showed a forecast of £8.8m against a plan of £8.6m. An in-year growth case was being submitted to the agency for c.£0.2m in 2018/19. Hart L&D apprenticeship programmes were currently ahead of plan – though there were emerging concerns about the pipeline of spring term learner starts. The SMT was monitoring the situation closely.
- Cash continued to be managed tightly, with another payment of Exceptional Financial Support (EFS) due in December 2018. The Group remained within its overdraft limit of £1.3m. October management accounts – circulated to the Board and then reviewed

by the Finance Committee on 29 November were broadly on track; the full hit from lower HE income had been included from September, but associated cost savings were now starting to show up in these accounts. Thus the forecast deficit had dropped from £(680)k to £(440)k. This was still above the Board's agreed outcome of £(145)k, and staff continued to work to eliminate the gap.

- The report commissioned from BDO in support of the Transaction Unit application was now in draft form. It was understood that it confirmed that the business plan and its supporting assumptions were not unreasonable – although it recognised sensitivities and uncertainties about plans out to 2021/22. Overall, it was expected that the final report would confirm that what the Group had produced was credible and evidence-based. As soon as the report was finalised, it would be shared with the Board.
- An NHC open evening had taken place in November and attendance, expressions of interest and applications were all up on the same event in 2017. The Group had also been shortlisted for the TES FE Provider of the Year award. TES had been informed about the financial Notice to Improve, but confirmed that the award was intended to recognise exceptional performance in delivering student progress and outcomes. The Group had also received 'highly commended' results in several AoC Beacon awards.
- The Hitchin development continued to make progress with a key meeting taking place on 18 December 2018. This would explore options to mitigate the proposed loss of sports facilities. A bid to the Football Foundation to support the reprovisioning of pitches off site, and potentially our on-site redevelopment could be considered.

Question: *Was the reported 26% drop in apprenticeship applications being taken into account?* The fragility of this marketplace was well-understood. The team was working on progression routes from levels 3 and 4 to higher levels, so that pathways for continued development were available, and was responding to demands from accountancy employers to bring back a level 2 option. Larger clients were also progressing with the next cohorts.

Question: *What would happen if government changed funding arrangements again?* This was an area where change happened regularly. The newly introduced cap on level 5 funding would, for example, affect some of Lloyds' future programmes. Conversely, the level 3 healthcare support band might improve, making this more economic to deliver.

Question: *the recruitment gap against plan currently stood at c40 apprentices; was this recoverable?* While apprentice numbers were slightly below forecast, income was in line with plan. This was because different programmes attracted different funding levels and prudent assumptions had been used in respect of income. There was a continuing push to hit target numbers but members could be assured that income remained on track.

Question: *Did Management Accounts align with reporting in the paper align?* The former included the two subsidiaries; the latter did not. The inconsistency would be remedied.

Question: *Did the forecast outcome result from the loss of HE income?* Yes, the gap was very largely made up of a £480k drop in income from this source. Staff were still working to find savings to further mitigate this. £240k of savings had been built in since the last meeting. It was also worth comparing performance this year with the same period last year.

- Members suggested adding a cash profile at the end of each month and a note of headroom (if any). They asked that SMT further review the Management Account format to ensure the report was easily accessible and thus help the Board to more effectively scrutinise the financial position. Staff recognised their duty to ensure that the Board understood and could challenge financial data and analysis. This included improving the quality of the written narrative. The Finance Committee believed that a way to do this could be found. The Board would revisit this in February 2019.

Action: Schedule discussion on a refreshed Management Accounts report at the February 2019 Board meeting.

Question: *What was the position over the HMRC refund?* We were still waiting to hear back following the responses we had provided in November. There was concern that the change of responsible official at HMRC would create further delay despite reassurances from RSM.

ITEM 5: CURRICULUM AND QUALITY UPDATE

- Governors noted strong indicators such as attendance (holding above 90%), outcomes from the first progress reviews with students (80% at or above minimum target grades, four percentage points better than last year) and Maths and English GCSE forecasts (28% and 24% respectively). Staff saw that reading larger chunks of text and applying critical analysis skills to new reading was a problem and seemed to be an issue across most key stages. Getting students to read was an ongoing challenge.
- Observations had been carried out across the Group and was producing evidence of improved questioning and challenge by teachers. The Business department had considered note-taking skills. Staff development at the ECC remained a significant focus. Here, teachers saw themselves as tradespeople first and teachers second and needed a different style of support. A coaching programme had now been put in place with all but two staff engaging positively. A sensitive management approach was being adopted to bring the later adopters on board.
- Staff across the Group were seeking to build more resilient young people and were examining good practice at other colleges to see what could be introduced.

Question: *What was in place to drive improvements for Maths and English?* Observations here showed better practice, but student attendance remained low. Support from ETF specialist leads was in place. The department was also engaged in a range of digital projects and would support the next National Number Day in February 2019. Research into the benefits of positive text messaging (eg on attendance and progression) suggested there was a strong correlation between the receipt of supportive and positive messages, attendance and achievement. Links with the Cambridge Centre of Excellence were being established and staff would participate in projects aiming to trial different practices.

- Enrichment programmes were strong and all speakers were briefed to highlight the importance of Maths and English qualifications. Work experience programmes would need to be significantly expanded to meet the requirements of T-level qualifications in future. The college was participating in a pilot programme to identify barriers to this – and was finding IT employers most reluctant to offer the 315 hours needed. Fujitsu – a member of the steering group for T-levels had not come up with any placements.

Question: *What were the main challenges for apprenticeships this year?* Since the proportion of sub-contract delivery was now very small, the data on Timely and Overall achievements would come almost entirely from the direct delivery cohort. The main concern this year was around end point assessment, which increased risk that apprentices might not complete successfully. However, initial indications from the first cohorts were positive.

- The new Ofsted Inspection Framework would come into effect from September 2019. This would have a new focus on the curriculum, and on staff well-being and workload.

Question: *To what extent would coaching support for teachers aid retention?* This was an aim of the programme at the ECC, where the programme was focussing on what passing on their skills meant to these experienced practical tradespeople.

Question: *How could we strengthen parental engagement?* There was no simple answer, and a range of options was being tried. Often a 'whole family' approach was needed where parents were encouraged to develop their own skills.

- **The Board welcomed** the report and the progress observed.

ITEM 6: RISK REGISTER

- The Audit Committee had discussed a draft revised Risk Management Policy and provided guidance about a better presentation of the key corporate and strategic risks. The Committee's advice was being worked on and would return to the Board in the New Year. Since the last meeting, four new risks had been added, and there were three red risks post mitigation.
- Governors discussed the register. They felt that the risk around contribution rates to the Teachers Pension scheme should come off as this was now a known issue and had become another cost pressure to be managed. Risks around the award of EFS or TU funding were being managed as far as possible. The real question was whether the regulator had confidence in the Board to deliver improvement.
- The regulator recognised that the format/content of the risk register was for the Board to determine; it advised following AoC best practice guidance as appropriate.
- **The Board noted** that a revised Risk Management policy and new presentation of the Risk Register would be provided for consideration in the New Year.

ITEM 7: AUDIT COMMITTEE ANNUAL REPORT

- The Audit Committee had reviewed a draft report which set out the activity it had undertaken in 2017/18 and complemented the External Auditors management letter.
- Having considered a range of reports from the external auditors and internal audit service, the Committee considered that the risk and control framework was adequate and effective. The report was recommended to the Board.
- **The Board accepted** the Audit Committee report.

ITEM 8: REMUNERATION REPORT

- A draft report had been reviewed by the Remuneration Committee on 13 November 2018. It had been constructed using the guidance given by the Association of Colleges (AoC) in its Senior Staff Remuneration Code – which the AoC had adopted on 5 December 2018, and which it was hoped the Board would also consider adopting.
- Colleges were encouraged to adopt the Code and to put its guidance into practice in due course. This would include publishing a Remuneration Report (along the lines of the report circulated) in the 2018/19 Financial Statements. Information given about remuneration policy and practice was more detailed than had been the case hitherto.
- Governors noted that the current report combined the remuneration for two individuals holding the position of CEO/Principal during 2017/18. The note in the draft Financial Statements separated the two and applying the same principle was suggested.
- **The Board accepted** the Remuneration Report.

ITEM 9: DRAFT ANNUAL REPORT AND FINANCIAL STATEMENTS 2017/18 INCLUDING EXTERNAL AUDITORS MANAGEMENT LETTER

- Internal and External Auditors had attended the Audit Committee meeting on 3 December at which the draft Financial Statements had been reviewed. The most immediate question for the Board to consider was whether it felt that the accounts should be prepared on a 'going concern' basis given the current financial weakness and the uncertainties about revenue over the coming year. A detailed paper on this had been included with the pack circulated to the Board. Members considered the basis for considering the business to be a going concern:
- The Group had received Exceptional Financial Support (EFS); it was reasonable to expect that this would be available to support cash flow until the end of March 2019.

- Lloyds Bank had agreed to continue to provide an overdraft facility of £1.3m, also guaranteed until the end of March 2019. Its representatives were satisfied with the rigour of the 2018/19 business plan which was evidence based.
- An application for Restructure Funding had been made to the Transaction Unit (TU) for c£8.6m. This required supporting independent reports, including one from BDO which examined the rigour and robustness of the Group's financial planning to 2020/21 and reviewed historic plans back to 2015/16. This report was expected shortly, and would be circulated to the Board. It concluded that the financial plan was not unreasonable. The FE Commissioner had informally offered his support for the TU bid.
- Plans for the disposal of surplus land were advanced; contracts had been exchanged and work on a planning application was progressing with a timeline leading to approval at the earliest in December 2019 (but assumed to be c6 months later in 2020).
- Governors noted that they had not yet had a chance to review the BDO report. They asked the CEO to confirm that this did not identify material causes for concern? The CEO confirmed that the report identified sensitivities but concluded that the current business plan was evidence-based and 'not unreasonable'.
- While there were uncertainties around each of these points, overall, **the Board agreed** that the actions under way meant that it was right to prepare these Financial Statements on a 'going concern' basis.

Question: *To whom was the BDO report addressed?* It was addressed to the Board and to Lloyds Bank. KPMG (the external auditors) had spoken to BDO about its conclusions, but it could not be disclosed further before it had been finalised. The report would be key for several stakeholder relationships and would be shared with the Board once it was available.

- The Audit opinion from KPMG was 'modified' in that although it was unqualified, the material uncertainties around revenue were highlighted. The Audit Committee had discussed this and had been advised by KPMG that the Group would not be the only institution in the FE sector to have such an audit opinion. The Committee had recognised that this was a fair opinion. Once the reporting season had completed, KPMG would provide a list of colleges in the same position.
- **The Board approved** the Annual Report and Financial Statements for 2017/18. Any last amendments should be sent to Paul Harte or Robert Dale by 17 December 2018.
- Members congratulated Paul Harte and the Finance Team on delivering the Annual Report and Financial Statements on schedule. There had been material improvements in the process this year.

Action: Circulate the BDO Report to the Board once it has been finalised.

ITEM 10: APPOINTMENT OF FINANCE DIRECTOR AS SENIOR POST-HOLDER

- Governors considered that this item should be treated as a confidential Part 2 discussion and invited the staff and student governors to leave, together with members of the SMT and Clerk. Governors considered recommendations made in the paper.
- **The Board agreed** that the post of Group Finance Director should be designated as a 'Senior Post'. **Governors also agreed** that the same designation should be made in respect of the post of Company Secretary/Clerk.

Action: Prepare contract amendments for affected postholders and secure their agreement.

- Staff/student governors and members of the SMT and Clerk returned to the meeting.

ITEM 11: STUDENT GOVERNOR'S REPORT

- Daniel King provided an oral report of progress since his election. He had led Student Voice discussions at Student Forum and Parliament meetings and was exploring the possibility of acting as an 'ambassador' for the college at external events.
- Feedback from students was generally positive; they think teaching staff are helpful and provide a good deal of support. They noted that staff varied teaching styles to suit student needs and that they were good at providing broader 'life advice' to students. Students felt that the transition from school to college was handled well and the difference between GCSE and higher level qualifications – as well as the extra demands these put on students – was well understood.
- His biggest focus was on the Bridge programme, and the opportunities this provided for wider learning and support (eg with mental health issues). Students would appreciate guidance through the Bridge programme on how to lay out assignments professionally or how to tackle specialist projects such as video blogs.
- Governors thanked Daniel for his report and suggested that his item be moved higher up the agenda. It would also be interesting to consider how future student governors were elected and how transition at the beginning of each year could be managed.

Action: Review future agendas and move the Student Governor report to near the start.

ITEM 12: REMUNERATION COMMITTEE – REVISED TERMS OF REFERENCE

- After an annual review, the Remuneration Committee recommended changes to its Terms of Reference enabling it to deal with proposed Senior Post-holder appointments and to align the provisions with other Group Committee Terms of Reference.

The Board approved the revised Terms of Reference for the Remuneration Committee.

ITEM 13: ANY OTHER BUSINESS

Safeguarding

- Governors were encouraged to undertake the on-line Safeguarding and Prevent training trialled by Jack Tomlinson and links would be circulated shortly.

Action: Circulate links to on-line Safeguarding and Prevent training for governors.

ITEM 14: DATE OF NEXT MEETING

- The next meeting would take place on Monday, 4 February 2019, at the old Town hall, Letchworth, starting at 18.30.

ITEM 15: VALEDICTORY

- The Vice-chair thanked David Chalk and Jeremy Newman for their service to the Board. Both had brought considerable skill, experience, professionalism and commitment and would leave a considerable gap.
- She did not feel that she had the right skills background to lead the Board while a new Chair was sought. She was content to stay as Vice-chair but suggested that the Board might consider asking Andrew Simmons to take the lead. Andrew was willing to stand. He believed that continuity was important in present circumstances. He would like to speak to the Board about the Group's strategy, and thought that this could take place in February 2019. This would include considering Board skills, decision-making processes and governance bodies.
- The Search Committee would share a report on governor recruitment in January 2019.

Action: Prepare and circulate a Search Committee report in January 2019.

ITEM 16: GOVERNOR DASHBOARD

- This had been circulated with the October Management Accounts Pack.

THANKS AND BEST WISHES

- The Chair thanked members for their sterling efforts during a tough year and wished them a happy and peaceful festive season.

.....
Signed – Chair of Governors

.....
Date

ACTION LOG

Meeting	Minute Reference	Summary of Action	Who	When
15/10/18	6.	Develop paper on strategic direction and report to the Board in early 2019.	Kit Davies	31/03/19
10/12/18	3.	Share detailed curriculum level SAR and QIP.	Gary Phillips	31/01/19
10/12/18	4.	Schedule discussion on a refreshed Management Accounts report at the February 2019 Board meeting.	Robert Dale	21/12/18
10/12/18	9.	Circulate the BDO Report to the Board once it has been finalised.	Kit Davies	31/12/18
10/12/18	10.	Prepare contract amendments for affected postholders and secure their agreement.	Kit Davies	31/01/19
10/12/18	11.	Review future agendas and move the Student Governor report to near the start.	Robert Dale	21/12/18
10/12/18	13.	Circulate links to on-line Safeguarding and Prevent training for governors.	Robert Dale	14/12/18
10/12/18	15.	Prepare and circulate a Search Committee report in January 2019.	Robert Dale	31/01/19