

LUMINATE EDUCATION GROUP

<p style="text-align: center;">MINUTES OF THE MEETING OF THE BOARD OF GOVERNORS HELD ON MONDAY 16 DECEMBER 2024</p>
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Board Members Present

Colin Booth (up to agenda item 18)	Group CEO
Andrew Chang (via MS Teams – up to item 15)	Governor
Matt Findull (via MS Teams – up to item 6)	Governor
Becky Hewitt	Governor
Julie Hyde	Governor
Richard Lee	Staff Governor
Cath Lennon	Governor
Carolyn Lord	Governor
Ken Morton (via MS Teams)	Governor
Jane Pither (up to agenda item 17)	Governor
Shaik Qasim	Student Governor
Richard Shaw (from agenda item 6)	Governor
John Toon	Governor and Chair of the Board

The quorum for the meeting was eight board members

Other Attendees

Melanie Halstead	Director of Governance
David Hoose (up to item 8)	Forvis Mazars (External Auditors)
Stuart Jolley (up to item 18)	Chief Financial Officer
Bill Jones (up to item 18)	Deputy CEO & Executive Principal
Gemma Simmons-Blench (up to item 18)	Deputy CEO Curriculum & Quality
Ann Marie Spry (up to item 18)	Group Vice Principal, Adults
David Warren (up to item 18)	Group Vice Principal, Development
Natalie Wilson (up to item 18)	Group Vice Principal, Curriculum & Skills
Joe Wilson (up to item 18)	Principal, Leeds Conservatoire

The meeting took place at the Leeds City College Printworks Campus and started at 2pm

MEETING ADMINISTRATION

1. Welcome and Apologies for Absence

Julie Hyde was welcomed to her first meeting as a governor of Luminare Education Group. Apologies for absence were received from Mark Garratt (Governor).

2. Determination of Observers/Attendees at the Meeting

The board agreed attendees/observers at the meeting as per the above attendance list.

3. Declaration of Interests in any Agenda Items

Governors were reminded of the requirement to declare their interest in any agenda items. Standing declarations as per the register of board members' interests were noted.

4. Minutes of the Meeting of the Board held on 14 October 2024 and Actions/Matters Arising from previous meetings

The board considered the draft minutes of its meeting held in October 2024 and reviewed the rolling list of actions and other matters arising from previous meetings, all of which had been or were on schedule to be completed.

RESOLVED:

That the minutes of the meeting of the board held on 14 October 2024 be approved as a true and accurate record and that these be signed by the Chair.

5. Communications

Chair's and CEO's Communications

The Chair provided feedback from a meeting with the FE Commissioner held in November which had focused on delivery of the group's major capital projects, associated cashflow issues and the group's overall financial position. The CEO reported that since that meeting an issue had emerged around the Park Lane C Block project not fully meeting DfE specifications for an educational building; senior leaders were currently working through this issue with members of the DfE team.

The CEO updated the board on the most recent communications with the exam board Pearson regarding the 2024 GCSE English paper designed for resit students, with governors noting and supporting the current position.

Board members also received a confidential update on the current position relating to the CEO of White Rose Academies Trust (WRAT) and the CEO provided feedback from the most recent meeting of the WRAT Board at which the future strategic direction of the Trust had been discussed.

Written Resolutions and/or Chair's Action

It was noted that six written resolutions had been circulated and approved by governors since the previous board meeting; these related to the Salix project, appointment of Vice Chair, CEO succession planning, board/committee membership and the appointment of additional subcontractors.

Update from SU President

Governors welcomed an update from the SU President on current and planned SU activity across the FE colleges and were particularly pleased to hear of the success of the SU Parliament held the previous week.

Feedback from Link Governors

Detailed feedback from recent link governor activity had been shared with board members in advance of the meeting. A discussion took place around the distinction between equality and equity and the Deputy CEO & Executive Principal advised that the Group Head of EDI had started to use the term 'equity'; however, there was an acknowledgement of the importance of the group focusing its attention on whichever protected characteristic required focus. It was noted that a mid-year update on the Group EDI Strategy was scheduled for the next meeting and an update on progress against each of the group's strategic priorities would be provided as part of the board's strategic seminar in March.

FINANCIAL STATEMENTS AND REGULARITY AUDIT FOR THE YEAR ENDING 31 JULY 2024

6. Audit Committee's Annual Report to the Board and Accounting Officer

The Chair of the Audit Committee presented the committee's annual report for the year ending 31 July 2024, confirming its overall opinion that the group had adequate and effective assurance arrangements (including subcontracting assurance arrangements), framework of governance, risk management and control processes for the effective and efficient use of resources, the solvency of the institution and the safeguarding of its assets.

It was noted that RSM's annual internal audit report for the same period confirmed their overall opinion which read "the organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified

further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.”

7. Year End Audit and Accounts for 2023/24

Going Concern Assessment

The board discussed the approach to the assessment of the group as a going concern, supported by a detailed paper prepared by the Chief Financial Officer (CFO). Governors focused their discussion on the group’s capital programme, operating cashflow and cashflow forecast covering the current and forthcoming financial years.

Having considered the financial projections presented to it, the board was satisfied that the group had sufficient cash to support capital programmes and operational performance through to July 2026 and therefore agreed the preparation of the accounts for the year ending 31 July 2024 on a going concern basis. This approach had also been supported and recommended by the Audit Committee following discussion at its meeting on 6 December. The CFO advised that the recent decision of the DfE to allow funds to be diverted from the Harrogate College project to the Park Lane C Block project would also assist the group’s going concern position.

Board members were reminded that, as in previous years, Leeds Conservatoire required a letter of support from Luminare Education Group to support its own going concern position for the financial year ending 31 July 2024. It was noted that following the reclassification of the FE sector, the group was required to obtain DfE approval to provide letters of support; this support was capped at the total level of the current liabilities at the year end and any working capital support required by the conservatoire was expected to be below that level. The CFO confirmed that as at 31 July 2024 the conservatoire was owed £1,409k by the group and had current liabilities totalling £1,491k. It was also confirmed that the group had already obtained consent from the DfE to provide the letter of support to the conservatoire, enabling it to be signed prior to the approval of the 2023/24 accounts by the Leeds Conservatoire Board.

RESOLVED:

To approve the preparation of the financial statements for the year ending 31 July 2024 on a going concern basis.

Audit Completion Report

Forvis Mazars presented their audit completion report for the year ending 31 July 2024, including their management and regularity representation letters. It was reported that their audit procedures were now complete and had resulted in positive unqualified audit opinions for Luminare Education Group and Leeds Conservatoire. The auditor confirmed that no significant deficiencies in internal control had been identified.

RESOLVED:

To approve the external auditors’ representation letters, as presented.

Year End Accounts

The board reviewed the group’s report and financial statements for the financial year ending 31 July 2024, including the operating and financial review, statement of corporate governance and internal control, statement of regularity, propriety and compliance and the statement of responsibilities of the members of the Corporation. Following consideration at its meeting on 6 December the Audit Committee had identified only minor presentational changes which had now been addressed.

RESOLVED:

To approve the Luminare Education Group annual report and accounts for the year ending 31 July 2024 for signature by the Chair and CEO/Accounting Officer.

Modern Slavery and Human Trafficking Statement

The CFO presented, for approval, the group's Modern Slavery and Human Trafficking Statement for 2024/25. He advised that since preparation of the statement, the group's new Head of Procurement had completed the suggested actions identified within it.

RESOLVED:

To approve the Luminate Education Group Modern Slavery and Human Trafficking Statement for 2024/25.

STRATEGIC ITEMS OF BUSINESS

8. Review of Group Risk Register

In considering the latest iteration of the group risk register the board focused its discussion on two new risks relating to (i) recruitment to the new Pudsey Sixth Form College being lower than anticipated in September 2025 and (ii) IT machine replacement strategy. With regard to the latter, it was reported that a significant number of computers within the group would no longer be supported by Microsoft from October 2025 onwards, potentially impacting on the group's Cyber Essentials accreditation (a condition of DfE funding). In mitigation, all budget holders had been made aware of the status of their PC inventory by the ITSS team in advance of business planning for 2025/26.

Governors went on to discuss the issue relating to the Park Lane C Block project reported earlier in the meeting and whether this presented a reputational risk with the DfE. It was agreed that this be added to the risk register, at least for the time being.

The Deputy CEO Curriculum & Quality advised that two Rapid Improvement Planning meetings had recently been held with the Leeds City College Engineering department, following which it was likely that the scoring of the associated risk would increase. It was noted that the group's inability to confirm a staff pay award was likely to result in industrial unrest; this would be discussed in more detail as part of a separate agenda item.

Governors supported a proposal to remove a risk relating to communications across the group due to mitigating actions having been successful.

RESOLVED:

To approve the current iteration of the group risk register, including the mitigating actions in place and planned by management.

9. Key Issues, Risks and Recommendations arising from Group Member Boards

The respective chairs and senior leaders provided feedback from recent meetings of the FE College Boards, the University Centre Leeds (UCLeeds) Board and the Leeds Conservatoire (LC) Board, with a particular emphasis on any key risks identified. Proposed changes to board terms of reference were also presented for approval. Governors welcomed the way in which these reports were structured, drawing out the key risks, triangulating with the risk register and other specific items on the board agenda, and in turn providing governors with a clear line of sight.

Student recruitment was highlighted as an ongoing risk for both UCLeeds and LC. The Deputy CEO & Executive Principal reported that whilst the response from UCLeeds was innovative, the lead in time for new courses in HE is long. However, he added that Level 3 internal progression provided UCLeeds with an advantage over other providers, providing a level of confidence in arresting the decline.

The Group VP Curriculum & Skills drew governors' attention to a reputational risk identified by the Keighley College Board relating to New College Keighley; it was reported that the

Chair and Principal of Keighley College had subsequently met to discuss how best to mitigate the risk.

Governors went on to discuss the reported levels of staff satisfaction within member organisations. It was suggested that those staff opting to use the 'neither agree nor disagree' response to survey questions were more likely to drop down to 'disagree' in future surveys unless positive action is taken. It was felt that this could present an emerging risk and member board chairs undertook to pick this issue up at their local board meetings.

Following an update on the Harrogate College new build project and the ongoing issue around planning, it was confirmed that the rationale for the project remained unchanged and this board's commitment to the project also remained unchanged.

The Chair of the LC Board drew governors' attention to the fact that the Conservatoire's latest return to the Office for Students (OfS) showed a deterioration in the financial position of the Conservatoire. It was explained that the OfS financial return prepared and agreed by the LC Board did not include world leading specialist provider funding, hence the deteriorating position. The Chair confirmed that the LC Board was well sighted on the challenges this presents and would discuss likely future scenarios as part of its away day early in 2025.

RESOLVED:

To approve proposed changes to the terms of reference of the FE Boards and the UCLeeds Board, as detailed within the circulated reports.

10. Group People Policies

The board considered a number of group people policies which had been reviewed and updated in conjunction with Trade Unions and ACAS guidance, including the Code of Practice on Disciplinary and Grievance. Governors suggested that going forward it may be helpful to separate policies around absence and performance; the Deputy CEO & Executive Principal undertook to feed this back to the HR team.

RESOLVED:

To approve the following group people policies:

- (a) Disciplinary Policy
- (b) Grievance Policy
- (c) Managing Concerns with Performance Policy
- (d) Managing Concerns with Performance Policy (Senior Staff)
- (e) Managing Organisational Change Policy

11. CEO's Update

The update covered the Autumn budget 2024, student recruitment 2024/25, international recruitment and FE capacity in Leeds. The latter included a draft briefing document prepared for Leeds MPs and Councillors; governors discussed and provided feedback on how this could be strengthened.

In response to a question around international recruitment, the CEO advised that the group was slightly behind where it had expected to be at this point due to a delay in achieving a sponsor licence for University Centre Leeds and a lower than expected number being approved for 2024/25. At the request of governors the CEO undertook to circulate further information on the payment arrangements associated with the International Strategy, including the performance element. It was also confirmed that a detailed paper reviewing the overall success of the strategy was scheduled for the October 2025 board meeting.

12. Livingstone House Acquisition

At its meeting in July the board had discussed at length the cash flow risk associated with growing Study Programme student numbers without access to a short term loan or overdraft facility. Governors had debated a number of options/plans to mitigate the cash flow risks identified and, having considered options to stop growing Study Programme student numbers, these were discounted because of the immediate and long term impact on young people in Leeds. The board had therefore supported management's recommended plan to accommodate student growth and mitigate cash flow stress for 2024/25. Governors had also considered a recommended plan to accommodate student growth and mitigate cash flow stress for 2025/26, noting the potential use of cash from the sale of College House (University Centre) if continuing to grow Study Programme student numbers in Leeds in 2025/26 and in 2026/27. Having discussed the key risks, and in particular the mitigation of cash flow risk and reputational risk, governors had supported the plan to accommodate student growth for the time being, acknowledging that this position would need to be kept under regular review by the board.

At its meeting in October the board had discussed and supported a proposed strategy for securing grant and loan funding to purchase and fit out Livingstone House to provide accommodation for full time students. Whilst expressing some reservations in light of the financial challenges and risks, governors supported the overall strategy and preferred options presented by the CEO on the basis that full and more detailed proposals/business cases would be brought back to the board for further consideration prior to any final decisions being made.

The Group VP Development now presented a paper updating the board on the progress made, including terms to allow a lease of Livingstone House for 12 months with an option to purchase, subject to funding. At their meetings held on 3 December both the Property Strategy Committee and the Finance Committee had reviewed this proposal and agreed to recommend for approval by the board. Governors discussed the drain on cash and what were felt to be conflicting priorities – the IT replacement programme (as identified in the group risk register) and the inability to progress the staff pay award (highlighted earlier in the meeting). The CEO advised that the cost associated with the proposed lease of Livingstone House was a calendar year cost and therefore made no difference to when the group could commit to a pay award. It was emphasised that the proposed lease was designed to keep options open and mitigate the risk of losing the building to other interested parties. Governors asked that pay award options, with a particular focus on lower paid staff, be presented to the Finance Committee in March.

In response to governors' questions around design work, costs and cash flow, the CEO advised that the work was currently being completed by the Capital Projects team so no additional external costs were envisaged during spring 2025. Initial surveys already completed had not identified anything significant in terms of capital maintenance or refurbishment costs.

Having discussed all of the information presented to it, the board agreed to support the recommendation of the Finance and Property Strategy committees to proceed with the proposed lease with option to purchase Livingstone House.

RESOLVED:

To approve the acquisition of Livingstone House via a lease with an option to purchase, subject to securing required consents and approval of the final lease terms by the Property Strategy Committee.

RECURRING BUSINESS

13. Performance against Targets in the 2023/24 Strategic and Operational Development Plan

The board considered an analysis of performance against the high level targets set in the 2023/24 Strategic and Operational Development Plan (SODP). Performance had been BRAG rated against national benchmarks where they exist. The board talked through each of the areas where targets had not been met, seeking and receiving confirmation that action plans were in place to secure improvements. It was also confirmed that proposed targets for each of the areas where overall performance was below expectations had been included in the 2024/25 SODP. Monitoring of progress throughout the year would be carried out by the respective group member boards, supplemented with 'deep dives' where necessary, and an in-year monitoring report covering all parts of the group would be presented to this board in May 2025.

As a general point, governors noted that there were some areas where, although targets may not have been achieved, the group had exceeded national averages. It was suggested that this could be drawn out more in future reports.

14. Key Issues, Risks and Recommendations arising from Group Committees

Property Strategy Committee

The Chair of the Property Strategy Committee presented a paper providing feedback from a meeting of the committee held on 3 December. Significant items of business considered by the committee appeared separately on the agenda for this board meeting. Having reviewed the current Health & Safety Policy the committee had agreed that it remained fit for purpose; the board was therefore recommended to agree that it be rolled forward for 2024/25. Minor changes to the committee's terms of reference were recommended for approval by the board.

Finance Committee

The Chair of the Finance Committee presented a paper providing feedback from a meeting of the committee held on 3 December. Significant items of business considered by the committee appeared separately on the agenda for this board meeting. Minor changes to the committee's terms of reference were recommended for approval by the board.

RESOLVED:

- (a) To approve the proposed changes to the Property Strategy Committee and Finance Committee terms of reference.
- (b) To agree that the Health & Safety Policy remain unchanged for 2024/25.

15. Financial Position and Forecast including Cashflow Forecast

Governors considered the financial position for the year to 31 October 2024 and the forecast for 2024/25. Actual income was reported to be £3m lower than budget, primarily due to lower than predicted apprenticeships and HE enrolments, the latter having been discussed earlier in this meeting.

At its meeting on 3 December the Finance Committee had questioned and been assured that all loan covenants had been satisfied, though it was noted that these were significantly closer to the threshold than they had been in the past.

The board noted the cashflow position for the group, acknowledging the associated risks. It was reported that while there continued to be variability in forecasting of operating payments, the Finance Committee had been assured that this was improving with revised arrangements leading to closer forecasting being seen in the last few months.

16. Proposed Contracting Arrangements

Variation to DfE Loan

The CFO introduced a paper seeking approval to vary the terms of the loan that the group entered into with the DfE in 2023 to adjust the allocation of the loan between the Park Lane C Block project and the Harrogate College project.

As reported to the board in October, the Park Lane C Block project was projected to overspend and the timing of this additional expenditure in early spring 2025 would place additional pressure on the cash position of the group. In order to fund the overspend it was proposed to transfer funds from the Harrogate College loan allocation to the Park Lane C Block loan allocation. Governors noted that should the Harrogate College project progress, then the expenditure that was planned to be funded from the loan funding would be funded from cash resources of the group generated through EBITDA in the 2026/27 financial year.

RESOLVED:

- (a) To approve an amendment to the loan facility agreement originally dated 31 October 2023 and made between Luminate Education Group and the Secretary of State for Education on the terms detailed within the letter of variation dated 5 December 2024 including the transactions contemplated by them, and that it execute, deliver and perform the same.
- (b) That the letter of variation dated 5 December 2024 be signed on behalf of Luminate Education Group by one of the previously agreed authorised signatories.

Park Lane C Block Project

The Group VP Development presented a paper seeking approval for the group to enter into a construction contract with McAvoy Group Ltd for the construction of Park Lane Block C. He advised that McAvoy Group Ltd were originally appointed to the scheme after being recognised as the most economically advantageous tenderer in a two-stage tender delivered through the NHS SBS framework.

It was proposed that Luminate Property Development Company (LPDC) enter into the works contract with McAvoy, and that Luminate Education Group (LEG) would provide a Parent Company Guarantee (PCG), if requested to do so by the contractor. The Property Strategy Committee had considered these proposed contracting arrangements at its meeting on 3 December and agreed to recommend for board approval. The LPDC Board of Directors had also considered the proposal at its meeting the previous week and had agreed to enter into the works contract subject to planning consent and DfE approval of the change request submitted by LEG. Governors supported the proposed contracting arrangements on the same basis.

RESOLVED:

To approve the proposed contracting arrangements as detailed within the circulated report and summarised above, subject to grant of a satisfactory planning consent and subject to DfE approval of the change request submitted by the group.

Park Lane Refurbishment Project

At its meeting on 3 December the Property Strategy Committee had considered a proposal for the group to enter into a construction contract with F Parkinson Ltd for the mechanical & engineering (M&E), fire, and refectory works on the Park Lane refurbishment project.

RESOLVED:

To agree that the group enters into a construction contract with F Parkinson Ltd for works on the Park Lane refurbishment project, as detailed within the circulated report.

University Centre Disposal

Following the launch of an open marketing exercise in the summer, the group had received final bids for the acquisition of the University Centre site. The Group VP Development now presented a paper explaining the process and bids received and making a recommendation for a preferred bidder. The proposal had been considered by the Property Strategy Committee and was recommended for approval by the board. In response to a question from governors the Group VP Development confirmed that the preferred bidder had completed large schemes in other large cities.

RESOLVED:

To approve Cole Waterhouse as the preferred bidder and to approve the disposal of the University Centre site to Cole Waterhouse on the terms detailed within the circulated report.

17. Group Memorandum of Understanding and Scheme of Delegation

The Director of Governance presented an updated Group Memorandum of Understanding and Scheme of Delegation advising that whilst this remained substantially unchanged in terms of content it was presented in a different format with the aim of making it more reader friendly. The revised version had been considered by the Governance & Nominations Committee and was recommended for approval. In response to a question from governors it was confirmed that levels of financial delegation were set out in the group's financial regulations.

RESOLVED:

to approve the updated Group Memorandum of Understanding and Scheme of Delegation, as recommended by the Governance & Nominations Committee.

CONFIDENTIAL BUSINESS

18. Feedback and Recommendations from Group Remuneration Committee

Separate confidential minutes refer.

The meeting closed at 5.30pm

Signed: (Chair) Date: