**CAPITAL CITY COLLEGE GROUP BOARD: 3rd OCTOBER 2019**

**MINUTES**

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| **PRESENT** | Alastair Da Costa (Chair), Roy O'Shaughnessy (CEO), Sarah Ebanja, Professor Anthony Smith, Amelia Sussman, Lord David Triesman (on phone), Maarten Zuurmond, Keyan O'Donnell, Amanda Dickens, Mel Brookstone, Chris Hyams |
| **IN ATTENDANCE** | Rachael White, Graham Drummond (Clerk), Kurt Hintz, Stewart Cross |
| **APOLOGIES** | Shane Chowen |
| **DECLARATIONS OF INTEREST** | None |

**Item 1: The External Political Environment Facing Further Education**

In order to keep members up to date on external developments, David Russell (CEO of the Education Training Foundation (ETF)) had been invited to give his perspective on the challenges facing the sector. The ETF is England's workforce development body for Further Education. The following was noted:

- Currently, the resolution of Brexit is the Government's overriding national priority, however within the political education environment STEM subjects continues to be a key focus. The status of technical education is being raised by policy makers and there is a view that the bias towards higher education has swung too far;
- UK debt as a proportion of national income remains high, and its reduction will continue to be a focus for UK Governments going forward;
- A recent report by the Social Mobility Commission has indicated that 25 of the top areas within the country for social mobility are located within London and that generally schools and education providers are performing better than those located outside of the capital;
- Over the last 5 years Further Education has received a fall in funding per head in comparison to other education sectors, particularly Higher Education;
- An increasing number of colleges are facing financially challenging circumstances, which have been exacerbated by:
  - Poor cost control systems;
  - Poor management information;
  - Problematic use of sub-contractors;
  - An over optimistic view of budgeted income, especially in relation to the recruitment of higher education students.

  To compel the problem, the sector is facing increased competition from schools and higher education institutions expanding into the FE market
- Mental health is an increasing issue for the sector, both for students and staff.
- Despite this, there are a small number of opportunities for the sector, for example the development of higher level apprenticeships. There are possible future opportunities in relation to Institutes of Technology (IoT), although currently this status only provides capital funding. It was further noted that IoT status has tended to be awarded to colleges where there is a strong existing relationship with a large employer.

With an aging population there are upward national employment trends in the health and social care sector, however in the main, employment trends are at a local and regional level, which colleges should respond to, as their education and training offer is tailored to the needs of students and employers. This has been incorporated within Ofsted's new Education Inspection Framework, encapsulated in the three 'I's (Intent, Implementation and Impact).

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Prior to the start of the formal meeting, the Chair informed members that Dr Dwain Neil has decided to stand down as a member of the Board due to personal reasons. Lisa Weaver-Lambert has also temporarily stood down, but may re-join the Board in the future. The Search Committee will be meeting to discuss ways forward with respect to appointing replacement members.

The Chair congratulated Westminster Kingsway College for winning the 'most progress from a school or college' category at the Careers and Enterprise Company's recent annual awards.

**2. MINUTES OF THE MEETING HELD ON 10th JULY 2019** **Action**

The minutes of the previous were accepted and approved as a correct record.

**3. MATTERS ARISING**

The following matters arising were noted:

- With respect to item 4.1 a training plan for the audit committee was agreed at its meeting on 1st October;
- With respect to item 4.2, the Chair is in the process of speaking with all board members individually. Once this process has been completed an overview with recommendations for improvement will be considered at the Board's November meeting;
- With respect to item 4.3, proposed diversity targets are included within item 7;
- With respect to item 8, the CEO's report will include (at the November meeting) a strategic update template which relates to the Group's key strategic objectives. An Ofsted training event took place for board members and education board members on 19th September;
- With respect to item 11.3 and the student protection plan, Professor Anthony Smith has confirmed that in his view it meets HE expectations;
- With respect to item 18, good news stories are being, and will continue to be, circulated to the Board on a monthly basis.

**4. FINANCIAL OVERSIGHT**

At the last board meeting on 10th July the 2018/19 deficit had been forecast to be £5.3m. Since then, the deficit is forecast to be £8.5m prior to pension adjustments, which equates to an adverse variance of £3.2m.

The Chair was informed of the situation in the week commencing 2nd September and shortly afterwards all members of the Board were informed. Key members of the Board have been meeting regularly with the CEO and CFO to assess the situation and identify remedial action. This will continue for the foreseeable future.

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Prior to the consideration of the Financial Oversight item, the CEO gave a presentation which provided some background to the financial situation in which the Group finds itself in. The following was noted:

- When he had started as CEO the most immediate issue had been the turnaround of CCCT which at the time had a £1m operating deficit on an ongoing basis. This situation has been resolved and the training arm is now in a break-even operating position;
- The Group is in a turnaround situation, and because of this the 2019/20 financial year will be the toughest year the Group has experienced so far;
- The Group needs to make £9m in savings this financial year, in order to achieve a break even position. It is estimated that £3m worth of savings can be achieved by imposing robust financial controls on the business;
- At a broad level, the Group is spending £1 for every 91p it receives in income;
- In the view of the CEO, a fundamental cause of the variance is the fact that the Group's financial regulations and reasonable expectations with respect to business practice have not been followed.

Further details of the weaknesses that have contributed to the poor financial performance of the Group were provided within the report, however it was noted that in summary the following two reasons could be highlighted:

- Poor financial control and lack of budget holder accountability;
- Inaccurate recording and reporting.

It was further noted that there is an immediate need to change staff's behaviour, particularly budget holders, with respect to maintaining expenditure within an agreed budget and the way in which goods and services are purchased.

The Board expressed disappointment and considerable concern about the financial situation in which the Group finds itself and emphasised the importance of ensuring the organisation was financially sustainable going forward. Concern about whether more costs would materialise from the 2018/19 financial year was also raised.

It was noted that the following remedial controls have been put in place in:

- A cessation on the use of consultants across the Group;
- A small group of senior staff has been established who meet on a weekly basis to consider the approval of the recruitment of new staff;
- A freeze on the recruitment of non-teaching staff;
- A full review of the use of agency and hourly paid lecturers is underway, with the intention of reducing the numbers of staff employed in this way.

As well as the above controls, a zero tolerance approach has been adopted with respect to the transgression of the financial regulations. To support this, a cross group awareness raising initiative has been undertaken to ensure that all budget holders are informed of their responsibilities, which has included and will continue to include:

- Providing clear messages about the expectations of staff, and budget holders in particular;
- Meetings between the finance team and budget holders as part of a business partnering approach.

All suppliers have been written to and informed that no payment will be made, unless a purchase order has been approved in advance.

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As part of the turnaround of the Group's financial controls and processes, it had been agreed that the Board would need to reconsider the Group's budget for the current financial year. As referred to within the CEO's opening remarks, if no cost reductions are implemented and income remains as projected, then the Group is anticipated to make £9.5m operating deficit, prior to pensions adjustments.

Included within the report was a reforecast budget based on the delivery of £7m worth of savings of which £5.1m relate to pay costs and £1.9m relate to non-pay costs. The Board was asked to consider whether the delivery of a budgeted £2.5m operating deficit for 2019/20 was acceptable, as part of a journey to deliver a break even position in future years. This budget proposal currently did not assume the inclusion of a staff pay award. It was further noted that this was a budgeted worst case scenario, and the Group Leadership Team would look at ways in which the budgeted deficit could be reduced further, and if financial targets are met whether a pay award would be possible, for non-management staff.

The Board noted the following:

- Within six weeks, the Group Leadership Team will be in a stronger position with respect to anticipating whether a break-even budget is achievable or whether it will have an unjustifiable impact on student achievement and the quality of the student experience;
- The issue of a pay award and whether it is affordable will be considered by the Board at a future meeting.

The issue of when income for this financial year could be accurately forecast was raised and discussed. It was noted that due to the lagged learner methodology the Group knows its projected income for 19/20, however with respect to AEB income the first six weeks census point is imminent and forecasts of income would be possible in November, shortly after the submission of the first Individual Learner Record (ILR) to the ESFA. In relation to AEB funding it was noted that the intention of the GLT was to use subcontractors only where their use complemented the Group's curriculum strategy, and there was clear curriculum intent; and also only where one of the colleges or CCCT could not deliver to a high quality.

The £2.5m deficit for 2019/20, which had been presented to the Board for approval was found to be a disappointing outcome; however, it was recognised that this was a worst case scenario and the Board were hopeful that the executive would examine and pursue ways in which the gap could be closed to reach a breakeven position, whilst recognising that that this might be a challenge. It was further recognised that the delivery of a break-even budget at this time could have a disproportionate impact on student outcomes and the welfare of staff, and therefore it was accepted as a reasonable way forward on the basis that it was part of a journey to restore the Group to a financially sustainable position going forward. The following was noted:

- As part of the turnaround process, led by the CEO, the teaching model being used in some parts of the Group is being reviewed to ensure that the amount of teaching, and the support provided, is more in line with the funding provided by the ESFA. It was further noted that a reduction in the amount of additional support provided to some students may have significant impact on the student experience, especially when 1 in 3 students are estimated to have mental health issues;
- Members of the GLT are exploring ways in which the Group's estate can be used more effectively, including the use of funds from the possible sale of a site. Options in this regard would be considered by the Board at its December meeting.

Lastly, a cashflow analysis had been circulated to the Board the night before the meeting and copies were tabled. It was noted that whilst the Group at the moment had relatively healthy cash reserves, concerns with regards to the sufficiency of cash may become a reality in March 2021 if savings are not realised. It was recognised that more analysis was needed, especially in relation to the costs associated with a possible investment project at the Soho site. It was agreed that further analysis would be brought back to the next meeting. Lastly, it was noted that historically the Group has had a target of 60 days cash reserves, however 90 days was deemed to be more appropriate. RW

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An enrolment report for the current year was considered and received The following was noted:

- If the same withdrawal rate is applied to the 16-18 recruitment as was the case last year there is a risk that the Group will not meet its income target. This potential risk for the 2020/21 financial year could be as much as £3m. This is being closely monitored and if it materialises will be factored into the budget for next year;
- Adult recruitment has been healthy and is currently 579 above target. This may be explained by CONEL and CIC having adopted a no fee strategy for students studying up to level 2;
- Loan funded enrolments are near to target and there are early indications that the no fee strategy at level 2 (adhered to by CONEL in 18/19) has had a positive impact, as students progress to level 3;
- HE recruitment is below target and in some areas of the College its continuance is at risk. A Higher Education strategy is being developed.

**5. CEO REPORT**

A report on a possible collaborative project with Westminster Council with respect to the Soho site was received. Initial work to renovate the old school keeper's house is underway, the cost of which is within the CEO's delegated authority.

It was noted that a full project proposal would be considered at the Board's next meeting, but the initial view of the Board was that it was important that the benefits to the Group were made clear within the project proposal.

**6. CURRICULUM AND QUALITY OVERSIGHT: OFSTED READINESS AND EMERGING THEMES**

An update report on curriculum and quality issues was received. The following was noted:

- The Group's level of readiness for an Ofsted inspection is good and significant progress has been made in relation to transitioning to the Education Inspection Framework;
- The Self-Assessment Process is currently taking place and validation of the Group and college reports is due to take place on 1st November;
- Rapid improvement plans have been put in place for the following areas:
  - A levels
  - Centre for Business Arts and Technology

    - Apprenticeships
- GCSE results improved as compared to last year and are above national averages. There is still room for improvement but this area is not considered to be a key risk, and is no longer subject to a rapid improvement plan.

It was agreed that the progress of rapid improvement plans should continue to be monitored by the Board on an ongoing basis.

It was also noted that the way in which College Education Boards hold the executive to account with respect to curriculum and quality issues would need to be reviewed going forward. GD/AD

**7. BOARD ORGANISATIONAL BUSINESS**

This item was deferred to the next meeting.

**8. GOVERNANCE AND OVERSIGHT OF CCCT**

This item was deferred to the next meeting.

**9. CURRICULUM STRATEGY AND 3 YEAR STRATEGIC PLAN: SCHEDULE**

A report was considered, noted and received.

**10. CURRICULUM AND QUALITY OVERSIGHT: EXAMINATION RESULTS**

A report was considered, noted and received.

**11. KEY PERFORMANCE INDICATORS**

A report was considered, noted and received.

*The next meeting will be on Thursday 14th November 2019 at 9:30am*

Signed as a correct record: ______________________________

Alastair Da Costa, Chair of the Board