

CAPITAL CITY COLLEGE GROUP BOARD: 15th DECEMBER 2020

PARTICIPANTS	Alastair Da Costa (Chair), Roy O'Shaughnessy (CEO), Amanda Dickens, Chris Hyams, Shane Chowen, Anthony Impey, Lisa Weaver-Lambert, Lord David Triesman, Maarten Zuurmond, Sharon Saxton, Anthony Smith, Desmond Corlis (Staff member), Precious Ayei-Boateng (Student member), Colin Booth (as Advisor)
IN ATTENDANCE	Rachael White (CFO), Kurt Hintz (Executive Principal), Graham Drummond (Director of Governance), Stewart Cross (Director of Integration and Information) [items 8 and 10], Nick Carey (Chief Commercial Officer) [item 6], Amanda Cowley (Director of Human Resources and Organisational Development) [item 6], Graham Cooper (Deputy Clerk), Rakesh Shaunak (Partner, MHA MacIntyre Hudson) [until item 4]
APOLOGIES	Sarah Ebanja, Amelia Sussman, Sanna Jordansson, Luke Willmoth (student member)
DECLARATIONS OF INTEREST	None

Precious Ayei-Boateng, recently appointed student member was welcomed to her first meeting and the Board also noted apologies from Luke Willmoth, also recently appointed. Desmond Collis was welcomed as the new staff member, following a recent election.

1. MINUTES OF THE MEETINGS HELD ON 30th OCTOBER 2020

The minutes of the meetings of 30th October 2020 were both approved and will be signed as an accurate record.

2. MATTERS ARISING

The Board noted the following:

- With respect to item 3 and a comparative analysis of learner progress for face to face teaching versus online, an update will be provided as part of the quality update (item 5.1).
- With respect to item 5.2, five workshops have taken place to consider the draft priorities within the strategic plan. An update is provided as part of the CEO report (item 6).
- With respect to item 5.1, the Visionnaires business case has now been completed, incorporating legal and accounting advice, plus input from seven potential partners. A paper seeking final approval will come to the Board in March.
- With respect to item 6 and the legal charge to be placed on CBAT, a side letter is being drafted by the lawyers. Once the contents of this letter have been agreed, the Chair and the CEO will be asked to sign the charge under seal. A working group to consider the Group's pension arrangements is to be convened by the Chief Finance Officer.

The confidential status of the minute relating to the discussion on the Visionnaires project was queried. The Board agreed that as the minute does not name the potential partners of project, it could be made publicly available.

GD

All other matters arising were included within the agenda.

3. ANNUAL AUDIT COMMITTEE REPORT TO THE BOARD

The chair of the audit committee presented its annual report. The following was noted:

- As a result of a tender process carried out in the first quarter of 2020 RSM were appointed in March. As their tenure had covered part of the financial year, only a limited number of audits had taken and therefore they had not provided a formal audit opinion. The current internal audit plan will ensure that they are able to do so for 2020/21. It was further noted that:

- Six internal audits had taken place, of which 3 had been given an overall assurance of reasonable and two had been given a partial assurance. The final review had been advisory only, with no opinion given.
- The two reviews that had been given partial assurance were Sales to Cash and Purchase to Payments. Additionally, whilst the advisory review of Learner Numbers had not been given an overall opinion, one significant concern was raised in relation to the adequacy of compliance to claim full funding for 16-18 students.
- The chair of the committee advised that at its November meeting, the committee had been provided with an update on resolution of actions for all audits and reviews. Concerns had been raised at the length of time taken to resolve many of the actions and it was further noted that the KPI relating to the timeliness of resolutions had not been met. An additional meeting of the committee will be taking place in 2021 with the purpose of undertaking a further review of progress.
- Notwithstanding the recommendations arising from auditors, the committee is assured that the Group's control environment is more stable and reliable. The Board was reassured that the audit committee will continue to provide the necessary oversight with respect to outstanding agreed actions from auditors.

The Board noted and accepted the report.

4. FINANCIAL STATEMENTS

4.1 AUDIT FINDINGS REPORT

The External Audit Partner presented the external audit findings report and the following was noted:

- The audit work is substantially complete and the auditors anticipate issuing an unqualified audit opinion that the financial statements (item 4.3) give a true and fair view of the Group's financial performance of the year and have been prepared in accordance with UK Generally Accepted Accounting Practice.
- The auditors have now concluded their review of post balance sheet events and review of going concern. As with all colleges this year, with regard to the review of going concern, there had been a focus on the current and future impact of Covid-19. It is the auditors' opinion that the Group is well placed, from a financial viewpoint, to continue in operation for the foreseeable future.
- The External Audit partner talked the Board through the Audit findings. The Board noted the management responses and planned actions, and also the audit misstatements and agreed adjustments to the financial statements arising therefrom.

Noting that this was MHA MacIntyre Hudson's first year as external auditors to the Group, the Board asked the external audit partner whether there were any significant surprises or matters of concern arising from the audit. He advised that there were not, other than he reinforced the concern already raised regarding the number of internal audit recommendations.

The chair of the audit committee advised that the committee considered that there had been a significant increase in the level of diligence demonstrated by both the new internal audit and external audit services, as compared to previous years. The Chief Executive also commended the progress that had been made by the CFO and her team in the improved identification and control of spending by the Group from the situation twelve months ago.

4.2 AUDIT REPRESENTATION LETTER

The audit representation letter was received. The External Audit Partner advised that this followed a standard format, with two specific additional representations: confirmation that no covenants have been breached in relation to the Salix loan, and confirmation that the amount of holiday pay accrual in the financial statements is materially accurate. The recommendation from the audit committee that the representation letter should be signed was accepted and **APPROVED**.

4.3 FINANCIAL STATEMENTS 2019/20

The financial statements for 2019/20 were received. The Chief Financial Officer highlighted the following:

- Total turnover for 2020/21 was £111.1m, slightly down from £113.6m in 2019/20
- The deficit for the year was £10.3m. The operational deficit, excluding exceptional or one-off items, was £4.3m (which compared favourably to the previously reported forecast of £4.6m), but exceptional items included a substantial FRS102 pension charge of £6m.
- The operational deficit excluding the pension adjustment was less than half that reported in the previous year, which demonstrated significant progress in the Group's journey towards achieving a breakeven position
- The balance sheet showed a strong position, with net assets of £250m. Having reviewed the ESFA's financial health criteria, it is expected that the Group will move to a financial health rating of Good (from Requires Improvement), although confirmation of this is not expected until March in line with the usual timescale for verification.
- The strategic report this year is overlaid by the Group's response to Covid and the steps taken to mitigate the additional risks, including the significant move to blended learning.

The Board accepted the recommendation of the audit committee and **APPROVED** the Strategic Report and Financial Statements for signature by the Chair and the Chief Executive.

5. QUALITY OVERSIGHT

5.1 QUALITY UPDATE

A quality update was received and considered. It was noted that:

- Compared to the March to July lockdown, when colleges were forced to close, the impact of Covid-19 on face to face delivery during the current term has been less severe. The Group is working hard to overcome the ongoing challenges and is currently delivering c. 66% of lessons face to face, with 34% via online means.
- A key area of concern, however, is attendance, particularly in relation to English and maths for 16-18 learners, which at 71.5% is 2.5% down on the previous year.
- With regard to learner progress, it is still relatively unclear whether learners are making the progress expected of them in online lessons. A number of key assessment points in December and January will help to inform an evaluation of this.
- The College Education Boards have now met for the last time. Ideas for the Group's future approach to employer and local engagement are being developed and further details will be provided to the Board early in 2021. KH
- With respect to student surveys, a number of straw polls have been conducted. The Group has responded to the issues identified, particularly with respect to the issuing of laptops so that students can undertake their studies. The results of a more substantial survey of learner satisfaction will be reported to the next Board meeting. KH
- With respect to the Rapid Improvement Plans, the impact of the Covid-19 pandemic has impacted on the ability to make greater progress.

5.2 GROUP SELF-ASSESSMENT REPORT 2019/20

The self-assessment report was received and considered. It was noted that:

- The College Education Boards reviewed their respective college self-assessment reports at their recent meetings. The assessments have also been through a robust process of external validation.
- An overall effectiveness judgement of 'Requires Improvement' has been included within the report. This is in line with the outcome of the Ofsted inspection in January. Whilst the main areas for improvement at that time had already been identified by the Group and were part of its improvement plans, the national lockdown due to Covid-19 that had commenced very shortly afterwards had diverted attention to mitigating the impact of this on students.
- Quality of education was also assessed as Requires Improvement. Other key judgements and type of provision judgements had been assessed either as Good or Requires Improvement.
- The Board acknowledged the work of management in identification of the areas for improvement and for the honest reflection of these in the Self-Assessment Report. The Board also noted and discussed various aspects relating to securing improvements, which will be monitored by the Quality Oversight Group.

- The Board discussed expectations regarding the extent of improvement that it is realistic to expect over the next 1-2 years, noting that it is too early to provide the achievement data needed to support an overall grade 2 judgement.

The Board **APPROVED** the Self-Assessment Report.

5.3 HIGHER EDUCATION QUALITY ASSURANCE

The Board received the draft Higher Education Self-Assessment Report and noted the difference in methodology to the process for self-assessment of FE provision. The Board discussed specifically mitigation of the impact of Brexit on Tier 4 licences and the Executive Principal agreed to circulate to the Board a more detailed report on the implications.

KH

The Board **APPROVED** the Higher Education Self-Assessment Report

5.4 FEEDBACK FROM THE QUALITY OVERSIGHT GROUP

The chair of the Quality Oversight Group provided an overview of the matters discussed at the recent meeting of the committee, as explained in the minutes, a copy of which had been circulated. In noting progress with respect to four delivery areas which are subject to rapid improvement plans, the need for a culture of accountability for improvement in teaching and learning, which was considered to be lacking in some areas, was particularly highlighted.

6. CEO AND GLT UPDATE

6.1 CEO UPDATE

A report was received and noted. The CEO highlighted the progress that had been achieved in unifying the Group and the capacity that the Group now has to improve across key areas of its mission and values. The Board noted:

- The appointment process for the Executive Principal and the Deputy Executive Principal, and also for the remaining key members of the Group finance team, is nearing completion, in line with the timetable provided.
- A meeting, which had been joined by Anthony Impey and Amanda Dickens, has taken place with an organisation called 'Founders Ed', regarding the Group's possible involvement in a new project. The Board discussed the need for a broader understanding of potential opportunities to develop a small portfolio of investments, and noted that rigorous due diligence will be required, prior to any decision being made. The CEO will set up a call with various members of the Board to develop the thinking further and an update will be provided to the January Board.
- With respect to accommodation, the development of architectural plans for Regents Park remains at the pre-planning stage and an options analysis will be presented to the Board early in 2021. With respect to the Marlborough building, there have been expressions of interest from potential purchasers, although options for the site are still being considered and proposals will be submitted to the Board in due course. In relation to the Soho site, Westminster Council has indicated its unwillingness to provide the capital as part of the intended partnership arrangement, and the future of the site will therefore be reconsidered alongside the proposals relating to Regents Park and the Marlborough building, as part of the Group's Estates Strategy.
- Having become aware of Islington Council's intention to close schools this week in response to the Covid-19 infection rates, the Group had consulted with the ESFA. Islington Council has since rescinded its decision and as a consequence of maintaining close contact, the Group had been well positioned to issue early guidance to students, which it was considered reflected well on the Group's credibility and reputation.
- The Group was in the final stages of determining the future model for facilities and security services following the end of the current contract with Kier in July 2021. A proposal will be brought to the Board following scrutiny by the Finance Oversight Committee. It is not considered that there will be any detrimental impact on the Group's budget or cashflow.

RO

6.2 STRATEGIC PLAN UPDATE

A report was received. The Board noted progress and consultations that have taken place to date, and that further workshops with students and the Group Management Forum will be held to refine the plan before this is presented back to the GLT for finalisation, including

KPIs and measurements of success. A recommendation to approve the new Strategic Plan RO will then be made to the February Board meeting.

6.3 HR UPDATE

A report was received and considered. The Board noted, in particular, the approach taken in relation to negotiation on a number of issues with trade unions, which in due course will also involve negotiations on the pay award for the current year. The CEO and GLT are in the process of developing a pay strategy, having obtained relevant input from the Association of Colleges (AoC).

6.4 RESPONSE TO FE COMMISSIONER RECOMMENDATIONS

A report on the Group's response to the FE Commissioner's recommendations was received and noted.

6.5 GOVERNANCE UPDATE

A report was received and considered. The Board noted:

- As reported to the last meeting, the Search and Governance Committee is taking forward the search for two new independent members from a BAME background. The FE Commissioner has also made a recommendation that the Board appoints a member with FE leadership experience. The services of a search agency have been made available by the DfE to assist with this. The Search and Governance Committee remains of the view that ensuring that the Board is ethnically representative of its student body continues to be important. The committee will therefore explore the use of other search agencies and approaches in order to ensure that this is achieved.
- Further to the decision to discontinue the college education boards, their final meetings had taken place, and as already discussed under the quality update, the approach to stakeholder engagement with local councils, sectors and communities will now be led at executive level.
- On the recommendation of the FE Commissioner, a review of the Group's governance arrangements is to be commissioned and will be taken forward by the Search and Governance Committee. As funding for a pilot scheme ends in March 2021, the review is likely to be undertaken during February and March and Board members should expect to be contacted.

6.6 GOOD NEWS

A summary of 'good news' stories since the last Board meeting was received and noted.

7. FINANCE UPDATE: MANAGEMENT ACCOUNTS

The Board received and considered the Finance update. The following was noted:

- For month 3, the Group Education only EBITDA year to date was a loss of £720k compared to a forecast loss of £2.3m, although the variance was mostly due to timing differences.
- Key financial risks identified for 2020/21 are c. £2.7m, including a shortfall in AEB funding (relating to which representations are to be made to the GLA), an excess of costs and the impact of delays relating to the restructuring programme in Term 1, and additional costs specifically related to Covid-19. There is a further risk as London has now entered Tier 3 Covid-19 restrictions, with the potential for more stringent and prolonged restrictions.
- 16-18 contract funding will also be affected by the shortfall in headcount, but as a result of the lagged funding methodology, this impact will be in 2021/22.
- A financial reforecast for 2020/21 will be prepared in January and will be reviewed by the Financial Oversight Group prior to presentation to the next Board meeting.
- Financial planning will focus on delivery of the budget outcome for 2020/21 and achieving a breakeven financial position for 2021/22.

8. FUNDING AND LEARNER NUMBERS

A report was received and the Board noted:

- ESFA 16-18 funding for 2020/21 is now guaranteed, based on 2019/20 learner numbers in accordance with the lagged learner number (LLN) model. However, based on the

forecast shortfall in 2020/21 learner numbers, there is a forecast funding impact in 2021/22 of £2,400k.

- With respect to AEB funding, the estimated outturn is 85.8% of plan, which is below the GLA's 90% threshold by at least £1m. Additionally, further Covid-19 Tier 3 restrictions in January and February could put £3.4m of new enrolments at risk, such that the total risk to the budget of under delivery of AEB is therefore c. £4.4m
- Apprenticeship funding is currently forecast at £865k above budget, albeit forecasts can be especially volatile early in the year.
- Commercial income is currently forecast at c. £500k below budget.

The Board noted concerns regarding the impact of ongoing and further Covid-19 restrictions. Also, particular concern was raised regarding the shortfall in 16-18 learners and that the lower enrolment in the current year does not lead to a lower base for the future. The Board asked to be provided with further analysis of recruitment across sector, along with demographic data and competitor activity relative to the local areas served by the Group. The Chief Executive undertook to share the findings of this analysis with individual members of the Board and to submit a report for consideration by the Board.

RO

9. AUDIT COMMITTEE – SUPPORTING REPORTS TO THE ANNUAL REPORT

The Board received and noted the following:

- Annual Internal Audit Report.
- Risk Register

10. KEY PERFORMANCE INDICATORS

The Board received and noted the following reports:

- Group Dashboard December 2020
- 2020/21 Attendance and Retention Summary
- Curriculum and Learner Experience Scorecard December 2020
- 2020/21 R04 Estimated Funding Report

11. OFSTED MONITORING REPORT – INTERIM VISIT REPORT – 21-22 OCTOBER 2020

A copy of the Interim Visit Report was received and noted.

12. FE COMMISSIONER REPORT – FINAL DRAFT – OCTOBER 2020

The report was received and noted.

13. REGULATORY AUDIT SELF-ASSESSMENT QUESTIONNAIRE

A copy of the completed self-assessment questionnaire was received and noted.

14. AUDIT COMMITTEE MINUTES – 17TH OCTOBER 2020

The draft minutes of the recent Audit Committee meeting were received and noted.

The dates of next meetings are:

Thursday 21st January 2021 4:00pm

Friday 12th February 2021 9:30am

Wednesday 31st March 2021 4:00pm

Friday 28th May 2021 9:30am

Wednesday 7th July 2021 9:30am

Signed as a correct record: _____

Alastair Da Costa, Chair of the Board