

CAPITAL CITY COLLEGE GROUP BOARD: 31st MARCH 2021

PARTICIPANTS	Alastair Da Costa (Chair), Roy O'Shaughnessy (CEO), Amelia Sussman, Amanda Dickens, Chris Hyams, Anthony Smith, Sharon Saxton, Lord David Triesman, Shane Chowen, Lisa Weaver-Lambert, Sanna Jordansson, Desmond Corlis (Staff member), Precious Agyei-Boateng (Student member) Sarah Ebanja, Anthony Impey, Maarten Zuurmond, Luke Willmoth (Student member), Colin Booth (Adviser)
IN ATTENDANCE	Kurt Hintz (Executive Principal), Rachael White (Chief Financial Officer), Graham Drummond (Director of Governance), Nick Carey (Chief Commercial Officer), Amanda Cowley (Director of Human Resources and Organisational Development), Neill Scott (Director of Estates) [item 5.4], Pablo Lloyd (CEO Visionnaires) [item 5.1], Elvie-Jo Shergold (Director of Marketing & Communications) [Item 6] Graham Cooper (Deputy Clerk)
APOLOGIES	Sarah Ebanja, Luke Willmoth (Student member)
DECLARATIONS OF INTEREST	None

The Chair reminded members to advise the Director of Governance of any new appointment or accolades that they have been associated with.

1. MINUTES OF THE MEETINGS HELD ON 12th FEBRUARY 2021

The minutes of the meeting of 12th February were approved and will be signed as an accurate record.

2. MATTERS ARISING

The Board noted the following:

- With respect to the Governance review, a draft report has been received from Jennifer Foote, Director of Governance at the LTE Group. A verbal summary will be provided as part of item 8.
- With respect to item 1 and the confidential minutes of the meeting held on 1st February, no additional comments have been received. They will be signed by the Chair as an accurate record.

All other matters arising have been actioned, or are included within the agenda.

3. QUALITY OF TEACHING AND LEARNING

A report was received on progress. The Board noted:

- The context for assessing progress is a report based on an Ofsted Monitoring Visit which took place in February 2021. A copy of the published report was included under agenda item 13.
- Although there are some variations in attendance rates, overall attendance is good and broadly on target (2020/21 target is 88%) for all ages at 88.5% (2.1% above 2019/20).
- The overall learner retention rate is good at 95.6%; 1.6% higher than the same time last year. All managers are currently focused on supporting learner engagement during the phased return to class by ensuring that learners have the right support. It had been a concern that the return to face-to-face tuition would result in a drop in retention, but to date this has not happened.
- Following the easing of lockdown restrictions and all colleges being asked to open from 8th March, the return of learners has gone well, with safety measures in place and lateral flow tests implemented. The Executive Principal provided up to date figures, advising that of c. 16,000 lateral flow tests completed, there have been 12 positive results.
- Following recent announcements regarding the process for awarding student grades this year, the majority of the Group's students will go through the Teacher Assessed Grades process, about which guidance from Ofsted is awaited.
- Data relating to lesson observation outcomes and performance management and capability were noted and the Board discussed measures to address the latter, including budget allocation for support required, which included dedicating coaching resource at CBAT.
- Shane Chowen, Chair of the Quality Oversight Committee reported on the main areas of discussion at a recent meeting, which included progress in relation to Rapid Improvement Plans. The Committee had also noted the impressive recruitment statistics relating to apprenticeships, with 24% of new

apprentices in London now starting with the Group. There had also been significant discussion around the complexities arising from the differing approaches being taken by awarding bodies during the current period.

- The Board sought assurance regarding the progress towards harmonisation of policies. The Executive Principal advised that consultation meetings were taking place with the unions and it was anticipated that the objective of having new policies in place by the end of July would be met.
- The Board noted the general nature of many of the comments in the published Ofsted Monitoring report, although the Executive Principal advised that the Group had been provided with more detailed feedback. Whilst the monitoring visit had confirmed the view of the trajectory towards meeting the required improvements, there was no scope for the Group to relent or deviate from the measures being taken to achieve these.

4. FINANCE AND PAY AWARDS UPDATE

4.1 MANAGEMENT ACCOUNTS FOR 6 MONTHS TO 31st JANUARY 2021

The Board received a report on the management accounts for the 6 months to 31st January 2021. The Board noted:

- Month 6 is a turning point, with an operating surplus of £157k for the month compared to a forecast operating deficit of £767k, a favourable variance of £925k.
- Group EBITDA for the 6 months year to date is negative £1.5m, compared to a forecast negative of £782k, an adverse variance to plan of £744k. The main reason for the variance is that net grant income is down by £3.1m, mainly due to AEB under delivery. This is offset by £1.9m underspend on non-pay costs and £500k underspend on pay costs, but with an overspend on exceptional (redundancy and Covid-related) costs of £845k.
- During March, financial mitigation work has been undertaken to drive pay and non-pay savings in the second half of the year and to reduce the adverse variance. The full year forecast is now reduced from a £2.5m operating deficit to a £1.2m operating deficit and the Group is continuing with mitigating strategies with the aim of achieving a breakeven outcome. However, there is a significant financial risk to the AEB grant. The financial risk ranges from £1m to £5m. This is not yet included within the financial reforecast position. Meetings have taken place with the GLA who have advised the Group to submit a business case and rationale for minimising the clawback. Discussions are ongoing.
- Any further restructurings will also lead to further exceptional costs which will impact the year end position.
- Cash balances are currently strong at 60 days, typically being lower at this point of the year.

The CEO advised that a coherent plan is in place for the next two years, that includes further restructurings, which could be brought forward, but this would result in also bringing forward exceptional costs and could impact on the strategy to achieve a breakeven position for the current year.

The CFO provided clarification that the current year forecast does not include a pay award; however, awards are included in the draft three-year financial plan.

4.2 DRAFT 3 YEAR FINANCIAL PLAN

The Board received a report on headline budget planning for the Group for 2021-22 and 2022-23. The Board noted:

- For 2021-22, the plan shows a decrease in income to £111.2m, from £113.5m for the current year, primarily due to a c £2.5m reduction in the 16-18 grant value. To achieve an operating breakeven position will require a re-engineering of the business model to realise c. £5m of financial efficiencies. To deliver these, the intention is to move to a more effective hourly paid teaching model (c26%) next year and also to increase average class sizes from 15.5 to 16.5 students. Further efficiency modelling is anticipated in line with the outcomes of a benchmarking exercise being carried out by Tribal which will analyse costs against both national FE and London colleges data. Pay reward costings have been included in the budget, on a basis that it is considered will be acceptable to the unions, as explained by the CEO. The Board discussed the importance of the latter in relation to the Group's plans for harmonisation of policies.

The CEO provided assurance regarding the rigour of the planning to deliver the financial plan for 2021-22 and 2022-23.

4.3 PAY AWARD UPDATE

A report was received and considered. The Board noted:

- Pay awards for sixth form teachers are negotiated annually as part of a national bargaining process conducted between the Sixth Form College Association and the National Education Union (NEU), who represent the majority of teachers within the sixth form college sector. Teachers at City and Islington Sixth Form College are on teachers' contracts and are therefore represented by the NEU. The recommended pay award which has been accepted by the NEU is a 2% pay increase from 1st September 2020, rising to 3.25% from 1st May 2021, on all pay points and allowances.
- There is no legal requirement to adhere to this pay award, but the Group has ordinarily implemented the national negotiated rate for sixth form staff. The Board discussed matters relating to this, including the importance of parity of treatment of staff across the relevant centres within the Group.
- At the present time, however, the Group is in dispute with the NEU with regard to changes to the policy on lesson observations and on the practice of undertaking observations of online teaching. The union is currently consulting its members in relation to discontinuous strike action. The Board discussed the latter and was keen to ensure that this does not impact adversely on students in relation to the process for awarding Teacher Assessed Grades.
- The Board **AGREED IN PRINCIPLE** to implement the national pay award, to be applied to sixth form teachers' salaries from April onwards (backdated from 1st September), but subject to a satisfactory outcome of the negotiation on policies and observations. The Board agreed, on this basis, to delegate the decision on the final approval of the award to the Remuneration Committee.

5. CEO AND GLT PRIORITIES

5.1 VISIONNAIRES

A report was received and considered in relation to Visionnaires, the aim of which is to transform the FE sector's impact on entrepreneurship and self-employment. The Board noted:

- In 2019, the Board committed £200k to Visionnaires, of which £96k has been used. In October 2020, the Board approved in principle a further £400-600k for Phase 2, subject to a) finding other college 'Strategic Partners' to invest alongside the Group in a joint venture and b) a risk-assessed business case.
- Following discussions, three other large college groups are now simultaneously considering the proposal: New College Group, United Colleges Group and South Thames College.
- By forming a joint venture with these college partners and pooling budgets, drawing on the Group's strengths in diverse local communities, unit costs can be lowered and grant funding, sponsor and franchisee opportunities can be increased. The aim is to increase the impact ten-fold, from 200 to 2000 learners a year in total.
- The business case is now stronger than the draft considered in October, with payback on initial investment entirely recovered from existing funding sources. As both conditions have now been met, the Board's approval is sought to proceed with an additional £446k investment. This has the support of the Board-appointed Visionnaires Advisory Board. The cashflow impact has been budgeted and the project fits with the strategic plan priority 'to develop our learners' enterprise and entrepreneurship skills so they can successfully launch new ventures'.

The Board **APPROVED** the requested investment of £446k, plus the remaining £104k from the previous commitment and all Visionnaires intellectual property, into a joint venture Community Interest Company, in return for proportionate ownership and benefits. The Board commended the work undertaken by the CEO Visionnaires, noting in particular the success in collaboration with other college groups which will be critical to the success of the programme.

5.2 FOUNDERS ED

The Chief Commercial Officer provided an update and the Board noted:

- Two Governor working groups are meeting in order to review two key areas of further due diligence with respect to the Founders Ed proposal following previous discussion by the Board – financial due diligence and commercial due diligence. A report on the outcome of this due diligence, along with recommendations of the working groups, will then be provided to the Board for consideration.
- The Board emphasised the need for good governance and that the working groups should only make a recommendation to proceed if they are sufficiently satisfied regarding the outcome of the due diligence and should not feel obligated to recommend a basis for proceeding if their considered view is that there are significant risks that cannot be sufficiently mitigated.

The Board noted that the timescales mean that an additional meeting of the Board specifically to consider the proposal may be required at the end of April or beginning of May.

RO/
NC

GD

5.3 STRATEGIC PLAN

The Board received a final draft of the strategic plan 2020-2023. The Board noted:

- The draft plan has been consulted on widely with internal and external stakeholders. Members of the Board have been fully involved and have contributed towards several iterations of the draft, including at the December 2020 and February 2021 Board meetings, followed by a final consultation workshop with Board members in March 2021, subsequent to which a number of final amendments have been made.
- In line with feedback from the Board during the process, the plan is structured around three main themes: Our Learners; Our College; and Our Colleagues.

The Board **APPROVED** the Strategic Plan.

The Board also stressed the importance of regular monitoring against the plan and asked to be provided with a monitoring report on a six-monthly basis.

NC

5.4 FACILITIES MANAGEMENT

A report was received and considered. The board noted:

- The background to the proposal, as discussed previously by the Board, is that the Group's current managed outsourced contract with Kier, which represented the majority of the Group's annual spend of £6.5m on facilities management services is not performing well, is providing a poor experience for learners and staff, and Kier are exiting the market. This provides the Group with the opportunity to remove Kier and to reconfigure these services in a manner that works better.
- A proposal has previously been brought to the Finance Oversight Group for full insourcing of the Kier contract and staff, but as this activity is not core to the Group's business, members considered the approach to involve too great a degree of risk. Having considered the options further, the GLT is now putting forward a revised proposal, which has been considered from two key perspectives:
 - How to improve the quality of experience for the Group's learners and staff, and
 - What is the most cost effective option for the Group.
- In order to reduce the insourcing risk previously identified, whilst ensuring a more effective service, the recommendation is to recontract directly the services that Kier provide, with multiple local suppliers, whilst also employing site managers in each centre who will act as the interface between the centre's curriculum leaders and the facilities team and contractors. This approach will ensure that the service experience and responsiveness improves for staff and learners, whilst also driving savings from this configuration as the Group will no longer be paying VAT or Kier profit and overhead on insourced staff. The recommendation is to have this new structure in place by the end of July 2021 so that it is operational for the new academic year.
- In order to employ staff on more commercial terms, a recommendation is being made to set up a subsidiary company to employ these site managers. Complementing this, the subsidiary company will also be used as a vehicle to employ the nascent commercial lettings team for the same reasons.

The Board noted that it is not unusual for large college groups to establish subsidiary companies for this purpose, and the Board commended the work undertaken on the proposal.

The Board **APPROVED** the approach, including the setting up of a wholly owned subsidiary company, limited by shares, to employ the small number of non-curricular staff comprising site managers for estates and commercial letting staff.

6 MARKETING AND 21/22 ENROLMENT PLANNING

The Board received a report on application monitoring, marketing activity and improvements to the new student journey. The Board noted:

- Applications are significantly higher than last year. The Director of Marketing and Communications provided a verbal update on the latest data as at 29th March:
 - Total applications compared to last year show increases of 40% at CANDI and 26% at WKC, but a decrease of 15% at CONEL
 - 16-18 year old applications all show an increase: 25% at CANDI, 15% at WKC and 19% at CONEL.
- Potential reasons for the decrease at CONEL have been identified and various strategies are being implemented to address this.

- With the aim of developing a Group-wide ‘sublime’ customer experience, a Group Admissions Collaboration and Improvement plan is now in place, ensuring fully aligned processes, systems and structures that improve the learner journey and customer experience whilst removing inefficiencies. A sales approach is being embedded in the front-line Contact Centre, enhancing capability to answer as many queries as possible on first touch point. The aim is to have human interaction at the heart of admissions but using appropriate systems to maximise efficiency and deliver excellent customer service where possible.
- Group Admissions Service Standards have been approved, which will be reported on monthly. Customer Service Training is being delivered across all front-line staff including interviewing teachers. The approach is to create a ‘*drop of magic*’ at each customer interaction.

Members of the Board provided various feedback:

- The split between adult learners and 16-18 year-old learners is important and should be included in future reports. ES
- In the period between now and September, the Board additionally needs to be provided with data on offers and acceptances and would wish to see conversion data split by college and by age group, with time comparative data where available. ES
- It may be helpful to assist three year forward planning to obtain data regarding expected numbers of school leavers.

7 EQUALITY, DIVERSITY AND INCLUSION – OBJECTIVES

The Director of Human Resources and Organisational Development presented the Equality Diversity and Inclusion (EDI) Objectives. The Board noted:

- The objectives have been written in consultation with the Group’s Equality, Diversity and Inclusion Oversight Group, which comprises members of staff from across the Group. They have also been discussed with the Board’s lead member, Sarah Ebanja.
- It is intended that these objectives will serve as the reference point for EDI until 2024 and for an action plan which will be reviewed on an annual basis.

The Board commended and **APPROVED** the EDI Objectives.

8 MEMBERSHIP AND GOVERNANCE UPDATE

The Board noted that following a search carried out by Peridot since the beginning of the calendar year, four candidates for Board membership were interviewed on 11th March by a panel comprised of members of the Search and Governance Committee. Two candidates have been recommended for appointment. On the recommendation of the Search and Governance Committee, the Board **APPROVED** the following appointments to the Board, both for terms of office of four years from 1st April 2021:

- Asfa Sohail
- Toyin Odulayo

Both new members will be invited to attend the 28th May Board meeting and the Director of Governance will arrange an induction. GD

A draft of the independent report by Jennifer Foote, Director of Governance at the LTE Group, on the Group’s governance was received. The Board noted that the report is largely complimentary about the Group’s approach to governance, however, it makes some recommendations for further improvements. An action plan will be considered by the Search and Governance Committee and be reported to the May Board meeting. GD

9 FEEDBACK FROM STUDENT COUNCIL

A report was received and it was noted:

- The first meeting of the new Student Council took place on 10th March, to which three students from each centre were invited to attend, along with three independent Board members and senior leaders from the GLT. The minutes of the meeting were provided to the Board. Future meetings will be student led and more focused on the student experience. A review of the membership of the council will also take place. It is also hoped that more Board members will take the opportunity to attend future meetings, which are a valuable opportunity to hear from and engage with students.
- Whilst the first meeting was a useful start, the intention is to fine tune the approach to student engagement at Board level. The Search and Governance Committee will consider issues surrounding the student voice at Board level at its meeting on 29th April, and a report will be provided to the Board in due course. GD

10 CHAIR'S ACTION

A report was received and the Board noted:

- Since the last Board meeting, the Chair has signed the Stage 1 application for capital support to the DfE for the Further Education Capital Transformation Fund. The application is in line with the discussion at the Board meeting, at which the Group's overarching estates strategy was approved.
- The application process has two stages, with this first stage being an expression of interest where colleges were invited to put forward outline proposals – the deadline for which was 22nd March. In line with the estates strategy, three business cases have been put forward for capital projects at the Tottenham, Holloway and Soho sites.
- The Group expects to be informed as to whether it has progressed to Stage 2 of the process on 14th May, after which the deadline for the Stage 2 application is 30th July.
- A full estates master plan is to be brought to the Board at its meeting in July.

The CEO advised that the GLT is reviewing its planning processes in order to secure improvements with respect to consideration and submission of applications for capital funding.

11. PENSIONS

A report was received. The Board noted:

- At the October 2020 meeting, the Board had agreed to place a legal charge on the Centre for Business Arts and Technology in order to maintain the Group's category A status with the London Pension Fund Authority with respect to its Local Government Pension Scheme, for which within 19/20 financial statements a total liability of £99m was stated. This is the second charge which has been placed on one of the Group's buildings (the Victoria site also has a charge).
- At the time of the approval of the charge, it was agreed that a small working group of senior leaders and governors should consider ways forward to minimise the risk and liabilities associated with the Group's pension schemes, particularly the LGPS.
- Julian Gravatt (the AoC Deputy CEO) was asked to speak to the working group and gave a presentation at the working group meeting on 2nd March. A copy of his presentation was provided to the Board.
- It is the intention for the CEO to write to Gillian Keegan (Parliamentary Under Secretary of State for Apprenticeship and Skills) raising the issues associated with the provision of defined benefits pension schemes. The Chair is also due to meet with Ms Keegan as part of his work with the Social Mobility Commission, to talk about FE.

The Board also noted that the issues faced with regard to the increasing burden of pension liabilities are not unique to the Group, but common across the sector. The Board therefore asked for clarity regarding action being taken, as had been discussed, to reach out and join forces with other colleges to provide a stronger combined voice to lobby for Government action.

RO

12 KEY PERFORMANCE INDICATORS

The Board received for information and noted the following reports:

- Group Dashboard March 2021
- 2020/21 Attendance and Retention Summary as at 5 March 2021
- Curriculum and Learner Experience Scorecard as at 5 March 2021
- 2020/21 Estimated Funding Report as at 5 March 2021

13 OFSTED MONITORING VISIT

The Board received for information and noted a copy of the published Ofsted Report on the Progress Monitoring Visit that had taken place on 24-25th February 2021.

The dates of next scheduled meetings are:

Friday 28th May 2021 9:30am

Wednesday 7th July 2021 9:30am

An additional meeting may be convened at the end of April to consider approval the Founders Ed proposal.

Signed as a correct record: _____

Alastair Da Costa, Chair of the Board