



CAPITAL CITY COLLEGE GROUP BOARD: 15th DECEMBER 2021

PARTICIPANTS	Alastair Da Costa (Chair), Sharon Saxton, Amelia Sussman, Roy O'Shaughnessy (CEO), Anthony Smith, Chris Hyams, Maarten Zuurmond, Anthony Impey, Sanna Jordansson, Toyin Odutayo, Desmond Corlis (Staff member), Sinem Bozkurt (Student member), Jenesha Chin (Student member)
IN ATTENDANCE	Kurt Hintz (Executive Principal), Rachael White (Chief Financial Officer), Graham Drummond (Director of Governance), Amanda Cowley (Director of Human Resources), Neill Scott (Director of Estates) [Item 6.1], Rakesh Shaunak (MHA MacIntyre Hudson [Items 1-4], Elvie-Jo Shergold (Director of Marketing) [Item 7], Graham Cooper (Clerk)
APOLOGIES	Lord David Triesman, Asfa Sohail, Colin Booth (Adviser)
DECLARATIONS OF INTEREST	None

The Chair welcomed everyone to the meeting and reminded members to advise the Director of Governance of any new appointments or accolades that they have been associated with.

The Chair advised that Anthony Impey will be stepping down from the Board at the end of January. Anthony advised that he has been approached by the Secretary of State to lead the Apprenticeship Ambassador Programme and that in view of this new role and his other commitments, he would be unable to continue to devote sufficient time to the work of the Board. The Board congratulated Anthony on this new appointment and thanked him for his valuable contribution throughout his time as a Board member.

The Board also congratulated Alastair Da Costa on his appointment as the next Pro-Chancellor and Chair of the Council of Leeds University from 1st August 2022. Alastair advised that he has made clear his intention to continue in his role as Chair of the CCG Board, in addition to taking on this new role, and that he hopes that this will be mutually beneficial.

1. MINUTES OF MEETING HELD ON 22nd NOVEMBER 2021

The minutes of the meeting of 22nd November 2021, including the separate confidential minutes, were approved as an accurate record.

2. MATTERS ARISING

The Board noted the following:

- with respect to item 4 and the FE Commissioner visit, a draft report has been received and feedback on aspects of factual accuracy has been provided. A final report is expected in the next few weeks and will be circulated to Board members.
- with respect to item 6 (Quality Update):
 - commentary on in-year learner progress has been included within the Quality Report (item 5)
 - a paper providing an analysis on enrolment trends as compared to other providers within the Group's catchment areas is provided (item 7). The aim is to prompt initial discussion and to provide a basis for further consideration at a governor workshop in the new year.
- with respect to item 8.2 (annual HR report), the staff survey from June 2021 has been circulated to members and is included within the background papers (item 12).

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

3. ANNUAL AUDIT COMMITTEE REPORT TO THE BOARD

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

- The purpose of the report is to advise the Board on the views of the committee on the effectiveness of the Group's risk management, control and governance processes, and to assist Board members in delegating the responsibility to the Chair and Chief Executive to sign the annual Financial Statements.
- With respect to internal audit, a copy of the annual report from RSM was appended to the committee's report and, on the basis of the programme of work agreed, provided a positive opinion. As stated, in their opinion, 'The Group has an adequate and effective framework for risk management, governance and internal control, although our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective'.
- An important part of the committee's work during the year has been the monitoring of management's implementation of actions to clear recommendations from both the internal auditor and external auditor. An additional meeting of the committee was held in January 2021 as there had been concerns that the number of outstanding recommendations was too high. The majority of outstanding recommendations were implemented ahead of that meeting and their number has remained at a reasonable level for the rest of the year. A report was then requested for the November meeting on recommendations beyond their scheduled completion date and arising from the committee's concerns to ensure that recommendations are addressed in a timely manner; a further update from management has been requested ahead of the next scheduled audit committee meeting.
- With respect to Learner Number assurance, which is an area of potential risk to funding, the Group is required to follow the changing rules laid down by the funding agencies, and there are significant challenges to ensuring that each student record meets the requirements. Progress has been made in this area, but some inherent risk remains. The annual internal audit report on this matter had raised 19 recommendations, of which 4 were high priority. Management reported to the audit committee in November on progress and, following concerns raised by the committee, a further update will be provided in January. A matter of particular concern, also raised by the external auditors, and which could have funding clawback implications, relates to apprenticeship funding received in the previous two years (the issue of concern having been rectified going forward). As time progresses, the likelihood of a clawback is considered less likely, and the maximum exposure estimated by management is currently £2-£2.5m, although there are a number of mitigating actions to ensure that full compliance is achieved by February 2022. An additional paper providing further explanation had been circulated to Board members. The CFO provided further assurance regarding future management of this issue and, in addition to the Audit Committee, the Finance Oversight Group had also discussed this matter and was satisfied that it was being appropriately managed.
- The external auditors have confirmed their intention to issue an unqualified audit opinion on the Financial Statements – see item 4.1.
- The annual report to the Board also covers relevant matters relating to risk management and health and safety.
- The Chair of the Audit Committee confirmed that the committee is satisfied that the Group's risk management, control and governance processes are adequate and effective for the Board to rely on them, and the audit committee recommends that the Chair and the CEO sign the Financial Statements for 2020/21.

4. 2020/21 FINANCIAL STATEMENTS

4.1 AUDIT FINDINGS REPORT (FINANCIAL STATEMENTS AND REGULARITY)

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

- With respect to the issue relating to apprenticeship funding highlighted in the audit committee's annual report to the Board, the external auditor is satisfied with the steps taken to manage future compliance and that the work undertaken by management to address the previous issues provides confidence that the possibility of a funding clawback is remote and that the decision taken not to make any provision in the financial statements for a potential clawback is the correct decision
- A major change from the previous year is that the funding agencies no longer provide the assurance needed to meet accounting standards requirements in relation to income. This meant

that the external auditor had needed to undertake additional work in order to be satisfied regarding the Group's entitlement to receive income. It was confirmed that, in conjunction with the work undertaken by the internal auditor, the external auditor was satisfied in this respect.

- 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 external auditor also intends to issue an unqualified Regularity Audit opinion.

4.2 AUDIT REPRESENTATION LETTER

The External Audit Partner advised that the draft Letter of Representation is of standard format, including standard representations in respect of investment properties. The Board noted the representation in the draft letter that the Group has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities. The Board discussed this statement in the context of the intention to dispose of certain properties, and confirmed that it is satisfied to make this representation at the current time.

The Board also discussed the subject of reserves. It was noted that, given the Group's significant level of reserves, the focus of financial planning over the past couple of years had intentionally been on matters of profitability and short term cashflow. However, having achieved significant progress in relation to the latter, and in the context of planned property disposals, it was agreed that the potential need for a Reserves Policy should be revisited. This will be taken forward by the CFO with the Audit Committee and Financial Oversight group and brought back to the Board for further discussion.

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4.3 FINANCIAL STATEMENTS 2020/21

The Board reviewed the Financial Statements 2020/21 and noted, as already advised, that:

- Against the objective of achieving a breakeven situation, the actual outcome for the year was a small operating surplus (£167k) prior to FRS102 pension adjustments. This is a significant milestone, and a major achievement in the context of the financial deficits that have been reported for the past three years. Although this has been highlighted in the Director's report, it is less apparent from a cursory view of the Financial Statements due to the format of reporting required by Accounting Standards.
- The financial outcome means that the Group will retain its ESFA financial health rating of Good. The CFO will be looking at what it will take going forward to achieve a rating of Outstanding.

The Board congratulated the management team on this outcome.

The Board **APPROVED** the Financial Statements 2020/21 and the Letter of Representation.

5. QUALITY OVERSIGHT

5.1 QUALITY UPDATE

A report was received and the Board noted:

- Attendance rates are slightly lower than the same period last year. Overall attendance is 86.5% (0.5% below last year) for all ages (86.5% for 16-18 yr olds and 86.6% for 19+).
- The Executive Principal advised that recent R04 data confirms that retention is holding up well, although the calculations have only just been completed and are not included in the written report.
- Teaching Learning and Assessment – visits are taking place in accordance with the new policy. From a grade perspective, 94% were Good or better (compared to c. 91% last year) and c. 5% assessed as requiring improvement. A very small proportion (0.1%) were giving cause for serious concern and this was being addressed.
- An update was provided on the 'One Thing' initiative, which was progressing well. With 42 expert practitioners supporting other teachers, success was being achieved in delivering cross-fertilisation of skills and expertise across different areas of the Group.
- The Autumn student survey has just been completed, with a c. 50% response rate and scores in the majority of areas above the 90% target, although some were slightly below pre-pandemic levels. Importantly amongst these, c. 97% of students agreed that they feel safe at college. Feedback on quality of teaching and learning is also strong at 92%.
- Data was provided in response to the Board's previously expressed wish to see a clearer picture of in-year student progress.

- With respect to functional skills, significant progress (higher than last year), was already evident from the outcome of the first Formative Assessment. This was particularly encouraging in relation to Level 1 maths, which had been identified from last year as the area in most need of improvement.
- With respect to GCSEs, diagnostic assessments have shown that very high numbers of learners entering the Group's colleges are far below the standard grades that they have been awarded by schools under the TAG system. This increases the challenge for the Group in progressing those students, although Formative Assessment 1 results show that significant progress has been achieved in the first ten weeks.
- Good progress in relation to yr 13 A-level students was also noted.
- On Main Qualifications, although these are subject to varied assessments, some of which are not due until January, overall performance is satisfactory.

5.2 GROUP SELF-ASSESSMENT REPORT 2020/21

A report was received and the Board noted:

- The draft self-assessment report has been validated, without amendment, by the Group Quality Committee and validation panel.
- Anthony Smith, Chair of the Quality Oversight Committee provided feedback on the validation process in which committee members had participated with the Executive Principal and the Vice Principals of each college. The panel had reviewed the overall Group SAR and those of the individual colleges, including the grade profiles for each, and appropriately robust discussion and challenge had taken place. Importantly, the panel had agreed on an Overall Effectiveness grade for the Group of 2, an improvement from Grade 3 for 2019/20. This improvement is an important milestone on the path to becoming outstanding and a great testament to the work of the management and teaching staff. The panel noted, nevertheless, that further significant progress is needed to reach Outstanding. Being a self-assessment, the improvement that has been achieved also remains subject to validation by Ofsted.
- The Executive Principal advised that the Group is expecting an Ofsted monitoring visit during the Spring term, to be followed by the next full inspection either during the current academic year or early in the next academic year. Should the full inspection be carried out in the current academic year, then a further inspection is likely to follow before 2025, given Ofsted's commitment to inspect all providers during the three-year period from September 2022 to 2025.

The Board **APPROVED** the 2020/21 Self-Assessment Report.

5.3 HIGHER EDUCATION REVIEW UPDATE AND QUALITY ASSURANCE

5.3.1 HE REVIEW UPDATE

The Board received a report providing an overview of the Group's HE provision and noted:

- The Group's HE provision includes a variety of programmes delivered at Level 4 or above, including prescribed, non-prescribed and apprenticeship provision. Also included in this category are some Level 3 foundation courses.
- An outline of returns against the Group's general aim that individual areas of provision should contribute around half of their income towards Group overheads (after Costs of Delivery (direct teaching costs, course materials etc)) was provided. Whilst franchised university programmes have continued to maintain high contribution rates at 64% against a target of 66%, prescribed and franchised provision is making a contribution of only 18% against a target of 36%, due primarily to low recruitment at WKC. A full review of the latter provision by the HE strategy group has therefore been undertaken and the vast majority of this provision at WKC is likely to be discontinued for new students from the end of the current academic year and to then run out over the following 2-3 years.
- Aside from the prescribed provision at WKC, other areas of HE provision are performing well, in terms of both student outcomes and the financial return to the Group. The area of HE provision currently expanding the most, and likely to become the largest area within the next year or so, is apprenticeships.
- The management team's view is that overall, the viability of the Group's HE provision is strong, and should continue with a curriculum strategy centred around apprenticeships, foundation courses, and non-prescribed provision, focusing on areas where the Group has a specialism rather than generic and very competitive areas such as Business. In order to address the risk of

straying into areas where the Group is unlikely to be able to compete with universities and other Level 4 providers, stringent HE strategy processes are in place relating to the introduction of new courses. There are also likely to be additional unique opportunities at Level 4 and Level 5 arising from funding opportunities provided by the GLA.

- An overview of compliance and a schedule of compliance with individual areas of Office for Students conditions of registration was also provided and noted.

The Board agreed to discuss further the Group's HE strategy as part of the strategic discussions at the Board's January workshop. It was also noted that the Group is well placed to support the Government in piloting new initiatives.

The Board also discussed the Group's plans and preparedness for delivery of T-Levels from 2023/24, and it was noted that the Board would benefit from training to enhance members' understanding of matters relating to T-Levels.

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5.3.2 HE SELF-ASSESSMENT REPORT 2020/21

The Board reviewed the HE Self-Assessment Report. The Board noted:

- The HE SAR was validated by the validation panel which included an external colleague from University of Hertfordshire. The Group is deemed to have met the 'Expectations for Standards' and 'Expectations for Quality'.
- The Executive Principal provided further verbal assurance regarding compliance, as set out in the SAR.
- The 2021/22 HE Quality Improvement Plan (QIP) has been prepared to concentrate on the following key actions:
 - Improve the enrolment process using the College enrolment system EBS
 - Improve learner engagement and communications
 - Improve timely access to HE data to facilitate management decisions and interventions
 - Enhance HE staff awareness of HE processes and regulations
- The Chair of the Quality Oversight Committee noted concerns relating to student satisfaction levels compared to those elsewhere in the sector. The Board requested further evaluation of this, so as to inform the further discussions on HE strategy.

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

6. CEO AND GROUP LEADERSHIP TEAM UPDATES

The CEO presented his report, which he introduced by highlighting the progress that had been achieved in relation to the quality and financial challenges faced by the Group, and the significantly improved position that the Group is now in, as evidenced by the various reports presented to this meeting. He acknowledged efforts of the Board, the GLT and the Group's staff that had led to this. He also highlighted current and future challenges, including potential short-term difficulties that may arise from the emergence of the latest Covid-19 Omicron variant, leading to the need for contingency planning in the event that enrolments in the new year are significantly impacted by this. He noted that notwithstanding a balanced budget, the Group has not yet reached the stage of being able to say that it has a comprehensive strategy to meet anticipated future growth in fixed costs and staff awards. A proactive approach to meeting this challenge, as well as agreeing 'non business as usual activity' that will help move the Group forward to greater financial sustainability, will be the focus of attention in the new year.

The Board noted the progress updates provided in relation to 01 Founders, Employee Relations, the London Recovery Programme and Good News Stories.

6.1 ESTATES UPDATE

The discussion for this item was subject to a separate confidential minute.

7. ADMISSIONS ANALYSIS UPDATE

A report was received and the Board noted:

- The report had been prepared in an effort to understand recruitment trends and, in particular, whether the recent fall in 16-18 year recruitment is part of a trend or a specific one-off consequence of the pandemic.
- An analysis of the market share of 16-18 year olds over the last three years shows that in that part of London comprising the Group's recruitment area, school sixth forms have gained 3% market share, which general FE and sixth form colleges have lost. The Group's 16-18 enrolments have decreased in a growing market, but this is the case across FE, and it is the school 6th forms that have gained. Specifically, the Group has lost market share in the North London boroughs of Hackney, Islington, Haringey, Enfield, Barnet, Camden and also in Westminster – the areas that on a combined basis continue to account for two-thirds of the Group's 16-18 recruitment. The Group's market share had been stable in 2018/19 and 2019/20, but declined by c.2% in 2020/21, the first year of the pandemic. Although there has been some recovery, enrolment has not returned to pre-pandemic levels.
- An analysis of the five-year trend by individual college and site shows that C&I is increasing enrolment in some subject areas in which enrolment at WKC and CONEL is falling, such as in Business, and also in sciences, where CONEL has seen a fall. There are also subject areas where the Group as a whole has lost market share, such as Media – a subject that is relatively easy for school sixth forms to deliver. The same is also true in Preparation for Life and Work, although the data indicates that the fall is also due to a decline in demand rather than a shift in learners across provider type.
- Looking further at the impact of the pandemic, grade inflation that has arisen as a result of the Teacher Assessed Grade process has meant that more learners have been able to progress to school sixth form, which has had an impact on the Group. Another key factor behind the decline in the Group's numbers, however, has been its inability to engage face to face with Year 11 students at open days, an interaction which is key to gaining trust and driving enrolment. Online open days have enabled a wider reach, but have proved less effective.
- With respect to adult learners, the Group has retained its market share, but in a decreasing market. Other general FE providers have lost market share over the same period, which has been picked up by independent training providers – the only group of providers seeing an increase. Whilst maintaining its overall market share, the Group has seen a decrease in Preparation for Life and Work, being ESOL and entry levels, which appears to have been picked up by private training providers.
- An analysis of the three entry routes to courses (the application process, progression and walk-ins), shows a decrease in progressions, as expected, and a decrease in learners going through the application process, but an increase in walk-ins.
- An overview of the effectiveness of the engagement funnel and the learnings from a review with the aim to maximise reach and engagement was also noted.
- The pipeline of 16-18 year-olds over the next ten years has been forecast, using population projections and local demographic trends, to help predict the potential learner numbers achievable by the Group based on current and potential growth in market share. The pipeline highlights the importance of focusing on those North London boroughs with predicted significant increases in population, particularly Islington, Camden and Westminster.
- A summary of conclusions and recommendations was noted, which includes future curriculum development (increasing the provision of added value programmes that schools cannot offer), increased stakeholder engagement at all levels (community, employer and especially with schools), and aligned admission processes.
- The staff member highlighted the potential for improvement to facilities and equipment, particularly the CBAT site, to support attracting more new learners, as well as ensuring that IT support is in place to support learners in the event that learning needs to move online due to further lockdowns.

The Board also noted that the risk faced by the Group in relation to 16-18 yr-old enrolments had been highlighted by the FE Commissioner, and the extent of reliance by the Group on income from this learner group is significant. It is therefore important that there is a clear plan (with targets) in place to address this as a priority, with sufficient resource allocated over a sustained period. The CEO emphasised the work currently being undertaken on the Estates strategy to support the Group's curriculum strategy, including growth in enrolments, and the Executive Principal also emphasised the key significance of the Group's capability to deliver new T-Levels.

This Board noted the importance of ongoing oversight and monitoring by the Board.

8. FINANCE UPDATE – MANAGEMENT ACCOUNTS

The Board received the management accounts for the three months to 31st October 2021 and noted:

- Against a budget operating deficit for the first quarter of £3.8m, the actual operating deficit is £2m.
- The 1.8m positive variance is made up of timing differences in income and pay and non-pay expenditure and savings in relation to a significant budget agreed for current year restructuring costs but where the restructuring had taken place in 2020/2021 and which will now be utilised towards meeting the cost of negotiated pay increases as agreed at the last Board meeting.
- A first full reforecast for 2021/22 is being completed and the CFO confirmed that this will still forecast a breakeven position, in line with the agreed budget. With respect to 16-18 enrolment, however, having just completed the R04 return, the lagged learner number is c. 152 short of the 9,040 target. It is expected that some of this will be recouped on submission of a further ILR in February 2022, leaving a forecast shortfall of 84 learners, the financial implication of which will be a £420k shortfall in the Group's 16-18 grant value for 2022/23 as a result of the lagged learner funding methodology.
- With respect to the current year AEB budget, the total contract value is c. 34m, made up of £1.5m from the ESFA, 32.5 from the GLA. The delivery threshold for the current year is set at 97% and the Group is currently forecasting 98.8% delivery, which is therefore expected to lead to receipt of the full grant value. The Group is also making contingency plans for further subcontracting to ensure that it is able to deliver 101.5% of the contract value in order to allow for any slippage. A key risk to delivery of this, however, is the possibility of further lockdowns during 2022 as a result of the ongoing pandemic. The position will be monitored closely during the first few months of 2022 in order that further subcontracting is undertaken if necessary. This is important, as achieving the full £34m AEB grant value will be crucial to the Group's delivery of a forecast breakeven position for 2021/22.
- The Group's cash position remains strong, with balances of £28.4m at the end of October. The CFO has considered the funding requirements needed if the Group is successful in its three current transformational project bids and needs to fund the £27m capital investment, with half of that match funded. Noting, the agreed sale price of the Marlborough building, she confirmed that the Group will be able to bridge any short-term funding requirement from current cash balances.

9. REPORT FROM THE REMUNERATION COMMITTEE

The Board received and noted a report from the Remuneration Committee. The Chair of the Committee additionally advised that the CEO and GLT will shortly submit an integrated set of objectives for the current year, details of which will be provided to Board members.

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10. AUDIT COMMITTEE – SUPPORTING REPORTS TO THE ANNUAL REPORT

In addition to the external auditor's Audit findings Report and the internal auditor's annual report appended to item 3, the Board received and noted:

- The Group Risk Register as at 3rd November 2021
- Draft minutes of the Audit Committee meeting of 17th November 2021

11. KEY PERFORMANCE INDICATORS

The Board received for information and noted the following reports:

- Group Dashboard December 2021.
- Attendance and Retention Summary as at 8th December 2021.
- R04 Estimated Funding Report December 2021

12. OUTCOME OF STAFF SURVEY 2020/21

The Board received and noted a report on the outcome of, and responses to the findings of, the 2020/21 staff survey. The HR Director additionally advised that following the survey, which was undertaken in June, an update to staff was provided in September and a pulse survey has been undertaken, the results of which have just been received.

13. REGULARITY AUDIT SELF-ASSESSMENT QUESTIONNAIRE

The Board received and noted the completed Regularity Audit self-assessment questionnaire 2020/2021.

DATES OF FUTURE MEETINGS

Thursday 20th January 2022 – 4.00pm - Workshop
Friday 11th February 2022 – 9.30am
Thursday 31st March 2022 – 4.00pm

Friday 26th May 2022 – 4.00pm
Wednesday 6th July 2022 – 9.30am