CAPITAL CITY COLLEGE GROUP BOARD: 6TH JULY 2022

PARTICIPANTS	Alastair Da Costa (Chair), Sharon Saxton, Amelia Sussman, Roy O'Shaughnessy (CEO), Lord David Triesman, Sanna Jordansson, Angela Herbert, Toyin Odutayo, Nicole Morgan, Vincent Egunlae, Weiye Kou, Jenesha Chin (Student member), Sinem Bozkurt (Student member)
IN ATTENDANCE	Colin Booth (Adviser), Kurt Hintz (Executive Principal), Rachael White (Chief Finance Officer), Graham Drummond (Director of Governance), Stewart Cross (Director of Information and Planning), Graham Cooper (Clerk)
APOLOGIES	Chris Hyams, Anthony Smith, Asfa Sohail, Maarten Zuurmond, Desmond Corlis (Staff member)
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.

1. MINUTES OF PREVIOUS MEETINGS

The minutes of the meeting of 26th May 2022 (including the confidential minutes) and the confidential notes of a special meeting held on 15th June 2022 were approved as accurate records.

2. MATTERS ARISING

The Board noted the following:

- With respect item 4 (quality report) and the end of year survey – the initial outcomes of this survey have been considered at the quality committee and are included within the quality report (item 3.1);
- With respect to item 5.1, the pay award negotiations are included within the agenda;
- With respect to item 5, a letter will be sent to the Secretary of State about FE teachers' pay, once the current pay negotiations are concluded;
- With respect to item 6.4, the CEO Leadership Team continues to consider how best to develop the Group's Commercial Strategy and this will come back to a future meeting;
- With respect to item 8, an advert is being placed for a co-opted member of the audit committee;

All other matters arising are included within the agenda.

3. CURRICULUM AND QUALITY

3.1 QUALITY UPDATE

The Board received the Quality Update and noted that this had been reviewed in detail at the recent quality committee meeting. The Board also noted:

- Benchmark data (published after this report was written) indicates that retention rates are above the national rates for most areas of 16-18 and 19+ provision. This is a strong position, albeit slightly below the same time last year. There is some variation across centres, with retention in relation to A Levels at the Kings Cross Centre being a cause for concern, which was discussed by the quality committee. Attendance rates are also slightly lower than last year, which reflects the position across the sector.
- Teaching, Learning and Assessment is strong. The most frequent strengths identified during the classroom visits include good learner involvement and response, good checks on learning in the sessions, good learners' feedback and good teacher style, communication skills and rapport with learners including questioning. The most frequent areas for improvement are attendance and punctuality and management of learning.
- The recent exit survey of learners demonstrates a recovery in feedback scores following a dip due to responses to the May straw poll. The exit survey had a much higher response rate, meaning that the results were more robust.

- With respect to Ofsted inspections, the Further Education and Skills Handbook is due to be updated in relation to an enhanced framework that introduces changes to reflect how colleges respond to meeting the needs of employers and stakeholders. There will be no grading of this element, but a judgement will be made on whether colleges are making a limited, reasonable or strong contribution to meeting skills needs. It is evident from recent briefings that the threshold for being judged as making a strong contribution is very high and it is the view of the executive team that the Group would currently be judged as making a reasonable contribution.

3.2 CURRICULUM STRATEGY REVIEW

The Board received a draft of the updated Curriculum Strategy following a substantial mid-point review of the five-year strategy. This had been scrutinised at the recent quality committee meeting. The paper highlighted the changes, which the Executive Principal explained as follows:

- The inclusion of new areas of provision, notably logistics and mental health, in addition to the four new Mayor's Academy hubs (Digital, Creative, Hospitality and Green).
- Substantial changes in meeting employer skills, by focusing on developing significant industry partnerships to ensure that facilities and programmes are industry leading and are quickly adapted to the changing needs of employers.
- The launch of a London Teaching College for secondary level teaching is to be explored, in partnership with a HE provider.
- Responding to other specific areas of national and regional policy
- Continuing to support the objective of flexible, easy to access and cost-free lifelong learning.

The Board asked about how the curriculum ensures a continued sharp focus on apprenticeships and the Executive Principal emphasised the Group's employer strategy that underpins the curriculum strategy, noting also that the apprenticeship programme was refocused a couple of years ago on areas that the Group specialises in. He also advised that the apprenticeship programme has been impacted by the pandemic, although the Group continues to be the largest provider of apprenticeships in London and is looking to grow this area back to previous levels.

The Board congratulated the management team on the recent award from City & Guilds for the high quality and standard of its apprenticeships. The Chair noted that, in relation to the competition for apprenticeships, the need to be alert to the fact that some HEIs are likely to be looking at this as an area of future opportunity, which poses a potential competitive threat and also an opportunity for partnerships.

The Board **approved** the Curriculum Strategy update.

3.3 STUDENT PROTECTION PLAN

The Board received the Group's Student Protection Plan for review, noting that it is an OfS compliance requirement that this is approved by the Board annually.

The Board affirmed that it believes that the risk of institutional failure is low, and noted that the plan has been updated to reflect the Group's current ESFA financial health rating of Outstanding.

The Board **approved** the Student Protection Plan 2022/2023.

4. CHIEF EXECUTIVE AND GROUP LEADERSHIP TEAM UPDATE

The CEO noted that there had been many successes over the course of the academic year, in terms of capital bids, success in winning the mayoral hubs bids, and significant progress in raising the quality of provision. He thanked Board members, on behalf of the executive team, for their commitment, support, challenge and the confidence that they have shown in the executive team.

4.1 PAY AWARD

The CEO brought the Board's attention to the various papers that had been circulated over the past week in relation to the pay review, including the financial scenarios prepared by the CFO. He explained that, in addition to the challenges facing the FE sector, the group has a few challenges which are time limited:

a) Students are the Group's top priority – any strike action will further inhibit their chances and will certainly disengage the most disadvantaged
b) Ofsted – It is important for all staff to be working together for the Group to achieve Good. Strike action will lead to postponement of an Ofsted inspection from September/October 2022 to mid to late 2023. This is not in the Group's best interests. Staff disharmony, even without strike action, is a risk to the Group achieving an Ofsted Good rating.
c) Pay Award – although the entire sector is grappling with pay awards, the cost of strike action to the

Group would be substantively greater – its growth strategy will not be realised, meaning that income will be reduced by £2-4 million, and the succession planning underway will be hindered.

d) Group culture – there is an urgent need to unite around the one college model and to implement an effective all staff communication process – without alignment, growth targets will not be achieved.

e) If the group does not settle the pay dispute, it will lose more income than if it settles fairly.

The original request from UCU and Unison was for a 10% pay increase for their members. Following negotiations, a proposal is now being made by the executive team, as follows:

Employees	Sept 22 Consolidated Pay Award	Jan 23 Consolidated Pay Award
£0 - £30k	9%	0%
Up to £45k	5%	1%
Up to £100k	0	3%*

**Conditional on Achieving Targeted Growth*

In making the recommendation, the executive team recognises that this will be one of the highest in the sector. It gives a significant increase to staff earning less that £30k, and an increase for all staff earning up to £45k, which includes all lecturers.

With regard to NEU, which is threatening strike action due to workload issues, the executive has been in discussions which have successfully averted strike action this week, and believes that negotiations are close to achieving a full withdrawal of the threat of strike action.

The CFO presented a number of financial scenarios that set out the budget implications of the proposed pay settlement, and the Board noted:

- The budget to be considered later in the meeting assumes planned growth in 16-18 student numbers by 400 and the proposed pay award. In order to breakeven, there is a £1.3m gap that needs to be closed. In terms of mitigations, the Group was fortunate to be advised the day before this meeting of a 3.5% uplift in the London weighting for its AEB contract, which will provide an additional £700k of income, reducing the gap to £600k. The latter will be the focus of winning new bids. It is important for the Board to recognise the risks to achieving the budget. Looking ahead to 2023-24, subject to having achieved the 400 increase in 16-18 student numbers in 2022-23, the Group can expect to receive a lagged increase in grant funding of £2.7m, which combined with other increases and offset by the ongoing cost of this year's pay increase and other cost increases (including higher utility costs), should enable a breakeven position to be achieved. However, this projection does not include any provision for a pay award increase for 2023/24.
- The other scenarios presented set out the budget implications for 2022-23 (and the increased severity of the implications for 2023-24) if target growth in student numbers is not achieved in 2022-23, or if student numbers decrease. Depending upon the extent of the shortfall, this would lead to the potential need for restructurings, cuts in non-teaching activities, the closure and sale of some sites and an increase in teaching hours for lecturers.

The Board discussed the proposals and considered the risks to the budget:

- The Board discussed the efficiency improvements required to support student growth, in light of the inflation in non-pay costs as well as the proposed pay award.
- The Board stressed the importance of union support for productivity gains, although the CEO advised that there will be a staff-wide communication, and the executive believes that, subject to the pay award, positive staff buy-in can be achieved to meeting the challenges.
- In terms of future financial monitoring, the importance of Education specific EBITDA as a measure was emphasised, and the CFO advised that the new format of financial reporting for the next academic year will include this.
- The Board recognised that, in making the pay award proposed, the Group will stand out from other colleges, many of which are struggling to pay the AoC recommended 2.5%. This might make the group unpopular, but the Board advised that the Group must nevertheless do what is in its best interests and those of its students.
- The Board stressed the importance of rigorous financial monitoring going forward, with progress in relation to mitigations reported to each Board meeting.
- The Board endorsed that the pay award, as recommended, is in the best interests of the Group and the Board **approved** the pay award as recommended.

5. FINANCIAL OVERSIGHT

5.1 MANAGEMENT ACCOUNTS MAY 2022

The Board received the management accounts to 31st May 2022 and noted:

- For the year to Month 10, an operating deficit of £2.3m is reported, compared to a forecast operating deficit of £2.6m. The CFO highlighted the contrast to the same time last year, when a £8m deficit was forecast.
- The full year forecast for 2021/22 remains a breakeven position. There are some areas of overspend, including utilities, examination fees and agency costs, but these are being monitored closely and are mitigated by underspend in other areas. Subcontractor delivery is also being monitored closely, and whilst the long-term strategy is to reduce reliance on subcontractors, there is some under-performance this year, albeit that this will not impact on delivery thresholds.
- Forecast cash balances to the end of the year remain strong. £10.5m sale proceeds from the sale of the Marlborough building was received in June and, as in line with the direction given by the Board, is ringfenced and will be shown as a designated reserve in the balance sheet in the June management accounts.
- The sale of the Marlborough building will give rise to a £980k loss on disposal, which will be reported as an exceptional item in the statutory accounts.

5.2 BUDGET 2022/23

The Board received and considered the draft budget plan for 2022/23. The Board noted:

- The budget plan is for a breakeven position, but carries the additional level of risk, as discussed earlier, as a consequence of including the proposed pay award. The gap that needs to be closed for 2020-23 is £1.3m, of which the increase in the London weighting relating to AEB funding will contribute £700k, reducing the gap to c. £600k.
- Budget turnover is £126.9m, of which £115m is grant income. This includes income from the four successful mayoral academy bids. Success in relation to further bids to close the gap will be reported to each future Board meeting. Total pay costs are budgeted at £81.9m (which includes the proposed pay award) and non-pay costs are £35.6m. Deduction of depreciation and other costs results in a breakeven budget position.
- The capital budget proposed for 2023-24 is £7.5m, of which an element of advanced spend was approved at the last meeting. Achievement of the operational budget is underpinned by this investment.
- A phased plan of the budget was provided, which demonstrates that the cash position is expected to remain strong, although this does not yet include three of the recent bid wins, as official confirmation letters are still awaited.
- A three-year financial plan was also provided, including key financial performance indicators. A key objective is to retain the ESFA Outstanding financial health rating. The three-year position is predicated on the growth assumptions and will require close monitoring and mitigation of the inflationary impact on costs.

The CEO advised that the Group has recently had its annual strategic conversation with the ESFA, who were extremely complimentary of the journey and achievement of the Group, in recovering from the £10m annual financial deficit position it faced three years ago. They recognised many aspects of best practice and expressed their confidence in the CFO and the management team and were also complimentary about the Board and the Group's governance. A copy of the letter received from the ESFA summarising the strategic conversation was provided for information. The CEO further commended the contribution of individual members of the executive team towards the progress achieved.

The Board **approved** the budget 2022-23 as presented.

6. AUDIT COMMITTEE REPORTS

6.1 RE-APPOINTMENT OF AUDITORS

The Board noted the recommendation form the audit committee to reappoint the external auditors and internal auditors for a period of twelve months. Reviews of the performance of both firms have been undertaken and the management team and the committee are satisfied in both cases.

The Board **approved** the annual re-appointment of MHA MacIntyre Hudson as external auditors and RSM as internal auditors.

6.2 RISK MANAGEMENT POLICY

The Board received the updated Risk Management Policy for approval. Two minor changes were proposed:

- Reference to the Group Senior Management Team and especially its role in the approval process for reviewing the policy.
- Removal of reference to College Education Boards, which no longer exist.

The audit committee had considered and had recommended approval. The Board **approved** the updated Risk Management Policy as submitted.

6.3 RISK REGISTER

The Board received the risk register following review by the GLT and the audit committee. The Board noted:

- No completely new risks have been added to the register, although there has been some renaming of existing risks.
- The ratings relating to 4 risks have been increased: the Estates Strategy, Branding, AEB growth and the risk of industrial action. The reasons were explained and noted.

Going forward, the risk register will come forward to each Board meeting and will be reviewed quarterly by the GLT and by the audit committee. The Chair noted that consideration of major risks and actions to mitigate those is inherent in many Board discussions, but he emphasised the importance of the regular Board review of the strategic risk register.

7. FEES

7.1 FEES POLICY

The Board received the Fees policy for annual review. The policy is updated annually to take account of changes in regulations and funding. For 2022-23, the main changes are:
• Updates to funding remissions, particularly for learners on low wages
• Clarifications and corrections
• reference to the London Learner Survey
• Revision to instalment plan timings
The Board **approved** the updated Fees Policy

7.2 SUBCONTRACTING AND CHARGES POLICY 2022/23

The Board received the Sub-Contracting Fees & Charges Policy, which is updated annually to take account of rule changes: For 2022-23, the main changes are:
• Minor updates to the ESFA and GLA's rules
• Reference to the ESFA's Subcontracting Standard and Public Contracts Regulations 2015
The Board **approved** the subcontracting and charges

8. CHAIR'S ACTION

The Board noted that the sale contract for the Marlborough building was signed by the Chair and the CEO on Monday 13th June and completion took place the following day. The proceeds of the sale have been received.

9. SEARCH COMMITTEE UPDATE

The Board received a report from the Search Committee and the Board noted:

- In previous years, student governors for the following academic year have been appointed before the summer break. This year, the Search Committee have decided to move this activity to the beginning of the 2022-23 academic year, and have proposed a change to the terms of reference for the quality committee to appoint three members, one from each college. The existing interview process will continue to apply in relation to the appointment of two student members of the Group Board. This will mean a total of five student representatives. The Board **approved** this change.
- The Board expressed its appreciation to the two outgoing student Board members, Sinem Bozkurt and Jenesha Chin, for their contributions during their time as members. This will be their final meeting.
- With respect to the co-opted member vacancy on the Remuneration Committee, there have been two good applicants, who have been interviewed and whose CVs were provided. On the

recommendation of the Search Committee, the Board **approved** the appointment of Lara Robinson, Deputy HR Director at HGF, and Tina Beedon, Head of HR at the Restoration and Renewal Programme at the Houses of Parliament, as co-opted members of the Remuneration Committee.

- There have been discussions regarding a potential merger of meetings of the Search Committee and the Remuneration Committee, which have an overlap in membership and some business in common (including in relation to succession planning and other people matters), whilst retaining some separation of business. A formal proposal will be brought to the next Board meeting.
- There is currently a vacancy for a co-opted member of the audit committee, which will be advertised.
- The Director of Governance will shortly send a self-assessment questionnaire to members, and the Chair and Vice Chair will then contact Board members to arrange to meet for individual appraisals.
- Dates for Board and committee meetings for 2022-23 have now been agreed, as provided.

10. LEARNER NUMBERS AND FUNDING

The Board received the learner numbers and funding information for 2021-22 and 2022-23. The Executive Principal confirmed that there is a high degree of confidence that the Group will meet its learner number targets in the current year in order to achieve the funding allocations for 2022-23.

11. KEY PERFORMANCE INDICATORS

The Board received for information and noted the following reports:

- Group Dashboard June 2022.
- 2021/22 Attendance and Retention Summary
- 2021/22 Curriculum and Learner Experience Scorecard ~~June 2022.~~
- 2021/2022 R10 Estimated Funding Report June 2022

12. AUDIT PLANS

The Board received and noted the Financial Statements Audit Strategy for the year ended 31st July 2022 and the Internal Audit Strategy 2022-2023, both of which had been reviewed by the audit committee

13. FINANCIAL SUSTAINABILITY AND GROWTH PLAN

The Board received for reference the Group's Financial Sustainability and Growth Plan 2022-2027

The Chair thanked members of the Board for their contributions to the meeting and throughout the academic year**.**

The Board noted that Lord David Triesman and Maarten Zuurmond will be stepping down from the Board following this meeting, having reached the end of their current terms of office. The Board expressed its appreciation to both for their commitment and contribution to the Group and to the work of the Board. An opportunity will be found in the autumn term to celebrate their contribution.

DATES OF FUTURE MEETINGS

A workshop is due to be held on Wednesday 28th September – nb David Hughes (AoC CEO) has agreed to speak at this event
Thursday 20th October 2022 - 2:00pm
Tuesday 22nd November 2022 – 9:30am
Wednesday 14th December 2022 -4:00pm
Thursday 19th January 2023 - 4:00pm (Workshop)
Friday 10th February 2023 - 9:30am
Friday 31st March 2023 – 9:30am
Thursday 25th May 2023 – 9:30am
Wednesday 5th July 2023 - 4:00pm