

CAPITAL CITY COLLEGE GROUP BOARD: 14th DECEMBER 2022

PARTICIPANTS	Alastair Da Costa (Chair), Amelia Sussman, Anthony Smith, Chris Hyams, Sanna Jordansson, Sharon Saxton, Toyin Odutayo, Asfa Sohail, Angela Herbert, Nicole Morgan, Vincent Egunlae, Weiye Kou, Roy O'Shaughnessy, Susan Benhene (Student member)
IN ATTENDANCE	Colin Booth (Adviser), Kurt Hintz (Executive Principal), Rachael White (Chief Financial Officer), Graham Drummond (Director of Governance), Trovone Hartley (HR Director), Rakesh Shaunak (MHA MacIntyre Hudson [Items 1-4], Jackie Chapman (CCCT Managing Director) [Items 1- 10] Graham Cooper (Clerk), Tim Milasevicius and Aliyah Aderolu (Student representatives) and Elisha Lashley (WKC Enrichment and Learner Voice Lead) and Ahsev Merdjan (CIC College Lead for Student Enrichment) [Item 10].
APOLOGIES	Desmond Corlis (Staff member), Chanel Crooks (Student 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 MEETING HELD ON 20TH OCTOBER 2022

The minutes of the meeting of 20th October 2022 were approved as an accurate record.

2. MATTERS ARISING

The Board noted the following:

- With respect to item 1 (T Level Transition) and whether achievement rates are higher or lower for students from a diverse background, the following items were provided and noted:
 - An ethnicity analysis of enrolment onto the T Level pilot (provided by the AoC). Achievement statistics by diversity have not been made available.
 - An analysis of CCCG Level 3 technical qualification enrolment versus a London average by ethnicity.The board noted that T Level enrolments on the pilot were low for ethnically diverse students, although Level 3 technical qualification enrolment at CCCG was higher than the London average. These statistics were in the context of the small number of colleges that participated in the T Level pilot and that none of them were located within London.
- With regards to item 6 and the finance update:
 - any future overage payment from the development of the Marlborough building will be separately recorded within the accounts. The capital receipt from the sale is recorded separately within the balance sheet (in the reserves) in the Report & Financial Statements for the year ended 31st July 2022 (item 9 of the agenda)
 - the finance oversight group have corresponded via email about whether the educational EBITDA could be used as the operational financial indicator. The ONS reclassification of colleges as public sector bodies may impact on this, however the view from the group is that it is useful to have a number of financial measures to judge financial performance including the EBITDA, particularly considering the size of the CCCG Group.

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 full opinion on the effectiveness of controls. 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'. The chair of the audit committee advised, however, that this year the internal audit service had considered partially qualifying their opinion, as two of the audits undertaken (Sales to Cash and Cash to Banking) were given only a partial assurance rating. It was important to note this in the context of the overall full assurance and that RSM gave credit in their report to the fact that a number of areas covered by the audit plan had been selected by management specifically because management considered that there may be weaknesses in those areas and were keen to better understand the issues.
- As last year, an important theme this year has been monitoring by the audit committee of management's implementation of actions to clear audit recommendations. An additional audit committee meeting was held in February, due to concerns regarding the number of overdue recommendations. The majority of recommendations had been cleared prior to that meeting and the audit committee is satisfied that the number of outstanding recommendations has remained at a reasonable level for the rest of the year.
- Monitoring and reporting of Learner Numbers in accordance with the frequently changing rules of the funding agencies is an important area, giving rise to the risk of a potential clawback. The Group was subject to a funding audit in February, which gave rise to a very small clawback (£21k). This outcome, along with recognition by the internal audit service of improvements in student data controls, demonstrate that significant progress has been achieved in this important area.
- The external auditors have confirmed their intention to issue an unqualified audit opinion on the Financial Statements – see item 4.1.
- The committee's annual report also brought to the Board's attention matters relating to Health and Safety, including the need for more fire marshals and first aiders. The committee had been concerned to receive a presentation in October which reported on a project undertaken in November 2021 to assess the Group's approach to business continuity and crisis management. The project raised 16 recommendations, which had not previously been brought forward to the committee and which had not been resolved eleven months after the project. In addition, the Health & Safety Manager had left the Group and this is an important vacancy that management is working to fill. The committee had been pleased to receive an update from the CFO in November on the approach to resolving the 16 recommendations and the committee was satisfied that a plan is in place, and will monitor progress in early 2023.
- 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 its report is noted and that the Chair and the CEO sign the Financial Statements for 2021/22.

4. 2021/2022 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:

- The external auditor intends to issue an unqualified audit opinion on the Financial Statements and also an unqualified Regularity Audit opinion.
- The audit has been completed without the need for any deviation from the audit planning memorandum presented in advance to the audit committee.
- This year's audit has been a smooth process, with thanks to the CFO and the Finance Team for their support. In addition to auditing the financial performance, the external auditor reviews the control environment, and the work of the internal audit service had been helpful in this regard.
- All recommendations were low grade; one B grade and 2 observations relating to the regularity audit. There was nothing contentious and all recommendations have been agreed by management

- With regard to the balance sheet, there had been a couple of adjusted misstatements. There is also an unadjusted misstatement in relation to the property at Tottenham Green, with regard to which the external auditor had accepted the rationale.
- The audit work is substantially complete, including finalisation of work relating to the going concern statement and post balance sheet events, and the external auditor is in readiness to sign the accounts once these have been approved by the Board and signed by the Chair and the CEO.
- Looking forward, International Accounting Standard 315 will come into effect next year. The impact of this will be discussed at the audit planning stage.

4.2 AUDIT REPRESENTATION LETTER

The External Audit Partner advised that the draft Letter of Representation is of standard format, with the only additional representation relating to the value of the Tottenham Green property, which had been accepted.

4.3 FINANCIAL STATEMENTS 2021/22

The Board reviewed the Financial Statements 2021/22 and noted:

- The operational loss for the year, the accounting measure which reflects all the Group's income and expenditure, was £952k. This was the position as reported previously in the management accounts – there were no adjusting entries arising from the audit (other than the statutory reporting ones; FRA102 pension adjustment, actuarial valuation of the pension scheme and the loss on the sale of the Marlborough building).
- An actuarial gain on the LGPS pension scheme of £93.7m is reported in year.
- Year-end reserves of £322m compared to £240m in 2020/21. The large increase is due to the actuarial gain reported on the LGPS pension scheme.

The Board **APPROVED** the Financial Statements 2021/22 and the Letter of Representation for signature by the Chair and the CEO as appropriate.

AD/
RO

5. FINANCIAL UPDATE

The CFO presented the financial update, which she explained was a new style of finance report that had been trialled through the finance oversight group. It is intended that the new style of report, which includes a more visual representation, will help Board members to see variances and trends in performance to budget more easily, including within individual income and cost lines. The Board commended the new format.

With respect to the management accounts for the three months to 31st October, the Board noted:

- The EBITDA and Operating position are on track to budget. An EBITDA of -£2.7m against a -£3.0m EBITDA.
- Income is down by £759k, due mainly to ESFA apprenticeships (lower apprenticeship numbers) and underachievement of ESF volumes.
- The underperformance on income is negated by an underspend on pay, primarily due to vacancies that were budgeted from the start of the year not having been filled.
- Depreciation is currently £200k above budget, due to the timing of the purchase of assets. Also, exceptional costs relating to restructuring during Q1 were £213k higher than planned.
- Net current assets are £14.5m, giving a strong current ratio of 1.70.
- The current cash balance is £28.9m, which represents 124 days cash in hand. Whilst this is a healthy level of cash, £12m of this is ringfenced to provide match funding in relation to transformational bids to be used for the Soho, CBAT and Tottenham capital projects. The amount largely represents the ringfenced proceeds of the sale of the Marlborough building.
- The LGPS pension provision of £98m will be reducing to £14m because of the actuarial valuation undertaken as part of the audit requirements for 2021/22. This is not yet accounted for within the management accounts, pending approval of the 2021/22 audited Financial Statements by the Board.

The Board additionally noted:

- A Q1 financial reforecast, to include cost mitigation plans, is underway and the Board workshop in January will be an opportunity for the Board to have an early view of this. The CFO will present

the variances from the original budget for each college and this will be an important time for the likely outturn and actions to be evaluated by the Board. Areas for attention identified so far include utility costs, exam costs, and reductions in some of income lines. The Board cautioned against the risk, in seeking to balance the budget for the current year, of cost cutting that will impact on student recruitment next year. It is already known that income next year will be impacted by a £3.6m reduction in the grant value for 16-18 learners, arising from the lagged funding methodology. The CFO advised that there will be some savings in staff costs as a consequence of staff leaving the organisation this year.

- Following the approval of the 2021/22 financial statements by the Board earlier in this meeting, a College Financial Forecasting Return will be submitted to the ESFA, and based on the ESFA criteria, the Group is expected to maintain its Outstanding financial health status.

6. ONS RE-CLASSIFICATION OF FE COLLEGES

The Board received a report on the implications of re-classification of FE colleges as public sector bodies and the Board noted:

- a Financial Handbook will be published in 2024
- during the transition period to 2024, the DfE will work with FE colleges to provide support and guidance on the impact of this reclassification. It will take time for this guidance to emerge and for the implications to be fully understood, although the CFO highlighted the following:
 - The Managing Public Money document is key to understanding the additional requirements now put on FE colleges in the public sector classification (governance, reporting etc).
 - A potential upside relates to the cash profile for grant purposes being front-end loaded, so colleges should expect to receive the cash earlier than previously, which should assist colleges in relation to the tight cash position that they often find themselves in March/April.
 - Disappointingly, it appears that there will be no VAT advantages, which had been hoped for.
 - The authorisation process relating to borrowing by FE colleges will become much more restrictive.
 - Notwithstanding colleges' accounting and academic year-ends of 31st July, there will also be a need for fiscal year reporting to the DfE, although it is not yet clear what form this will take.

7. QUALITY OVERSIGHT

7.1 OFSTED INSPECTION

The Executive Principal provided a verbal update in relation to outcome of the recent Ofsted inspection, which at this stage was confidential. The Board noted:

- As members of the Board had already been advised, the Group has been assessed as Grade 2 "Good" across all key judgements and types of provision. Additionally, Skills, a new area of inspection, has been awarded the highest outcome for the category of "Strong".
- The inspection has validated the significant work undertaken by the Group to embed internal quality improvement processes whilst also maintaining an external focus. This was evident early on during the inspection, along with a high level of consistency. The visit had involved 19 inspectors, 4 of whom were focused on skills. In every curriculum area reviewed, the inspectors had asked to speak to employers linked to those areas and over the course of the inspection completed over 100 meetings in total, more than double the initial number. These were illustrative of an approach that focused heavily on triangulating evidence.
- Going forward, the Group will follow through on the areas for improvement identified through its own self-assessment process. The inspection identified one additional area, relating to feedback provided to students on their work, which the inspectors had judged has a tendency to be over-complimentary and not sufficiently developmental. This will be added to the Quality Improvement Plan.
- The formal report is expected to be received from Ofsted in c.15 days' time, and will then be reviewed in detail. It is hoped that the opportunity can then be taken by the end of January to celebrate the achievement. The Group will then be able to use the Ofsted "Good" logo on its website and promotional materials to help support future student recruitment.
- The report will also cite the reasons why the Group's provision has not been judged to be outstanding. One of the reasons, as advised in feedback already received, is inconsistency relating to meeting the needs of high needs students.

The Board congratulated the whole staff team on the outcome of the inspection, acknowledging this as the result of significant focused effort over the past few years.

The Board noted that discussion is required on future priorities and what the Group can realistically hope to achieve over the next five years. This includes, in relation to aspirations to become 'Outstanding', whether these are realistic and achievable, and if so over what period, in light of all the challenges, including financial pressures, that the Group is facing. The Board noted, nevertheless, the importance of maintaining a focus on quality improvement and avoiding any risk of complacency arising from the outcome of the recent inspection. These matters will be for discussion at the Board workshop in January.

7.2 GROUP SELF-ASSESSMENT REPORT 2021/22

A report was received and the Board noted:

- The draft self-assessment report (SAR) has been validated by the Group Quality Oversight Committee and validation panel, and has also effectively been validated by the outcome of the Ofsted inspection.
- The Group has consolidated performance and improvements to continue to self-assess as Grade 2 "Good" in all aspects and types of provision.
- The Group Quality Improvement Plan has been updated to reflect Areas for Improvement that have been identified, and with progress against those, which has been positive so far. The one additional action identified during the inspection feedback, being the developmental nature of feedback on student work, will be added to the plan.
- The Chair of the Quality Committee confirmed that the committee recommends the SAR for approval by the Board, with an additional level of confidence, given Ofsted validation of the grades arising from the inspection.

The Board again discussed the need for clarity in relation to future strategy, specifically in terms of an aim to become Outstanding. The Board noted the difficulty faced in this regard by large college groups, arising due to an overall grade of Outstanding requiring all individual areas to be judged as outstanding. The constant 'raising of the bar' in terms of standards also presents challenges in relation to staff performance and the management thereof. These issues will be the subject of discussion at the Board's January workshop.

The Board **APPROVED** the 2021/22 Self-Assessment Report.

7.3 HE SELF-ASSESSMENT REPORT 2020/21

The Board received, noted and also **APPROVED** the HE Self-Assessment Report.

8. 01 FOUNDERS

The Board received a report and noted:

- At the last Board meeting, it was noted that in order to ensure the financial sustainability of 01 Founders, CCCG will take on the day to day running costs of 01 Founders, with AEB funding to be claimed for first and second-year students, until such time as further investment is made by or generated from employers.
- Jackie Chapman, CCCT Managing Director, will continue as 01 Founders CEO for the time being.
- Staff have now been transferred across under TUPE regulations and students have become CCCG students with effect from 1st September – which is generating AEB funding (as per report)
- The legal documents will be ready to sign before the next Board meeting. These have been produced by the Group's legal advisers and are currently with 01 Founders Board legal advisers.

The Board **APPROVED** completion of the process and, subject to guidance from the Group's legal advisers, including that the documentation reflects the term as agreed, the Board **APPROVED** signature of documentation by the Chair and the CEO. The documentation comprises the Business Transfer Document, Deed of Novation, Sublicence and Deeds of Surrender.

The Board noted that Alastair Da Costa will be stepping down as Director (and Chair) of the 01 Founders Board once these documents have been signed and a new Group representative will be needed to join the 01 Founders Board. This will be considered by the Search and Governance Committee.

GD

9. UPDATE FROM THE SEARCH COMMITTEE

A report was received and the following recommendations from the Search Committee were noted and approved:

- a) With respect to the co-opted member vacancy on audit committee, three candidates were interviewed on 22nd November. A recommendation is made to appoint Ellen Lee, whose CV was provided. The Board **APPROVED** this appointment.
- b) Paul McLoughlin's term of office as co-opted member of the Audit Committee has expired and it is recommended that he is appointed for another term of four years. The Board **APPROVED** this re-appointment.
- c) With respect to the vacancy on the Finance Oversight Group, Colin Booth has agreed to join the group as a co-opted member and his appointment is recommended. The Board **APPROVED** this appointment.

It was also noted that the current staff governor's term of office is due to expire this month. Nominations for a new staff governor will be called for in January and if more than one nomination is received an election will be held.

10. STUDENT REPORTS

Tim Milasevicius presented WKC's student report and the following was noted:

- Black History Month had involved a significant number of successful events and activities. Alongside those, there had also been a very successful careers and employability fair and a number of 'Understanding Sexual Harassment' workshops, delivered by an external provider.
- December activities include 'warming the community for Christmas', involving a donation point at the entrance to the college, with many students donating clothes and items to help the local homeless community and also a stall selling items to raise funds to provide hygiene products.
- A cultural day that had been planned has been deferred but planning is now going well and a successful event is hoped for in January.
- There had been concerns raised in relation to updating of student software, but these seem to have been largely resolved.

The Board thanked Tim for his work and encouraged him to ask if there is anything that the Board can do to be of help. He advised that the opportunity to attend and to report to the Board in person was beneficial and that matters raised by students were generally handled well by the college.

Aliyah Aderolu presented CIC's student report and the following was noted:

- Students at the Sixth Form Centre had raised concerns regarding the variety and price of food available in the canteen. The college had raised these issues with the catering contractors, which had resulted in extended menu options and a promise to better promote meal deals.
- Also at the Sixth Form Centre, the need for a cultural day has been identified to raise cultural awareness.
- At the Centre for Applied Sciences, issues around late admission of students to lessons, and also relating to communication of late room changes, have arisen and are being resolved. Engineering students have asked for more workplace experience visits and this is being addressed. Measures have also been taken to tackle an increased incidence of anti-social behaviour in front of the college entrance.
- At the Centre for Business, Arts and Technology, non-binary toilets have been requested by learners, although the college has advised that there are no plans for these to be introduced.
- A number of workshops have been held, covering matters including E-safety and Safeguarding, Our Values and Tackling Extremism and Equality and Diversity Issues. Various workshops and other activities have also taken place as part of the celebration of Black history Month.

The Board received and noted the CONEL student report and the Board thanked the student representatives for their reports

11. ANNUAL HUMAN RESOURCES REPORT

A report was received and the Board noted and discussed the following highlights:

- Sickness absence remains a concern and is a key priority for management attention.
- The overall rate of staff turnover is also a concern. Voluntary turnover, at 16%, is below the national average and slightly below last year, but is still at a level with which management is uncomfortable. 33% of staff who have left cited limited opportunities for development, but the issues are believed to be related more to career progression than the responses to questions suggest. Work was being undertaken to better understand the reasons.
- The Board requested that a report focused on investment in personal development for staff is provided to a Board meeting during the current year. As part of its deliberations on the Group becoming an Outstanding provider, the Board should bear in mind the need for outstanding staff to deliver this.
- An application was submitted for Mayor's Good Guide Accreditation, the outcome of which was one point below Excellent. Achieving Excellent is one of the aims for 2022-23.
- Strategies are being developed to improve employee engagement, including to address the action plan from the most recent staff engagement survey and pulse survey.
- Realigning relationships with trade unions and the recognition and facilities agreements is also an area for attention this year. Also, where possible, continuing to improve terms and conditions of employment (subject to budget constraints).

TH

12. CEO AND COLLEGE UPDATES

12.1 CEO UPDATE

The CEO provided a verbal update and overview, highlighting the following:

- A great deal has been achieved over the past four years in terms of financial outturns, consistently Good in terms of quality, a unified staff and moving towards becoming a cohesive college group. Staff should be proud of these achievements.
- Notwithstanding these achievements, looking at the next 3-5 years, there is a significant task ahead, which the Board will need to focus on in the new year. As discussed earlier in the meeting, whether it is realistic to pursue a primary aim to become Outstanding, with outstanding staff, needs to be considered in the context of the significant financial pressures that the Group is expected to continue to face. There are fundamental issues that need to be considered and addressed if the Group is to achieve long term sustainability; simply trying to align performance to budgets on a year-by-year basis will not alone deliver the transformation that is required. Significantly, expansion through commercial ventures has been considered over the past few years, but the Group has pulled back from this. Other solutions and efficiencies need to be considered, along with what is the correct size of the group if it is consistently deliver operational financial surpluses or break-even positions.

The Board discussed the materiality of 16-18 enrolments in relation to the Group's overall finances, whilst noting that current year benchmark data is not yet available, but is expected to be by January.

The Board therefore noted this context for the discussions for the January Board workshop, and specifically:

- The Executive Principal was asked to provide as much benchmark information, particularly with regard to 16-18 learners, as is available, along with anecdotal feedback. It will be important to understand whether the Group's current year reduction in 16-18 learners is reflective of a national trend, and how other colleges have performed and are approaching this issue.
- The Board asked to be provided with further insights into the reasons why students choose to enrol with the Group or choose to go elsewhere, and the extent to which there are any distinctive or distinguishing features/reasons.

KH

12.2 COLLEGE REPORTS

The Board received reports from each of the Group's colleges to provide further insight into developments in individual curriculum areas. The Executive Principal invited Board members to let him have any feedback or suggestions of other information that they would find helpful.

13. 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 updated 8th November 2022
- Draft minutes of the Audit Committee meeting of 16th November 2021
- Regularity Self-Assessment Questionnaire 2021/22

14. KEY PERFORMANCE INDICATORS

The Board received for information and noted the following reports:

- Group Dashboard December 2022
- 2022/23 Attendance and Retention Summary
- 2022/23 R04 Estimated Funding Report December 2022

15. ONS RE-CLASSIFICATION OF THE FE SECTOR

The Board received the following background papers:

- Managing Public Money
- Guidance for Approval of Senior Pay

16. CONFIDENTIAL UPDATE FROM THE SEARCH AND GOVERNANCE – INDEPENDENT MEMBERS ONLY

This is the subject of a separate confidential minute.

DATES OF FUTURE MEETINGS

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