



CAPITAL CITY COLLEGE GROUP BOARD: 11th JULY 2018 4:30pm

MINUTES

- PRESENT** Catherine Boyd-Maunsell (from 17:27, during item 6), Shane Chowen, Alastair Da Costa (Chair), Ruth Duston (from 16:40, item 5.1), Simon Pitkeathley (from 17:41, during item 3), Professor Anthony Smith, Amelia Sussman, Fiona Thompson, Maarten Zuurmond, Andy Wilson, Heather James, Sarah Ebanja (from 16:49, item 5.2), Lord David Triesman; Joel Featherman (from 18:00, during item 4)
- IN ATTENDANCE** Roy O'Shaughnessy (CEO Designate), Nirmal Borkhataria (Group Finance Director), Kim Caplin (Principal, Westminster Kingsway College), Claire Collins (Group Director, HR and OD), Graham Drummond (Clerk), Paul Fegan (MD CCCT), Andy Forbes (Principal of CONEL and Interim Principal of City and Islington College), Stewart Cross (Director of Integration and Information), Julie Ellis, (Governance Officer)
- APOLOGIES** Dr Leslie Brissett, Dame Martina Milburn, Keith Brown, Mike Magras
- DECLARATIONS OF INTEREST** Shane Chowen is employed by the Association of Colleges – see item 4

INTRODUCTIONS

The Chair extended a welcome to Roy O'Shaughnessy who would be taking up the post of the Group's CEO with effect from 1st September.

Ruth Duston was congratulated on having been awarded an OBE in the Queen's Birthday Honours List.

Dame Martina Milburn has been appointed as the new Chair of the Social Mobility Commission.

Section 1: Items for discussion and/or approval

1. **MINUTES OF THE MEETING AND CONFIDENTIAL MINUTES HELD ON 23rd MAY 2018** **Action**
Subject to a number of amendments (which were noted separately), the minutes were **agreed** and signed as an accurate record.
2. **MATTERS ARISING**
All matters arising are covered in the agenda.

Section 2: Substantive items - for discussion and/or approval

5.1 FUNDING

A report on funding was received and considered. It was noted that:

- The figures are based on the Group's Individual Learner Return (ILR) return R10 made on 6th June;
- ESFA 16-18 funding is on a lagged learner number basis, so funding for 2017-18 is guaranteed and based on the learner numbers in the 2016-17 R04 return made in December 2016 and will be up £1.3m. Planned learner numbers were slightly higher than ESFA contract numbers;
- The Group needs to achieve at least 97% of its Adult Education Budget contract to avoid clawback of funding and the colleges are currently averaging around 94%. The Group's AEB subcontracts are pivotal as to whether this will be achieved and are being monitored weekly;

- While apprenticeships are below budget (£2.75m), there has been some modest growth recently;
- Administrative errors associated with CIC loan income have been resolved. WKC and CIC have under-recruited in respect of HE loans income.

5.2 FINANCE UPDATE AND MANAGEMENT ACCOUNTS

A finance update report on management accounts to 31st May was received and considered. It was noted that:

- While the Group is unlikely to regain its previously held ESFA outstanding status before the 18/19 academic year, the balance sheet and cash flow are healthy;
- A £6.2m deficit is the current forecast, though areas like CCCT need to be monitored closely right up until the end of the academic year as data changes constantly. The £3m deficit forecast in February/March is unlikely to be achieved;
- For accounting purposes, there will be a £3.3m deficit. The one-off accounting gain of CONEL being acquired in the year will be reported as a separate line in the income and expenditure account;
- The main reasons for not achieving the lower forecast deficit include:
 - the failure of the colleges and CCCT to meet income targets, with continued underperformance in apprenticeship and AEB activity;
 - uncertainty relating to the timely delivery of the Group's £3m subcontracting plan; a breakdown of the progress in respect of each partner was provided;
 - the one-off non-consolidated pay award to staff to settle industrial action which will cost the Group £750,000;
 - under-utilisation of provisions such as contingency funds;
 - potential charges from a review of the past capitalisation of small building projects across all three colleges (see item 5.3); though the adjustments to the value of CONEL do not have an impact on the cash position, so will not impact on the reporting deficit;
- Concerns were expressed about the unused provision for merger costs, continuing high pay costs and that the reporting position for accounts purposes was not a reliable indicator of the Group's true financial position;
- The Group acknowledges that there may be an element of "clearing the decks" after merger with the accounts to be reported for 2017/18 and that the financial position should be more settled going forwards. A concise form of the accounts was presented to the Board, but more detail is available on request.

5.3 ACCOUNTING IMPLICATIONS OF CONEL BUILDINGS REVALUATION

A paper on the accounting implications of CONEL's buildings revaluation was received and considered. It was noted that:

- The merger of CONEL into the Group has required the finance team and the financial statement auditors to follow acquisition accounting methodology and as part of this consultants have been appointed to assess the value of CONEL's assets. While the value of CONEL's land has increased, that of its buildings has decreased. Excessive use of long useful asset lives valuations for low to medium value refurbishment projects have meant that the carrying values have been in excess of the fair values;
- It is unclear why CONEL adopted a policy under which assets were written off over between 25 and 50 years; it is more usual for a 5-10 year policy to be applied. Practice across the Group has been reviewed and shows that WKC use a 10 year write off and CIC have in some cases used a write-off of over 50 years;
- A write-down of £2.9m is anticipated as a result. Buzzacott, the external auditors, will review their files for what guidance was offered on depreciation policy in the recent past.

6 2018/19 DRAFT BUDGET

The draft budget for the academic year 2018/19 was received and considered. It was noted that:

- The key performance indicators that the Board are asked to approve are as follows:
 - A £750K surplus, excluding pension adjustment. No provision is included presently for merger integration or restructuring costs;
 - Subcontracting to make up no more than 4% of total contract income;
 - Staff costs will constitute no more than 65% of turnover;
 - At least 20% of income should be generated outside the EFA/SFA local allocations;

- Current ratio to be 1.5:1 at year end;
- Cash days in hand to be at least 60 days through the year;
- Cash generated from operations should be at least £7m for the year.
- The following assumptions are made:
 - The contribution margins for the colleges are around 40%;
 - The main EFA allocation (48% of income) is guaranteed to increase;
 - Income from FE loans, HE, ESF, apprenticeships and co-funded tuition fees will fall;
 - Commercial income is the largest budgeted increase;
 - Staff costs will increase by £1,515k;
 - There are some estates and facilities savings;
- The Board acknowledged that the parameters agreed will be challenging, especially when only a 1% staff pay increase has been assumed;
- There is a contingency budget of £3.5m; the Board asked that the figure should appear expressly in the budget;
- The Board would welcome a more strategic approach to the presentation of the accounts. Requests were made for a three-year cycle and a table showing key risks. It is intended that a five-year cash flow forecast will be developed, which lack of time has prevented being presented before;
- In the 2018/19 financial year, the GLT will aim to present a draft budget before the end of April, rather than at the end of the academic year, as on this occasion.

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The draft budget was **APPROVED** and the table of KPIs was endorsed.

3. GOVERNANCE REVIEW

A series of papers on the governance review were received and considered. Board members were asked to approve proposals for the composition and responsibilities of the Board and Committees. It was noted that:

- At the Board meeting of 23rd May, the structure of the new Board and Committees was agreed. The Chairs' Group, at its meeting of 28th June, considered the skills audit of those who have expressed an interest in continuing to serve on the Board. The Group aims to recruit two more members in September to address the skills' requirements and diversity mix of the Board. The new structure, proposed membership and terms of office were attached at Item 3.1 Appendix 1 and a meeting schedule as Item 3.5;
- A petition was received from the trade unions expressing concern about the reduction of staff and student membership on the Board; it was further noted that there will be staff and student members at each of the College Education Boards. The proposed process for selecting these members is set out in Item 3.2;
- The Board's responsibilities, scheme of delegation and terms of reference for the committees were included within the report. It is proposed that the role and terms of reference CCT Board are reviewed when the new CEO is in place, and its activities are suspended for the time being;
- The remuneration committee will continue to make decisions with respect to the remuneration of the Chief Executive and the Director of Governance, but that the decisions in respect of other senior postholders are delegated to the Chief Executive and that over time, these posts will no longer be subject to senior postholder contracts. The board asked that a financial cap be considered on the power to be delegated to the CEO;
- Delegated spending powers will need to be reviewed in the light of the disbanding of the Finance and Resource Committee. Currently expenditure of £750k and above requires board approval;
- The Chair and College Board Chairs will write to College Board members asking for an indication of their interest to remain on the boards.

GD/ADC
/SE/AS/
CBM

The following items were **APPROVED**:

- The appointment of the following independent members with effect from the end of the meeting on 11th July for the terms as specified:
 - Alastair Da Costa for a period of 4 years and to act as the Chair of the Board;
 - Sarah Ebanja for a period of 3 years;
 - Maarten Zuurmond for a period of 3 years;
 - Professor Anthony Smith for a period of 2 years;
 - Leslie Brissett for a period of 2 years;

- Amelia Sussman for a period of 2 years;
- Shane Chowen for a period of 2 years;
- Lord David Triesman for a period of 2 years;
- Catherine Boyd-Maunsell for a period of 1 year;
- Keith Brown for a period of 1 year;
- Fiona Thompson for a period of 1 year;
- The acceptance of the resignation of the following members;
 - Kay Willis;
 - Ruth Duston;
 - Dame Martina Milburn;
 - Joel Featherman;
 - Simon Pitkeathley;
- The process for the appointment of staff and student members;
- The Board's responsibilities, scheme of delegation and proposed terms of reference for the committees and the College Education Boards and the deferral of any decision in respect of the oversight of CCCT;
- The proposals in relation to the designation of senior postholder status and the way in which remuneration of senior staff is determined;
- The schedule of meetings in principle. It was noted that the timing and number may be subject to change as the new governance arrangements are implemented.

4. CHIEF EXECUTIVE'S UPDATE TO THE BOARD

An update was presented to the Board by the Chief Executive. It was noted that:

- An inspector from the recent inspection of the Newcastle College Group will brief the GLT. This may provide an indication as to how CCCG would be inspected by Ofsted. The inspection gave considerable focus to effectiveness at group level, such as the role of governance. The role of local college boards was assessed positively in terms of effective alignment of courses with local job opportunities;
- The Group's bids to become an Institute of Technology and to offer T levels have been unsuccessful. In respect of IoTs, strong anchor employer relationships appeared to be pivotal for selection and for T levels, only institutions judged as outstanding by Ofsted were successful;
- The process of putting the IoT bid together reinforced the Group's relationship with Middlesex University, particularly around life sciences and digital skills. Both organisations will continue to work on this agenda and to consider replicating an IoT in central London even if the Group is unable to receive capital funding from the targeted pot. Middlesex's validation for CCCG foundation and honours degree programmes has been completed;
- The decision by CONEL to end a sub-contract with SoundSkool on the grounds of failure to meet quality and attendance targets attracted some concern, with criticism that the students affected were largely young black men, but the ESFA and GLA have been assured that the students have been given appropriate advice and guidance on alternative routes;
- Future industrial relationships may prove challenging as the unions have an expectation of a pay settlement in 2018/19 after the Group agreed a one-off non-consolidated payment to all staff to settle the pay dispute;
- Updates from the Principals of the three colleges and the MD of CCCT with regards to initiatives and activities undertaken were regarded as largely self-explanatory.

6A TOTTENHAM CENTRE REDEVELOPMENT

A paper on the progress of the Tottenham Centre Redevelopment was received. It was noted that:

- Approval of the Board was sought for the cost of professional fees which, had gone over the limit delegated to the Finance and Resources Committee;
- There was executive experience of managing estates the size of that of CONEL, but no Board experience;
- The Chair of the CONEL Board reported that its members would have appreciated more involvement in this enterprise, as assistance was offered and, in the light of their local knowledge, would have offered input on matters such as the choice of architects. It was acknowledged that the College Board could have been consulted before decisions were taken, but that these are decisions outside the remit of the college boards.

This expenditure was **APPROVED**.

Section 3: For information and questions

7 QUALITY OVERSIGHT

7.1 REVIEW OF TEACHING AND LEARNING

A report on a review of teaching and learning was received and considered. It was noted that:

- 94% of observed lessons were graded as good or better;
- 98 awarding organisation reports (32.7% of those expected) have been received. Areas of strength highlighted in these include: student support, the standard of student work and industry related activities. Areas for improvement include: compliance with organisations' requirements, feedback, moderation and use of assessment criteria;
- Attendance rates have declined, with the Group rate at 81.9%, CIC at 81.9%, WKC at 82.1%, and CONEL at 87% (targets are 87, 87 and 88% respectively);
- Ofsted inspectors will use the Group's self-assessment reports or equivalent documents to assess risk, monitor standards and plan for inspection.

7.2 SPRING STUDENT SURVEY OUTCOMES

A report on the spring student survey outcomes was received and considered. It was noted that:

- The highest levels of satisfaction are in encouraging learners to work together, safety and good teaching;
- The lowest levels relate to course organisation and feedback to support improvement;
- The highest levels of satisfaction are among apprentices at WKC and adult learners. The lowest levels are among 16-18 learners whose study programme includes an English and/or maths qualification and those on HE programmes.

8. STUDENT REPORTS

None of the student governors were present to outline the reports, which were held to be self-explanatory in any event.

9. REPORTS FROM COLLEGE BOARDS/TRAINING BOARD

The Chairs of the College Boards and CCCT presented oral reports to the Board:

Conel

- The 2015-2018 strategic plan has mostly been completed and the outline of the new plan will be presented at the first college education board meeting;
- Many members of the Board were unhappy at what they perceived to be a decreasing level of influence and some may reconsider their involvement;

CCCT

- It has been a challenging year for CCCT with the integration of CONEL's apprenticeships into the training arm;
- After a restructure, a streamlined management team is in place and in a stronger position to address issues of quality and finance;

WKC

- The Board was positive about the governance review, with the view that it clarified their function;
- The plans to redevelop the Soho centre were welcomed as an exciting and vibrant way in which to engage the local community and enhance the student experience;

CIC

- The Board convened an extra meeting on 21st June;
- It was reassured that changes at middle management level were positive;
- The need to improve attendance rates and work placement opportunities and the use of ProMonitor to track students' progress, especially to demonstrate value added were the subject of some focus.

Section 4: For information

10 INTEGRATION UPDATE

An integration update was received for information. It was noted:

- The integration programme to 31st July was on course to be delivered within budget;
- Staff moves and integrating systems are ongoing and expected to be completed over the next couple of months.

11 IT UPDATE

A confidential IT update was received for information. It was noted that there is now stable leadership in dealing with the challenges of upgrading IT systems.

12 ESTATES STRATEGY UPDATE

An estates strategy update was received for information;

A small gift was presented to Ruth Duston, Joel Featherman, Simon Pitkeathley, Kay Willis and Heather James to thank them for their services to the Board at their last meeting. Dame Martina Milburn, Mike Magras and all staff and student governors have also stood down from the Board.

Andy Wilson, who will retire from his role the Group's CEO at the end of the academic year was thanked by the Chair for his endeavours for the Group and his wider contribution to the FE sector.

Andy Forbes was congratulated on his permanent appointment as the Principal of City and Islington College having occupied the role on an interim basis concurrently with his role as CONEL Principal. CONEL Vice-Principal Kurt Hintz will assume the role of CONEL Principal on an interim basis.

It is proposed that a Board workshop take place on Friday 28th September at between 9am - 3pm and that the next meeting will be on Wednesday 14th November 2018 at 9am, venues to be confirmed.

Signed as a correct record: _____

Alastair Da Costa, Chair of the Board