CORPORATION
MINUTES PART 1 NON-CONFIDENTIAL
Date: Thursday 14 July 2022
Venue: Poplar and Online
Time: 5:30pm

Chair	Rob Hull
Corporation Members	Steve Hedges, Gerry McDonald, Vivien Bailey OBE, Neil Yeomans, Stephen Critoph, Sue Williams QPM, Nazia Faiz, Labib Aminullah
Officers	Deputy CEO: Suri Araniyasundaran Principal Tower Hamlets and Hackney: Alison Arnaud Principal Havering Colleges: Janet Smith Principal Redbridge and Epping Forest: Narzny Khan Richard Surtees – Group Executive Director - Curriculum Development & MD Westbourne Jamie Stevenson – Group Executive Director - Apprenticeships and Business Development Peter Armah – Group Executive Director Human Resources
Director of Governance	Elsa Wright
Apologies	Cynthia Griffin, Marilyn Hawkins, Lily Sims

Item No	Item of business
	PRELIMINARY PROCEDURAL MATTERS
1	**Chair's Welcome & Opening Remarks** The Chair welcomed everyone to the meeting
2	**Apologies for Absences** Apologies had been received from Cynthia Griffin, Marilyn Hawkins and Lily Sims. The Board accepted their apologies.
3	**Declaration of Interests** Members were reminded of the need to declare any interest in any items on the agenda. No declarations were made.
4 5	**Minutes of the Last Meeting Held on 31 March 2022** The minutes were **APPROVED** and would be signed as an accurate record of the meeting online. **ACTION – Minutes to be signed online** **Matters Arising and Action Points from the Meeting** The Corporation noted the action points. There were no additional matters arising.
	STRATEGIC MATTERS
6	**Group Principal & CEO's report and KPIs** The CEO updated the Corporation on policy changes The ONS had spoken to the DFE that afternoon about the status of FE colleges and the

	impact of any change. The assumption was that this was likely to happen and the implications were unknown at this point depending on how it was implemented. The Scottish model completely reversed the 1992 Act but the redesignation was a statistical issue and was not expected to go this far. It could, however, mean no more borrowing and the RCF would no longer be possible. There could be block on the disposal of assets and freedoms would be constrained. On the positive side, the expectation was that colleges would be treated the same as schools for VAT purposes and there would be no huge charge over Hackney for the LGPS. College accounts would be consolidated into national accounts, but the year end might not change. It was prudent to deal with some financial decision on the agenda today. Some of this work had been brought forward as the decision could be made as early as September. There was another new team of ministers at DFE. The GLA had confirmed earlier in the day that AEB funding would increase by 3.5% in August in addition to the 10% increase from August 2021. This would allow the College to draw down over £1 million extra. There had been no rate increase for provision out of London for 10 years. It had been a challenging term with the UCU ballot due to close the following day. Nationally the temperature for strikes was increasing, and it was possible that there might be an NEU ballot at Wingletye Lane. The College was not in dispute with UNISON. Energy costs looked set to increase by £600k and staff recruitment will still challenging. Rainham was in a better position than a few months ago but there were still some specialist posts unfilled. A contingency plan was in place for September if vacancies remained unfilled. The Groups Executive Director for HR and the and GCD had done some good work. There were three vacancies having run with 8-10 all year. The difficulty was that new staff started but then went back to industry as the pay was 2.5 to 3 times more than the College could offer. Construction was a huge growth area and the College had the equipment to upskill trainees but did not have the staff at the right level. There were programmes in place to train and grow existing staff and the financial incentives after a year of teaching. There had been a 1.7% decline in in-year retention which was in line with national trends. The College had been close to target but there had been a dip in achievement rates as more students had been lost than in previous years. They were moving to full time work or leaving due to mental health issues which were increasing across all areas. Retention was in line with the national picture. The Board was reminded that data for the last two years pass rates would not be comparable as the sector moved back to examined grades. There had been a good discussion at CQS about the curriculum review. This was a big piece of work with a partial impact next year and then a more substantial change from 2023-24. There was a move towards becoming a more independently minded college in terms of the offer. The College was involved in two LSIPS and employer groups were established as the sector took this work forward. There were current labour market issues to tackle and some external support from outside the sector would be brought in to work on developing an offer for future skills needs. The CEO gave an update on the development of HE provision at Bath Spa. There were three markets to look in detail with options coming to the next Board meeting after discussion with the university later that month. The report updated governors on a minor change to the sickness absence policy which would normally be done through the JCC discussions. The union would not engage in discussions, and this had been ongoing since January. The proposal was to dismiss and reengage a small number of staff at Hackney. This was a procedure that was used very occasionally when an agreement with unions could not be reached. The aim was to align all staff with the group practice. There were 59 staff on a Hackney legacy contract from a total of almost 1800. This was proving difficult to manage for GCDs who were

	managing staff across the group. There were cases where staff on the old contract no longer worked in Hackney and managers had to check contracts before they could act. The issue was around the monitoring of sickness leave and when action could be taken. The aim was to get consistency. There had been some movement after a meeting earlier that day which would include a guarantee that sickness days would reset each year. Another local college had offered a headline 9% award to staff which tapered to 5% for those on a higher salary and zero for those above £42,000. Pay at NCC was higher overall and the 3% pay award covered all staff but there was a ballot for action closing the following day which could lead to action across the whole group. The result would be known by Tuesday and there were around 330 union members. Two weeks' notice of any action was required and the mandate lasted for 6 months.. The first day back was 24 August. The College had supported students during previous strike action but staff would be stretched thinner if it was across the group. The ballot would last for 6 months until mid January 2023 There were particular recruitment difficulties around Health and Social care lecturers and support staff, with the latter wanting to work remotely. All those offered roles were asking for more money with the budget for posts based on the bottom of the scale. Some were waiting to respond to offers and securing counter offers from their current employers. There would be over 70 posts to fill over the summer. The expectation was that there would be strikes even though staff had the best terms and conditions in the sector. Peter Armah left the meeting The catering contract had ended with Aramark and there would be a transition to Caterlink on a cost plus basis as zero subsidy was no longer possible. The College was funded or free school meals and any underspend could be used to support the subsidy. Part of the ESFA grant was based on lagged numbers and the deprivation index. It was an allocation rather than a reconciliation. Tariff increases were expected. In response to questions, the Deputy CEO confirmed that these had been left as neutral in the budget but he believed it would be funded and NCC needed to stay within that. A Director had been appointed to manage to the contract. The service level agreement gave an oversight of staffing, menus and tariffs to give the College a stronger position. The solution was better than bringing it in house as the mobilisation risk would be high. The SWOT analysis was a reminder of where the Board had got to at planning day and this would be the key focus for next year. KPIs had been flagged during the year and in the report. There was an increase in amber and red for staff recruitment and student enrolment which were significant. It would be important that have a good summer enrolment period and to get some key staff on board. The Board thanked the CEO for his report and for the hard work of the team in another busy term.
7	**Oxford School of English** The CEO introduced the paper. This was an important strategic decision for the Board. Expenditure was not huge but it was a significant decision in terms of the location and College's stance in relation to international students. The Finance and Genera Purposes Committee had held an additional meeting to look in detail at the proposal but it was important for the whole Board to be on board with any decision. The Deputy CEO reminded members about the background to the decision. In October 2019 the proposal was to purchase the school a price of £1.7m but further work was halted due to COVID. The College had remained in touch with the owner and the broker but there had been no change in price until March 2022. The College had offered £800k and this had been accepted. The owner was anticipating a profit of around £200-

	300k this academic year. Management accounts from the end June showed £200k profit and the College was proposing that audited accounts would be required as part of the process. The Board paper set out the detail including several Discounted Cash Flows (DCF). The Deputy CEO confirmed that the second was the most realistic with 10% growth which would stabilise at 5%. The School was financially sound and acquisition would fit with the College's aims for the international market. The Group Executive Director- Curriculum Development & MD Westbourne, explained that the aim was to extend the market and exposure to English language schools which produced a commercial income for NCC, The market was recovering and prices looked likely to rise which would lead to a higher purchase price in the future. The international strategy was broad. NCC received funds from Turing to send students abroad and receive students. There were a range of visits and work experience opportunities alongside partners across different. Students came to NCC to study A levels from around the world paying full cost fees and there was a cross over with the current English language school at Westbourne. A network of 250 education agents and marketing platforms were used to increase business and make strong links to secure opportunities for NCC students going overseas. The income from A level was £130k in 2021-22 and projected at £240k next year. The provision had grown very rapidly and NCC was now well known as an international centre. The long-term vision, as set out in the paper, was to build on Westbourne with the Oxford School and then to open a London campus. The College had tried previously at Arbour Square, but the London market was competitive and accommodation was difficult. In the long term, the three centres would be slightly different: Westbourne would offer a lower cost option; Oxford would have higher fees but there was high demand to study in the city; Hackney would host summer schools, potentially linked to a vocational offer which was in demand. NCC currently had a link with Berlin for a BTEC creative and science project which would produce a small amount of income next summer, but there were opportunities to expand this further. The CEO explained that work had been undertaken as part of the due diligence to look at lease issues and searches had been done as the current lease was due to expire in February 2024. The paper on due diligence from Eversheds had been shared with the Board. There was a lot of work to complete before sign off. The F&GP committee had reviewed the papers and discussed the impact f both COVID and Brexit on the market. The Chair explained that the committee had asked for the purchase price to be reviewed in light of the final audited accounts, with a deferred payment being desirable tying to owner into the business to ensure a smooth transition. The work on alternative premises had been completed. As there was no asset involved, the goodwill, name and reputation, contacts, contracts and employees formed the business, and it was important to tie this in with a large deferred payment subject to final approved accounts Governors asked about any risk management implications, particularly around safeguarding, if the College was to develop residential accommodation at Hackney at a later stage which was different to the home stay model used at Westbourne. It was confirmed that this would be looked at in detail as part of any future development and British Council standards would be implements. There was a discussion about the business and any debts incurred. There were two different models for acquisition and the current legal advice shared was to use a share issue model but this would be looked at in more detail as part of the due diligence work. It was not possible to exclude unseen liabilities although warranties and indemnities could be sought from the vendor. The business was running at around 80% of pre COVID levels but lower levels had been used for the business case at around 65/70%. The Deputy CEO agreed that they could go back to the vendor and if there were any increased risks uncovered during the due diligence process, there would be an argument for holding back a larger amount.

	The Deputy CEO explained that the vendor was looking to retire and that having built a relationship with the College, he believed that NCC shared the values that he had for the School and that he was keen to sell to NCC. The CEO would bring any further developments back to the Board but the Executive was recommending the acquisition. The aim was to complete at the end of August and the Board agreed to the Chair and CEO signing the contract. The Chair of Finance & General Purposes would be kept in touch with any further development The Principal, Tower Hamlets and Hackney explained that the link with Oxford was positive and should help to attract learners as well as offer opportunities for current students to visit. **ACTION - The Corporation AGREED the acquisition subject to:** **- Final due diligence on the current year's accounts (up to 30 June showing a £200,000 surplus) by independent auditors prior to completion.** **- Finalisation of all contractual matters including the best structure of the sale/purchase agreement, including deferred consideration as set out in the Board paper** **- That the acquisition contract is to be signed by the Chair or Deputy Chair of Corporation and the CEO, after agreement from the Chair of F&GP.**
8	**Committee Recommendations** **8.1 Property Committee** The Committee Chair updated the Board. There was new mayor in Tower Hamlets and it would take time to see what changes would be made and what the impact might be on development. There was an officer level meeting on Monday and the dialogue was still open with the Chief Executive. Any redevelopment of the site would need planning permission from Tower Hamlets with support from the GLA and perhaps central government involvement as well. The work at Hackney was in the master planning stage with a proposal coming to the Board by the end of the year. The CEO had a very positive meeting with the Borough Mayor who was keen for college to do something to stimulate development and there was a commitment to meet at officer level. The CEO was new and a meeting was due to take place soon. There would be the opportunity to release capital from the site to support redevelopment work elsewhere. The work had begun to relocate the Ardleigh Green car park which was a planning condition of the sale to Signature. The ground had been broken at Epping for the Wellness Centre with work onsite starting in August. The final refurbishment at Ilford had started with all major contracts signed. **8.2. Audit** The Chair of Audit updated the Board. The regularity self-assessment would be shared with the external auditors giving evidence of the controls and procedures in place in the College. The Corporation agreed to formally approve the documents and any changes would be finalised for the October Audit committee meeting. The Corporation was asked to formally approve the Internal Audit plan for 2022-23. There would be a new firm of internal auditors in place and the plan had been through several iterations and had been signed off by Audit committee. The 5 year plan was on page 59-60 of the pack. There was flexibility, if needed. The Corporation approved the plans. The Deputy CEO confirmed that the Cyber security report was almost complete.

ACTION – The Corporation approved the regularity self-assessment and Internal Audit plan for 2022-23 as recommended by the committee

8.3 Curriculum, Quality and Students committee

The Chair of the committee updated the Board and gave a short summary of what was covered in the meeting. The curriculum review would come to the Board in the Autumn and it would be key to see an analysis of the skills needs pan London and the courses which would support these needs. The was a consolidation of London FE provider into Hubs and a requirement for collaboration with other providers. Stakeholders and employers' groups were to be developed further to have an impact on the curriculum. The HE report had included an update on new courses from Sept 23. The Annual Business Development report showed good progress given the situation and challenges in getting commercial courses up and running. The QIP and KPIs showed a slight dip in retention. Attendance was not satisfactory and work was in hand to support this. Post Covid affects continued with an impact on attendance, behaviour and mental health. Governors had resumed their visits and reports were on the portal. These would continue next year. There had been a helpful update on the tuition fund update fand the confidential safeguarding report had also been received.

8.4 Finance and General Purposes Committee

8.4.1 Management accounts
The position up to 30 April was shown with the month ending 31 May being uploaded to the portal shortly. There was no change to the forecast of £700k deficit from a shortfall in subcontracting and the early pay settlement. Shortfalls in income streams from both commercial work and apprenticeships had offset some cost. There was £2m in cash as it had not been spent to date on Epping and other major projects. There was still soime work to do and the reasons for the deficit was noted. The CEO expected to deliver a slightly smaller deficit but there was some additional work to do on AEB to ensure tolerance of 97% was reached. The College was not operating in a completely post COVID environment but the ESFA were not prepared to offer any flexibility. It was a result of the previous years' good financial management that the College had managed to get to this position. There was a huge number of income lines to manage and they were becoming increasingly complex.

8.4.2 Budget 2022/23

The Deputy CEO was proposing a break even budget which set some significantly challenges targets of 521 growth in 16-18 provision and in apprenticeships. More AEB would be brought in house and delivered to reach the target. Both HE and commercial income would be a challenge. It was a prudent approach with some flexibility if growth did not materialise in mid October. £4.5m of capital was built into budget. The cash position was strong but the RCF would offer flexibility. Inflation was an issue, particularly around energy cost and overall there was a 3-5% increase but the Deputy CEO would look for efficiencies to bring that back. The team had controlled costs well through the last 3 years at all levels down to middle managers and the capacity was there to deliver.

The CEO noted that it was a complex budget with 39 income lines and overall 16-18 funding still dominated. There was some tuition fund but that would disappear. HLS for SEND students was paid through a grant and negotiations took place with 18 boroughs. The College had pushed back and wouldn't accept students without a funding allocation. The College received 1.5% of national AEB funding. The GLA was responsive but money sat in different pots. There was £20m for adult skills. The SDFCLF for strategic development had a margin of 10%. The budget was challenging to deliver and pay costs were heading towards 70%. In a number of areas, the College was paying a premium for staff. The depreciation charge was now £9.3m.

The Board discussed the report. It would be at least as challenging as the current year and the team had worked hard to get to a break-even position. However, it would be undermined very quickly if the deficit reoccurred. The budget would be monitored very closely and it had been recommended for approval by F&GP after a lengthy discussion about a range of outcomes. The Deputy CEO explained that SMT would be looking to ensure quality was not affected. It got harder every year with lower margins. Budget discipline was very strong but pressure on pay was increased with another unfunded pay award.

Governors asked whether there would be any enhancements in monitoring and the management of the budget. The Deputy CEO explained that there were significant controls in place at budget holder level and SMT monitored spend closely. There was planning software in place to look at individual course and campus level but there were always areas to improve. Expenditure required multiple levels of approval.

ACTION - The Corporation approved a break even budget for 2022/23

8.4.3 Capital plans
The approach remained the same using cash resources and funds net of depreciation. All campus bids went through a thorough bidding process and were agreed by SMT. Investment on a number of campuses was linked to T level projects which required matched funding. The plans included £1.1m for IT and £3.3m for estates and £200k for equipment.

ACTION - The Corporation approved:

Routine revenue funded capital budget for 2022/23 of £4.6 million, including contributions for the matched capital T level funds,

and noted the delegated authority given to the CEO to continue drawing up masterplans for the Group, within his delegated authority.

8.4.4 Subcontracting report

The report had been approved by F&GP with a detailed discussion at committee. Achievement rates had been strong this year. The proposals for 2022-23 were set out in the report. The Board would recall that the decision had been made to close down the contract with Access to Music and to focus work with the 4 orthodox seminaries with an increase in numbers to 420. There was a decrease in the management fee to 33% due to the lower risk and to recognise the work that had been done on quality.

AEB subcontracting was down to £1.5m focused on six partners. One contract had been terminated due to the provider's latest Ofsted grade. The contracts were planned in two phases of £1m and then, dependent on in-house recruitment, potentially another £0.5m. The team had come through a great deal and done well and the aim was to keep reducing subcontracted provision over time. There had been discussion about the division between devolved and non-devolved AEB funding with a call for funding to come from one place, preferably the largest funder. This had been requested when devolution began and was being discussed again. It was noted that with the fall in unemployment, there was less scope for delivery in some areas.

ACTION - The Corporation approved the proposed partnerships arrangements for 2022/23 16-18 provision and the Adult Education Budget

8.4.5 Written resolution
The Corporation noted the approval of the Ardleigh Green Contract.

8.4.6 Policies for Approval
The Corporation was asked to approve three policies which had been reviewed by the

	Finance and General Purposes Committee. The Health and Safety policy had been updated and now set out Board responsibilities more clearly. There were tracked changes in the document so members could see the revisions. There would be more guidance at the November Strategy Day from a Health and Safety consultant. The Supply chain policy and the Financial Regulations had been updated. The Deputy CEO confirmed that all subcontractors had to comply with the supply chain policy. **ACTION - The Corporation approved the policies** The Deputy CEO asked the Board to give the CEO permission to negotiate the final terms to increase the RCF from £5m to £10m with either Santander or Barclays. SMT would consider a detailed proposal before asking the Corporation for approval through written resolution. The Corporation agreed that it was prudent to take this approach. **ACTION – The Corporation agreed to give the CEO the authority to negotiate the final terms and to confirm the lender for final approval by the Corporation by written resolution** **8.5 Search and Governance committee** **8.5.1 Meeting Schedule and Business Planner 2022-23** **ACTION - The Corporation agreed the meeting dates and the schedule of business was noted.** **8.5.2 Board and Committee Membership 2022-23** **Action - The Corporation agreed the recommendation from Havering Local Board to appoint Lauren Edmunds.** **ACTION – The Corporation agreed to the appointment of Lauren Edmunds** The Chair of the committee update the Board on the recruitment of new independent members. The committee recommended the appointment of Nurole to support the process. **ACTION – The Corporation agreed to the appointment of Nurole to support recruitment** **8.5.3 Board Self Assessment and review** The Corporation agreed to delegate this to the Search committee to agree the scope and tender process for the review. It was agreed that this should take place in the new year when there was more evidence of how the review process was working. It would be important to select the reviewer carefully if there was to a meaningful outcome. **ACTION – The Corporation agreed to delegate the process to Search committee**
9	**Terms of Reference** There were no changes proposed. **ACTION - The Corporation agreed the terms of reference and they would be updated on the website.**
10	**Any other Business** There were no items to report.

11	**Date of next meeting** The meeting would take place on 3 November The Chair thanked the student governor for his contribution and for attending the meeting.