

Minutes of the Meeting of the Governing Body of
THE CITY LITERARY INSTITUTE held on 7th December 2009 at
Keeley Street, London WC2

Present:

GOVERNORS

Ms. A. Bennett+	Mr. M. Macchitella+
Prof. M. Biriotti*	Mr. T. Mitchell+
Mr. I. Chapman*	Ms. M. Ndagire+
Mr. P. Davies+	Ms. J. Obi-Keller+
Mr. C. Galleymore+	Mrs. H. Priest*
Mr. K. Geeson*	Ms. J. Reynolds+
Mr. D. Greenland+	Mr. W. Stokoe+ (Deputy Chair)
Mrs. A. Harrison+	Mr. J. Stone+
Mr. P. Hay+	Ms. C. Stott+ (Chair)
Mr. B. Leigh+	Mr. A. Weale+

Key: + Present
*Apologies tendered

In Attendance: Joe Manifold (Vice Principal)
Nick Moore (Deputy Principal)
Danny Smith (Finance Manager)

Clerk: Denise Gill

PART ONE: STANDING ITEMS

09/106 Apologies for Absence

The Board approved the absence of Ian Chapman who was abroad. Due to work commitments he had missed three consecutive meetings.

09/107 Declarations of Interest

There were no declarations of interest.

09/108 Presentation on the Visual Arts Area

Kate Wickham and Nick Doran gave a presentation on the Visual Arts area of the Institute. They explained that the department was divided into four programme areas – 2D Studies, 3D Studies, Digital Arts/Art History and Art Foundation. However there were strong links between all four areas, with an increasing cross-over of subjects from the applied to the fine arts, and an increase in combining subjects e.g. Jewellery and Textiles, Printmaking and Digital Arts. The department had a very good range of specialist subjects and some which were on the ‘endangered’ list such as basketry and bookbinding. These attracted students from far afield, including the continent.

Governors were advised that there were excellent progression routes for students and many moved on to higher education. The standard of student work was exceptionally good evidenced by the rolling programme of student exhibitions. A slide show of student work was shown to governors. The Board was informed that most of the staff were professional practitioners regularly exhibiting their work both in London and further afield, and a number were leading artists/makers within their own fields with national and international reputations. They were considered a major asset to the department.

Statistical information on the number of students, fee income, retention, achievement and success rates were included in the report.

Members thanked Kate and Nick for a very enjoyable and informative presentation.

09/109 Minutes of the Previous Meeting

The Minutes of meeting held on 20th October 2009, were approved and signed by the Chair.

09/110 Matters Arising Not Appearing Elsewhere

09/66: The Chair advised that Ofsted was focussing extensively on Safeguarding in their inspections. Although it was not currently necessary to CRB check all governors, advice given by AoC was that it may become compulsory in the future. Nick advised that he would bring a report to the Governing Body when clarity was received by the sector.

09/111 Principal's Report

The Principal presented his report for October to December 2009. He commenced with news that a City Lit student had won the European Social Fund Personal Achievement of the Year award and the Institute had won the British Computer Society Accessibility Achievement Award for the most accessible computer facility in the UK.

The Principal advised that the key activities for the period had included:

- All the curriculum and service area reviews and Self Assessment Review process
- Start of planning process for 2010/11
- Revalidation of Deaf Degree with London Metropolitan University
- A record number attended family learning day in Camden & start of new music based family learning project
- On-going work in support of GO3 strategy – especially in relation to expansion options
- End of year accounts preparation
- Completion of annual staff review and annual report
- Significant work considering safeguarding and equality and diversity aspects
- LSC funding audit, which took up an awful lot of staff time.

The Principal also outlined the recent government changes and agreed to provide a more detailed paper on the implications at the next meeting. He advised that enrolments and fee income were ahead of last year and just about where the Institute needed to be to meet budget targets. Members were also advised of the Website developments that had taken place including placing a synopsis of the strategic plan on it.

Governors were informed that generally morale across the Institute remained positive, although there were some concerns about future funding given the state of public sector finances. However the Principal stated that he was confident that City Lit could manage the predicted cuts in funding.

The October 2009 Balance Score Card was presented to the Board and the Principal advised that there had been no changes since the last meeting. With regard to the Risk Radar, it was noted that inability to achieve increased financial targets for Employer Engagement, MIS failure to integrate systems, and risk to funds, had been deleted from the diagram. Inserted had been expansion plans 2010. Members congratulated the Business Development Unit on the excellent progress that had been made on achieving its growth plans.

09/112 Date of Next Meeting

It was noted that the next meeting will be held on 23rd March 2010 at 5 p.m.

PART TWO: MATTERS FOR DECISION

09/113 FRS 17 Assumptions

Joe Manifold introduced a report on the underlying assumptions for the FRS 17 calculations leading to the disclosures in the Annual Financial Statements. He reminded members that when the matter was discussed the previous year, follow-up work had been commissioned in respect of assumptions based upon growth, mortality and commutation.

The report set out the balance sheet disclosures as at 31 July 2009 and gave a summary of the assumptions. The life expectancy from age 65 years assumption included an allowance for 20% of future retirements to elect additional tax-free cash up to HMRC limits. The financial assumptions on price, salary and pension increases were detailed, as were the expected return on assets. Joe advised that the majority of these assumptions were relatively standard, consistent with previous periods and had been used across a range of pension schemes. A sensitivity analysis was included in the paper which set out the impact of a change in the discount rates on the Total Obligation and Projected Service Cost along with a +/- 1 year age rating adjustment to the mortality assumption.

Joe advised that both the Finance and Employment and the Audit Committees had discussed the assumptions and were recommending them to the Governing Body.

It was agreed to accept the actuaries' recommendation for underlying assumptions for FRS17.

09/114 Management Letters and Financial Statements 2008/09

The Board received the Financial Statements and the Audit Highlights Memorandum 2008/09 as recommended by the Audit Committee. Members were advised that the accounts showed a surplus of £21K: this was after an FRS17 charge of £60K.

The Management Letter from Buzzacott set out the findings of the Financial Statements audit and included as appendices, a ratio analysis, Group Averages (for SDIs), post-audit report, adjusted misstatements and recent FE sector developments. A separate Management Letter was presented for the Regularity Audit 2008/09 which raised no issues and gave an unqualified opinion.

The Board noted the Management Letters and approved the Directors' Report and Financial Statements 2008/09. The Chair and Principal signed the document in the meeting.

09/115 Letter of Representation to Buzzacott LLP

The Vice Principal presented the Letter of Representation from City Lit to Buzzacott LLP for the Financial Statements and Regularity audits. He explained that as part of the annual external financial audit process, it was necessary to supply the auditors with a Letter of Representation which provided them with a number of acknowledgements, confirmations and assurances in relation to the Financial Statements and Regularity audits for the year ended 31st July 2009.

The Governing Body authorised the Chair to sign the Letter of Representation.

09/116 Internal Audit Service Annual Report

The Clerk presented the Internal Audit Service Annual Report 2008/09 which had been recommended for approval by the Audit Committee on 16th November 2009. She advised that the LSC Code of Practice stated that the Annual Report of the Internal Audit Service should be approved by the Governing Body.

The Board approved the Annual Report of the Internal Audit Service 2008/09.

09/117 Fee Policy 2010/11

The Principal introduced a paper outlining proposals for the 2010/11 fee policy. He informed the Board that last year in response to concerns about the impact of the recession, City Lit had managed to keep its fee increases low as well as providing protection for concessionary fee payers. He advised that for 2010/11 there were primarily two conflicting factors that City Lit must take cognisance of:

- Firstly clearly the country was still in a recession and although by July 2010 it might technically be out of it, learners might still have concerns about affordability. In addition, it had been predicted that inflation was likely to be very low and even negative, before increasing in future years.

- Countering that was the prospect of almost certain reductions in funding in 2010/11 possibly by up to 10%. The only real way of offsetting this would be by increasing fees and containing operating costs.

Equally, as for previous years, the Principal stated that he wished to try and protect the less well off by different fee increases. He therefore proposed a range of fee increases ranging from 0 to 7% and stated that the logic behind the proposal was:

- Evenings tended to be more popular with fuller courses, longer waiting lists and should therefore tolerate a greater increase.
- Day time courses were often harder to fill and tended to attract the less well off, therefore he wanted to have a lower increase.
- Saturdays and Sundays were popular but still not as strong as evenings and indeed still the area which had cancelled the most number of courses. In addition, for Sundays were still trying to grow the offer.
- Protect the concessionary and senior daytime fee payers.

He added that overall, these were average or generally minimum increases, but in line with GO3 he had also encouraged programme areas to increase fees even further in areas where there were anomalies with low fees, or areas where it was believed the market would stand even higher fees. He outlined the impact of the fees on the planned surplus based on the assumptions used in the approved three year plan, and assuming there was no reduction in enrolment numbers. A risk assessment was included in the report. Two graphs were attached to the report that showed the range of the standard fee for all courses and just those under £500. It demonstrated that the majority would experience increases of between 0 and £14.

The Board discussed the report and agreed with the Finance and Employment Committee that whilst members wished to keep increases as low as possible in order not to exclude people on low incomes, it took cognisance of the gloomy funding scenario that had been announced by the government. The Principal advised that although City Lit would receive transitional funding for 2010/11, there had not yet been any explanation as to what this would mean. Moreover, the funding for 2011/12 was expected to be reduced significantly for all colleges and therefore it would be prudent to build up some reserves. The Principal was questioned on knowledge of the market and competitors and he responded that staff were fully conversant with demand, homogeneity of students, competitors and elasticity of demand. During the curriculum review process staff were challenged about fee income and asked to justify any variances.

The Governing Body agreed the fee assumptions for 2010/11.

09/118 Mortgage

Joe Manifold introduced a report on the current position with Allied Irish Bank and the mortgage. He advised that Loan arrangements were set up with AIB for £4.1m on 22 December 2004. The first stage was a revolving credit arrangement over five years which enabled funds to be drawn and repaid as required. The second stage was a term

loan facility which would operate for fifteen years from 22 December 2009. Joe stated that whilst the current mortgage arrangement offered a low rate of interest it was very inflexible in terms of the cash flow needs of City Lit. AIB, while prepared to honour the original agreement, had indicated that the terms were not favourable to them either.

Members were informed that a new facility over a shorter period, at a higher interest rate but with more flexibility, had also been offered and this was set out in the report together with a comparison with the existing terms. A copy of the draft agreement was included with the papers. Joe confirmed that:

- Both arrangements could be closed without penalty.
- Both arrangements were secured on Keeley Street.
- Neither arrangement involved a set up fee.
- Both arrangements had similar covenants and conditions.

A copy of the Directors' duties under the Companies Act 2006 was attached to the report.

Members discussed the report and the three options that were proposed in the paper together with the advantages and disadvantages of each. The Board agreed the recommendation of the Finance and Employment Committee that the new five year facility be adopted and cancellation of the existing fifteen year mortgage.

There was produced to the Meeting a Facility Letter dated 7th December 2009 from **AIB Group (UK) p.l.c. ("the Bank")** detailing the terms and conditions under which the Bank was prepared to make facilities available to the Company ("**the Facility Letter**").

The Facility Letter was considered and **IT WAS RESOLVED** that the offer of facilities be accepted with all the terms and conditions that Carole Stott, Director, and Denise Gill, Company Secretary, be and are hereby authorised to sign the copy of the Facility Letter and accept the terms and conditions contained therein.

IT WAS FURTHER RESOLVED that the acceptance of the facilities shown in the Facility Letter promotes the success of the Company for the benefit of the Company members as a whole and the Directors have taken into consideration all of the factors listed in Sections 171 to 177 of the Companies Act 2006.

Prior to the passing of the above Resolution all Directors interested in the above transaction with the Company disclosed their interest to the other Directors of the Company and any conflict(s) of interest including potential conflict(s) of interest were approved where necessary in accordance with the Articles of Association of the Company and the Companies Acts.

09/119 Higher Education Strategy

The Board received a report containing City Lit's proposed Higher Education Strategy. Nick explained that the strategy had been produced following the publication of the HEFCE guidance. The strategy built upon the current status of all Higher Education provision with an emphasis on improving the quality of City Lit's small HE provision. It

has been shaped through discussion in the new Higher Education Steering Group and following training by the Linking London network.

Members were advised that the overarching strategic objective was to enhance the quality of the provision to ensure that it added to City Lit's reputation for excellent teaching and learning. The strategy had been developed following HEFCE guidelines, and incorporated the IQER action plan as well as recommendations following London Metropolitan University's validation of the BA Deaf Studies degree in September 2009.

Governors were further informed that a Higher Education Steering Group had been set up, which would report to the Quality and Standards Committee. The HE Steering Group would enable City Lit to create its own HE framework, which in turn would inform the strategy. The strategy would be monitored and further developed regularly by the Higher Education Steering Group.

The Board discussed the strategy and the association with London Metropolitan University. It was agreed that a clear strategic focus for necessary for higher education provision particularly given the difficult financial position London Met had currently found itself in. The Principal advised that the university had given City Lit outstanding support despite its current troubles.

The Governing Body approved the Higher Education Strategy.

PART THREE: MATTERS FOR REPORT

09/120 Management Accounts – Month 3

Danny Smith presented the management accounts for month three. The report included:

- Narrative
- Income and Expenditure Account
- Comparison of current operating surplus against prior year
- A balance sheet
- Cash flow forecast
- Risk Analysis year ending 31st July 2010.

Danny advised that the accounts for the period showed a surplus of £2,290K and a favourable variance against budget of £126K. Student fees showed a favourable variance of £18K but there was an adverse variance on Employer Engagement Income of £20K which was being monitored. Pay was showing a £10K favourable variance in the accounts to October but no accrual had been made for the 1.5% staff pay award paid in November. There were no other significant expenditure variances. The Institute had bank and cash balances of £2,949K at 31st October and £402K on the revolving AIB mortgage facility.

The Board noted the management accounts for month three ending on October 31st 2009.

09/121 Government Strategic Skills Agenda

The Principal introduced a report about a number of key documents that had been issued over the last two months: Towards Ambition 2020 – Skills, Jobs and Growth; Skills from Growth – the National Skills Strategy; The Skills Investment Strategy 2010/11. He gave a brief overview of the content of each and advised that City Lit would need to continue to lobby for its special status and funding. He stated that although City Lit had special transitional funding for 2010/11, it was still likely to face an overall cut in its funding and the future remained uncertain for 2011 and beyond.

Governors discussed the current strategic position and asked the Principal to circulate an aide memoir on key messages so that could be used when governors meet influential individuals at events. The Chair advised that she would like to be in attendance when important visitors agree to come to City Lit.

09/122 The New Ofsted Common Inspection Framework

Nick Moore presented a report to the Board on the new Ofsted Common Inspection Framework. He described the main changes as:

- Safeguarding was now graded and was a 'limiting grade' (i.e. the overall grade cannot be 1 or 2 if the Safeguarding grade is any lower).
- Equality and Diversity was also a 'limiting grade' and overall was given greater prominence in inspection.
- The achievement of specific groups was scrutinised ("the equality of outcomes").
- There would be a dedicated e-mail for learners to submit their views.
- Classroom observations could vary in format – long, short, paired etc.
- There was greater emphasis on judging 'the capacity to improve'.
- The notice period reduces to just 2 weeks.
- There was no longer a fixed cycle. Inspections were determined through risk assessment.

Nick advised that what would happen next would be:

- Ofsted would consult on the interpretation on the new framework in the context of Adult Education
- The SAR for 2010 would be redesigned to reflect the new inspection framework
- The Quality Improvement Strategy would be mapped to the new framework as part of City Lit's pre-inspection and continuous quality improvement planning
- The Quality and Standards Committee would continue to monitor developments.

The Board noted the report.

09/123 Annual Report of the Work of the Audit Committee

The Clerk presented a report on the work of the Audit Committee during 2008/09 and advised that this had been prepared in accordance with the LSC Audit Code of Practice. The report detailed the membership, meeting dates, attendance record, internal audit service reports, risk management, performance indicators and other reports considered

by the Committee over the last twelve months. The Audit Committee had agreed its content at its meeting on 16th November 2009.

Members thanked the Committee for their significant work and noted the report.

09/124 Annual Report of the Work of the Quality and Standards Committee

The Deputy Principal presented a report that summarised the work of the Committee over the 2008-09 academic year. The report noted that the Committee had met three times during the year and the focus had been to ensure that the Institute's quality arrangements led to continuous improvements in high quality teaching and learning across City Lit.

The report detailed the revised Terms of Reference of the Committee and listed the activities covered. The report listed the internal and external documents and publications that members had considered and commented on. The topics that had been monitored by the Committee were listed in the report. The final section of the report detailed the outcomes of the Committee's work which included consideration of the findings of the Ofsted re-inspection of Family Learning as part of the Camden Inspection; the new system for the observation of teaching and learning and the evolving performance indicators; the outcome of the Framework for Excellence pilot and its affects on governance, and detailed scrutiny of the SAR. A list of the recommendations made and actions taken resulting from the Committee's work were detailed. Members concluded that they felt confident that the Institute's quality arrangements did lead to the continuous improvement of high quality teaching and learning and it identified areas for further development and improvement.

The Board commended the report and the Chair added the report for 2009/10 would document the journey travelled by the Committee during the year.

09/125 2008/09 Performance Against Key Performance Indicators

The Principal presented a report detailing the outturn against target for the Institute's Key Performance Indicators (KPIs). The report set out the three key objectives for City Lit as agreed by the Governing Body and it detailed the achievements for each one. The report then listed all the KPIs but only commented on those that had not been achieved in 2008/09. These were:

- KO-03 Success rates on non accredited courses. KO-04 Success rates on accredited courses
- RM-01 – Financial position.
- EI-01 Full Time tutors with appropriate teacher training qualifications.
- EI-04 Tutor Observations
- BF-02 Employer Engagement income.

The Principal explained that some had only missed the target by small amounts and gave the reasons for that. He referred to the Balance Score Card and advised that with regard to teacher observations the 'Red' assessment was of concern. He stated that in mitigation, City Lit completely changed this measure last year, following a revision of the Observation of Teaching and Learning system and this was now a composite measure covering a number of aspects. However what was clear from a number of curriculum

reviews was that some areas were still struggling with the volume of OTLs needed. Equally most areas showed a good improvement and the focus on new tutors and those who are assessed as grade 3 or 4 was paying dividends and most grade profiles were now good and would support a Grade 1 assessment. It was possible that the Institute would review again the requirements for observing tutors delivering very short, e.g. one day workshops, as this can distort the data. The Executive team were, this term, carrying out a further review of both the procedures and the KPI measure to ensure they were fit for purpose.

The Board noted the performance against City Lit's strategic objectives and the balance score card KPIs for 2008/09.

09/126 Student Feedback – Annual Report 2008/09

Members received the Annual Report on the 'Tell Us What You Think' feedback scheme. Members were advised that complaints had reduced in comparison with previous academic years. Response times for initial acknowledgements had been 99% and full response times had improved slightly at 93% compared with 91% in 2007/08. The number of upheld complaints about courses had fallen in comparison to the previous year. A summary of the reviews posted on the Hotcourses' website was contained in the report.

The Board discussed the report and the statistics on course evaluations were queried. It was pointed out that over 1000 students did not feel that their course was either good or excellent and the Deputy Principal was asked what consideration was given to this. He responded that the curriculum review process examined how students rated their courses and action was taken where appropriate. It was commented by the governor that the context in which the forms were completed was inhibiting as it was done in front of the tutor and often students' handwriting could be identified. Nick responded that there were many different ways of obtaining information about courses from students but the most disaffected students tended to use the complaints procedure. However he would give some consideration to the point raised.

The Board noted the report.

09/127 Minutes of Meetings

The Board received and noted the unconfirmed minutes of the following meetings:

- Quality and Standards Committee held on 3rd November 2009
- Audit Committee held on 17th November 2009
- Finance and Employment Committee held on 24th November 2009.

Chair.....

Date.....