

Minutes of the Meeting of the Governing Body of  
**THE CITY LITERARY INSTITUTE** held on **9<sup>th</sup> December 2010** at  
Keeley Street, London WC2

**Present:**

**GOVERNORS**

<b>Ms. A. Bennett+</b>	<b>Mr. T. Mitchell+</b>
<b>Mr. P. Davies+</b>	<b>Ms. N. Ndagire*</b>
<b>Mr. J. Flowers+</b>	<b>Ms. J. Obi-Keller+</b>
<b>Mr. C. Galleymore+</b>	<b>Mr. S. Pfeifer+ (from item 10/95)</b>
<b>Mr. D. Greenland+</b>	<b>Ms. H. Priest*</b>
<b>Mrs. A. Harrison+</b>	<b>Ms. J. Reynolds*</b>
<b>Mr. P. Hay+</b>	<b>Mr. W. Stokoe* (Deputy Chair)</b>
<b>Mr. B. Leigh*</b>	<b>Ms. C. Stott+ (Chair)</b>
<b>Mr. M. Macchitella+</b>	<b>Ms. L. Taylor+</b>
	<b>Mr. H. Woudhuysen+</b>

**Key:** + Present  
\*Apologies tendered

**In Attendance:** Nick Moore (Deputy Principal)  
Danny Smith (Finance Manager)

**Clerk:** Denise Gill

**PART ONE: STANDING ITEMS**

**10/93 Declarations of Interest**

There were no declarations of interest.

**10/94 Membership**

Members received a report containing a recommendation from the Search Committee that Sandy Pfeifer be appointed to the Board and the Finance and Employment Committee. The Chair advised that the committee had been seeking to appoint a qualified accountant following the loss of two qualified accountants from the Board. Following Sandy's expressed interest in becoming a governor he had met the Search Committee and it was unanimously agreed to recommend his appointment to the Board.

The Governing Body considered Sandy's CV which had been circulated with the agenda and approved his appointment to the Board for a four year period and appointed him to the Finance and Employment Committee.

**10/95 Minutes of the Previous Meeting**

The Minutes of the meeting held on 19<sup>th</sup> October 2010, were approved and signed by the Chair.

## **10/96 Matters Arising Not Appearing Elsewhere**

There were no matters arising not appearing elsewhere.

## **10/97 Principal's Report**

The Principal presented his report for October to December 2010. He advised that the major activities during this period had been the:

- Campaign against cuts.
- Finalisation of the annual financial statements.
- Finalisation of 2009/10 return to the Skills Funding Agency.
- Completion of all curriculum and service area reviews.
- Commencement of a strategic review of fees policy.
- Use of a team of external Ofsted inspectors to help catch up on observations of teachers and learning and benchmarking our observations.
- Start of planning process for 2011/12.
- Digesting of the implications of the Comprehensive Spending Review.
- Progressing of the proposals for the extension.
- Appointment of the new Principal.

Governors were informed that the highlights of the period had been:

- Enrolments and fee income were ahead of target.
- The new Kean Street studio and Fashion Retail Academy were going well and proving profitable.
- The curriculum and service area reviews of individual Self Assessment Reviews were overall the best ever with lots of useful debate about business and quality issues.
- The report and financial statements were audited with no significant issues The Finance Manager and finance team had done well especially as they had been one member of staff down for sometime due to illness. Moreover, the Clerk received a clean Regularity Audit.

The Principal further advised that following a detailed review, it had been decided to stop running the deaf degree for a number of reasons including the lack of recruitment and funding issues. Management were examining alternative provision, possibly a qualification based around British Sign Language interpreters, as a replacement. Members were also informed about a pilot project with Reed Learning to market some of City Lit's courses to the private sector and the agreement by the John Lyons Trust to fund a second year of a project to offer music in the community after a successful first year. In addition, the Institute had won a LSIS innovation bid for £49K over two years to develop and deliver a coaching based training course to contact workers in the homeless and community sectors.

The Board discussed the report and queried the number of teacher observations being undertaken by the external consultants and whether any concerns had been raised. The Principal responded that management had been given food for thought but there were no major worries about the findings. A report would be submitted to the next Quality and Standards Committee in February.

Members noted the report.

#### **10/98            Dates of Next Meetings**

The following dates were agreed:

- 21<sup>st</sup> December 2010 at 4.30 pm. to agree the recommendation of the Principal Appointment Panel.
- 15<sup>th</sup> February 2011 at 3 pm. for a strategy session.
- 15<sup>th</sup> March 2011 at 5 pm. (OGM)
- 13<sup>th</sup> September 2011 at 5 pm. (Review Session followed by Governors' dinner)
- 18<sup>th</sup> October 2011 at 5 pm. (OGM)
- 6<sup>th</sup> December 2011 at 5 pm. (OGM).

#### **PART TWO:            MATTERS FOR DECISION**

#### **10/99            Management Letters and Financial Statements 2009/10**

The Board received the Financial Statements and the Audit Highlights Memorandum 2009/10 as recommended by the Audit Committee. Members were advised that the accounts showed a surplus of £479K: this was after a FRS17 charge of £182K.

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 2009/10 which raised no issues and gave an unqualified opinion.

Members discussed the management letters and queried whether City Lit would need to submit the accounts in IXBRL format. The Finance Manager responded that as the Institute did not need to file the financial statements with the HMRC it would not be necessary.

The Board noted the Management Letters and approved the Directors' Report and Financial Statements 2009/10. The Chair and Principal signed the documents.

#### **10/100            Letter of Representation to Buzzacott LLP**

The Clerk presented the Letter of Representation from City Lit to Buzzacott LLP for the Financial Statements and Regularity audits. She 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 31<sup>st</sup> July 2010.

The Board discussed the Letter of Representation and requested that under paragraph 7 the statement 'we are not aware of any' be inserted before 'unrecorded liabilities, actual

or contingent' in the first line. Subject to this change, the Governing Body authorised the Chair to sign the Letter of Representation.

#### **10/101 Internal Audit Service Annual Report**

The Clerk presented the Internal Audit Service Annual Report 2009/10 which had been recommended for approval by the Audit Committee on 15<sup>th</sup> November 2010. She advised that the SFA 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 2009/10.

#### **10/102 Letter of Engagement for Parkhill**

Members received a report reminding them that at the meeting of the Governing Body held on 19<sup>th</sup> October, the Board agreed that following the resignation of the Internal Auditors, Clement Keys, the contract should be novated to Parkhill subject to a suitable Letter of Engagement being received, with a review in June 2011 to consider concluding the contract and retendering. Subsequently a Letter of Engagement was considered by the Audit Committee and was being recommended for approval.

The Board discussed and agreed the Letter of Engagement.

#### **10/103 Fee Policy 2011/12**

The Principal introduced a paper outlining proposals for the 2011/12 fee policy. He advised that normally the report would be submitted to the Finance & Employment Committee for a recommendation prior to consideration by the Governing Body. However this year it had been unrealistic because of the uncertainty surrounding future funding. He reminded governors that last year City Lit increased its fees overall more than previous years, mainly to offset the funding risk it potentially faced, whilst also, for the second year in succession, providing protection for concessionary fee payers. Governors were also very conscious of the potential impact on enrolments during a recession if fees were increased too much. The various increases in fees were contained in the paper and the Principal advised that, overall, this had not had a negative impact on enrolments or predicted fee income, indeed enrolments appeared to be ahead of last year and fee income was on track.

Governors were then advised that for 2011/12 there were again primarily two conflicting factors that must be taken cognisance of:

- Firstly, whilst technically the country might be out of recession, learners might still have concerns about affordability, especially as average earnings were either static or only increasing slowly. In addition, inflation was likely to remain low before increasing in future years.
- Countering that, was the likely reductions in funding in 2011/12 and future years, although indications are now that this would not be as significant as previously thought.

The Principal added that equally, as for previous years, management wished to try and protect the less well off by different fee increases for concessionary and senior fee payers, although perhaps not the same degree of protection as in previous years. He then proposed a fee increase matrix ranging from two to six percent and set out the rationale for this. He advised that overall these were average or generally minimum increases, but in line with the Growth and Optimisation strategies. Moreover, programme areas were encouraged to increase fees even further in areas where there were anomalies with low fees or areas where it was believed that the market would stand even higher fees, especially in the evening. The paper included a table showing the predicted net increase in actual income for every 1% increase in fees. This demonstrated that changes to concessionary fees had little impact – every 1% increase only equated to £2.2K fee income increase.

The report 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 lower pay award than originally planned and a 2% reduction in SFA funding. A risk assessment was included in the report which concluded that a 1% reduction in enrolments would be containable with some additional efficiencies, 5% would result in a breakeven budget but still be cash positive and therefore probably manageable for one year. A 10% reduction would cause significant difficulties and would require urgent and drastic action to ameliorate the impact. Two graphs were attached to the report that showed the full fees charged for daytime and evening courses. Finally the Principal stated that the figures would be used in initial planning assumptions and whilst this was not ideal, there would be an opportunity to revise them in February before the final planning was completed, if the situation changes dramatically.

Members discussed the report in detail. Increasing the evening fees to maintain concessionary fees was debated and Nick Moore advised that the model that had been devised for course fees was complex and management had been mindful that not all evening students were high earners. He stated that concessionary fee increases had been kept lower and where it was felt that the market would stand it, specific course fees had been increased more than average. Governors queried the cancellation rate for weekend courses and Nick responded that whilst short one day courses were more vulnerable, the risk factor was much lower on courses where there was a waiting list. Members also discussed whether the implications of the Comprehensive Spending Review, and the effect on student fees, would result in students being willing to take loans out to pay for increased fees.

The Governing Body agreed to approve the fee increase matrix for 2011/12 unless the indicative funding allocation was much worse than anticipated and that it would put the 2011/12 planned surplus at risk.

#### **10/104            Pay Award 2010/11**

The Principal presented a report containing a recommendation about a payrise for all staff except for the senior postholders. He informed governors that the pay-award date for staff was 1<sup>st</sup> August and that the AoC had made a final pay offer of 0.2% on pay and allowances or a minimum of £50. The UCU had not accepted the offer. Although City Lit had not yet had the funding allocation for 2011/12, the indications were that it would be manageable and thus this award would be affordable.

The report advised that City Lit's approach over the last three years had been to implement the AOC final offer, but with an undertaking that it would review the position if a higher offer was agreed between the AOC and unions, which had not happened. The 0.2% was below the figure (1% on basic pay) that had been in the agreed budget for 2010/11 and only represented a £23k increase in the pay budget. Thus, unless City Lit's allocation was much worse than anticipated, it had been recommended by the Finance and Employment Committee that Governors should approve this pay rise for all staff (except for senior postholders).

Moreover, to-date Governors had agreed to implement three stages of the agreed plan in 2004 to implement pay modernisation over four stages, subject to affordability. The last stage would add just under another 0.25%, (£29K) to the pay budget. With the 0.2% award above, this would be an average of 0.45% in total, which was still less than the budgeted figure. The Finance and Employment Committee recommended that the final stage of pay modernisation should be implemented this year. To do so would again be good for staff morale, would remove an outstanding issue with the Unions, and would reduce the HR administration workload, although this was not critical.

Governors were informed that the Finance and Employment Committee had recommended that overall proposal and decision on the pay award should be delayed until the December meeting of the Governing Body when the outcome of the CSR announcement was known.

The Board discussed the recommendations of the Finance and Employment Committee and agreed that, unless the indicative funding allocation was much worse than feared and would put the 2011/12 planned surplus at risk, City Lit should implement the 0.2% AOC recommended final award for all staff, except senior post holders, backdated to 1st August 2010 as well as the final stage of pay modernisation.

#### **10/105          Disputes Resolution for Senior Postholders**

Governors received a paper that had been circulated with the agenda proposing that City Lit's dispute resolution policy and its related procedures should be made applicable to senior postholders. Members were advised that the disciplinary and grievance procedures for senior post holders were last reviewed in 1999 and they did not reflect best practice. Currently there was no probation, absence management or capability procedures specifically for senior post holders.

It was proposed that the current disciplinary and grievance procedures for senior post holders should be abolished and the disputes resolution policy and related procedures used for other staff be made applicable to senior post holders. The disputes resolution policy had been introduced in 2004 and it standardised the processes for dealing with disciplinary, capability, grievance, probationary, absence, dismissal following the expiry of a fixed term contract and whistleblowing issues. The policy and procedures were last updated in 2009 and were due to be reviewed in 2011.

Attention was drawn to the addendum to the disputes resolution policy detailing the necessary adjustments to the procedures and to the organisation of hearings and appeals when applied to senior post holders. The Board was advised that the Finance

and Employment Committee was recommending that the policy should apply to Senior Postholders with the necessary adjustments.

Governors discussed and approved the Disputes Resolution Policy for Senior Postholders.

#### **10/106 Internal Verification Policy**

Nick Moore presented a proposed Internal Verification Policy which had been developed by the College and was recommended by the Quality and Standards Committee. He advised that City Lit had always conformed to the IV policies and procedures of its Awarding Bodies but it had been identified as good practice for there to be an overarching policy. The policy set out the role of the internal verifier, IV arrangement that must include as a minimum, sampling assessed work, internal verifiers' qualifications, planning for internal verification, frequency of internal verification, model of internal verification, evidence and plans for updating and evaluation of the policy.

The Board discussed the policy and the recommendation of the Quality and Standards Committee and approved the Internal Verification Policy as proposed.

#### **10/107 Malpractice Policy**

Governors received a report containing a Malpractice Policy and Guidelines and a recommendation from the Quality and Standards Committee that it should be approved. Nick Moore advised that City Lit had always conformed to the malpractice policies and guidelines of its awarding bodies and that it had been identified as good practice for there to be an overarching policy.

The Board discussed the policy and noted the recommendation of the Quality and Standards Committee. The Malpractice Policy Guidelines were approved.

### **PART THREE: MATTERS FOR REPORT**

#### **10/108 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 (before FRS 17)
- Net Cash Summary 2010/11 (Band & Cash Balances Less Mortgage Balance)
- A balance sheet
- Student Bursary Fund as at 31<sup>st</sup> October 2010
- Risk Analysis year ending 31<sup>st</sup> July 2011.

Danny Smith stated that the accounts for the 3 months ended 31<sup>st</sup> October 2010 showed a surplus of £2,527K, and a favourable variance against budget of £229K. Members

were advised that the student fee income had performed strongly over the period and was showing a favourable variance of £121K. Fee income amounting to £3,632K had been raised to 31<sup>st</sup> October representing 56% of the total annual budget. There was an adverse variance on Employer Engagement Income of £31K which was being monitored. There were no other significant income variances.

On the expenditure account, pay was showing a £32K (1.2%) favourable variance in the accounts to October. No accrual had been included for the back-pay to August 1<sup>st</sup> should a pay rise be awarded to staff. A pay award had been included in the budget.

City Lit had bank and cash balances of £3,704K at 31<sup>st</sup> October. The cashflow chart showed the forecast cash position to 31<sup>st</sup> July 2011, which did not include future cashflows relating to the Keeley Street extension.

Danny summarised that there were no significant variances in the accounts for the three months to 31<sup>st</sup> October which required corrective action. Student fees had performed strongly over the period and City Lit was on target to achieve the budgeted surplus of £262K.

The Board noted the management accounts for month three ending on October 31<sup>st</sup> 2011.

#### **10/109 Comprehensive Spending Review**

The Principal introduced a report on the outcome of Comprehensive Spending Review. He outlined the key elements of the Skills for Growth Strategy and the accompanying Investment Strategy. He summarised that:

- There was a lot of possible change forecast in the new skills strategy.
- The actual level of real reductions in funding appeared to be lower than predicted.
- City Lit really needed to know what the actual allocation would be before it could make detailed assessments of the actual implications.
- Provided the SFA 'play ball' then the Institute's ability to over-claim should minimise the impact of rate changes on our funding.
- The planned changes to entitlements for SfL, Level 2 and Level 3 provision were complicated and had a number of implications – although they were planned to be phased in giving more time to adjust.

The report detailed the implications for Adult Community Learning, Train to Gain, Adult Skills Budget, Entitlement to Learning, Apprenticeships and the Unemployed. Governors were advised that initial modelling suggested that City Lit would be able to contain the funding rate reductions and some of the initial changes to entitlement to fully funded provision. Two tables for 2012/13 and 2013/14 were presented showing learning levels and subsidies that could be expected for priority learners in those years. The longer term impact of 'loans' for level 3 work would be more problematic. As soon as a more definitive indication of the funding allocation for 2010/11 had been received, detailed modelling would commence.

The Board discussed the paper and agreed that the outcome of the Comprehensive Spending Review would need a separate strategy session to explore the issues in detail. This would be held on 15<sup>th</sup> February 2011. In the meanwhile members agreed to keep lobbying the government on the benefits of adult education and in particular the 'force for good' provision undertaken by City Lit.

#### **10/110            2009/10 Performance Against Key Objectives and 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. He advised that the balanced score card assessment was that it was a successful year with 87% of KPIs being met or exceeded. This was higher than the previous year. The report then listed all the KPIs but only commented on those that had not been achieved in 2009/10. These were:

- KO-03 Success rates on non accredited courses.
- RM-06 Diversity of staff % BAME
- E1-04 Tutor Observations

The Principal commented on the reasons why the KPIs had not been achieved. He stated for K0-03 that although there had been some improvement, more was needed to reach the 80% target and an even more comprehensive assessment system of success. For RM-06 which showed a reduction on the previous year due to management of change action taken in the Community Outreach Area which had a higher proportion of BAME staff than the college average. The result was that some staff left City Lit.

The EI-04 KPI was of concern. The Principal advised that in mitigation City Lit had completely changed this measure in 2009/10, following a revision of the Observation of Teaching and Learning system. This was now a composite measure covering a number of aspects. However it was clear following a number of curriculum reviews that in some areas the Institute was still struggling with the volume of OTLs needed and ensuring consistency of grading. Accordingly three external inspectors had been contracted for the autumn term to conduct a whole series of observations to catch up as well as undertake some peer reviews to check City Lit's moderation processes for actual grades.

Members were also informed that two KPIs had been removed from the balanced score card for 2010/11. These were RM-02 – Mortgage Reduction as the mortgage had been paid off. Secondly BF-02 Employer Engagement Income was no longer seen as a KPI: outturn for 2009/10 was below target in a difficult year and the area had undergone a major review which was still on-going.

The Board noted the performance against City Lit's strategic objectives and the balanced score card KPIs for 2009/10.

#### **10/111 Investors in People Report**

The Principal presented a report on the outcome of the Investors in People assessment report. He advised that City Lit was successfully reassessed in July 2010, the first review since 2008. The assessment was against the 39 core standards, all of which were met and a further 87 standards, 82 of which were met. This success meant City Lit was now accredited with a silver award. This was a significant achievement for City Lit and a reflection of the progressive effort of managers and colleagues over many years; this accreditation stands for three years.

In order to assist with preparation for inspection, the areas of assessment were mapped against the Ofsted framework for leadership and management. The assessment report was very positive and supports the development areas already identified by management. The assessors were very impressed with many recent developments, for example around equality and diversity and the management competencies.

The performance indicators that were not met deal with the implementation of the management competencies, which had been newly introduced in their current form at the time of the assessment. A review meeting has already been held with the assessor where actions to address the report were discussed, these actions are reflected in the self-assessment report. A copy of the full report was attached with the paper.

The Board discussed the report and agreed it was an impressive assessment report. Members congratulated the Principal and his team for the Silver Award of Investors in People.

#### **10/112 Annual Report of the Work of the Audit Committee**

The Clerk presented a report on the work of the Audit Committee during 2009/10 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 15<sup>th</sup> November 2010.

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

#### **10/113 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 2009-10 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. It listed the priority activities, regular activities and new activities. The outcomes of the work of the Committee were detailed together with the recommendations and actions that had resulted from the Committee's work. The key activities for 2010/11 that had been agreed by the Committee were listed. The revised Terms of Reference was included in the report to demonstrate that the work of the Committee corresponded to them.

The Board thanked the Committee for the excellent work that it undertook.

## **10/114 Student Feedback – Annual Report 2009/10**

Nick Moore presented the Annual Report on the student feedback system. He advised that the report had been taken to the student panel and this had generated a few questions and useful feedback for improvement.

The report stated that 98% of feedback had been acknowledged within 5 working days and 91% of full responses had been sent within target time of 20 working days. 350 complaints were received of which 151 (43%) were about courses and teaching. 51 complaints about courses and teaching were upheld and 31 learners received refunds. The report gave details about the two complaints that had been upheld concerning disability. Both learners received written apologies. There had been no complaints about sexual orientation or racism.

A summary of some of the actions taken as a result of learner feedback was included in the report together with a profile of 'Tell Us What You Think' form users. 97% of learners rated their course as good or excellent. Nick added that only 2.5% rated their course satisfactory and 0.5% rated it as poor.

The Board noted the report.

### **10/115 Minutes of Meetings**

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

- Quality and Standards Committee held on 2<sup>nd</sup> November 2010
- Audit Committee held on 15<sup>th</sup> November 2010
- Search Committee held on 23<sup>rd</sup> November 2010
- Finance and Employment Committee held on 24<sup>th</sup> November 2010.

**Chair**.....

**Date**.....