



**Minutes of the Meeting of the Governing Body of
The City Literary Institute held on 13 October 2020, 5-7pm
Via Zoom video (Covid-19)**

Governors Present:

Penny Allen
Tim Bolderson
Edward Breen (Staff Governor)
Jane Cooper (Deputy Chair)
Jon Gamble
Moirra Gibb (Chair)
Eric Hadley (Student Governor)

Colin Jones
Simon Judge – *from item 20/74 onwards*
Mark Malcomson (Principal)
Raj Parkash
Michael Simmonds
Paula Smith
Jill Westerman

In attendance – (not for item 20/73): Phil Chamberlain (Executive Director, External Engagement); Paul Evans (Chief Financial Officer/Co-Managing Director); Julie Gilbert (Executive Director, People); Wendy McKaig (Vice Principal/Co-Managing Director)

Clerk: Katrina O’Sullivan

Standing items

20/71 Apologies for absence
No apologies for absence were received.

20/72 Declarations of Interest
Interests were declared by Jon Gamble for his usual declaration as a Trustee at WEA but there was no conflict of interest to record.

20/73 Membership
The Governing Body discussed the appointment of two new governors as recommended by the Governance & People Committee at its 29 September 2020 meeting. The Board had tasked the Committee with seeking an additional financially qualified governor and a marketing expert, both to serve on the Finance & Commercial Committee. Governors reviewed the impressive CVs of Simon Judge and Christine Kinnear within the Board pack and heard feedback from the interviews as to the suitable skillset of the proposed nominees - Christine with marketing expertise and Simon with financial. The Clerk added that the staff governor had also met informally with Simon Judge, as Simon had asked to meet a member of staff. The Chair noted that Christine would not be able to take up governor duties until 1 December due to her other non-executive commitment taking up her time until then. It was also noted that Raj Parkash would be leaving the Board in December 2020 when his second term of office would be ending – Raj was also a member of the Finance & Commercial Committee.

The Board acknowledged that the recent Quality Committee co-optee appointment, Diane Morgan, had, unfortunately, not worked out as planned due to Diane expanding her portfolio and no longer being able to commit to the Committee. The Board tasked the Governance & People Committee with reviewing again the Quality Committee’s membership and the replacement of Diane’s online education experience.

The Clerk advised that Simon and Christine were the Board’s first governors to be recruited and join the Governing Body completely virtually and so a full and enhanced induction was important to integrate them fully.

To that end, the Board **ratified** the appointment of Simon Judge to the Governing Body and to also serve on the Finance & Commercial Committee for an initial first term of four years ending 13 October 2024. The Board was also content to **ratify** the appointment of Christine Kinnear to the Board and Finance & Commercial Committee from 1 December 2020 for an initial first term of four years ending 1 December 2024.

[Simon Judge joined the meeting and was welcomed by the Governing Body. Management also returned to the meeting]

20/74 Minutes of the Meeting

Minutes of the meeting held on 7 July 2020 were approved. All minutes would be signed when it was physically possible to do so.

20/75 Matters Arising Not Appearing Elsewhere

There were no matters arising not appearing elsewhere.

20/76 College and Principal's Update

The Board reviewed the *College Update from July - October 2020* and the *Principal's oral update* which were taken together. The Board acknowledged that governors had been kept closely informed of activity throughout this period including stakeholder and external engagement, finances, people, course provision and Centres of Excellence - having sight of all staff communications as well as the regular political updates.

The Principal welcomed the Governing Body to the start of the new academic year and thanked the Quality Committee and Finance & Commercial Committee for meeting during the summer allowing continued governance oversight of the critical issues facing the College. He also thanked governors who had attended the Self-Assessment Report moderation meetings.

The Principal described how the start of Term 1 was progressing, so far, in terms of enrolments and revenue. He described a mixed picture with online performing very well with most areas meeting or exceeding budget and face to face struggling; he reminded governors that the strategy for term 3 had been to look after existing students but not actively attract new students until there was proof of concept regarding the online provision. In fact, the College was doing well in recruiting new students to online courses also. There had been some beginning of term initial technical issues, some out of the College's control, which the team was rectifying. It had been challenging but the Heads of Schools, their teams and the digital support team had performed tremendously well. The face to face/in the building courses were not performing well on the whole with regards to number of enrolments. Covent Garden and the surrounding area had very few people around and he had spoken to neighbouring shops, restaurants and gyms and they reported operating at 10-20% capacity which confirmed the overarching problem of customer confidence. Governors acknowledged that it was not surprising that the College was also suffering as a result of its location and Management had noticed a shift in enrolment patterns, such as, students leaving it as late as possible to enrol as demonstrated in the PowerBi live dashboard. The College had also liaised with the Mayor's office/City Hall and the message from local and national Government was to not create unnecessary footfall. The Board discussed these issues in detail and agreed with Management, based on the current situation, that it was assumed that Term 2 and Term 3 would take place predominately online with the hope that the next academic year would offer a degree of normality.

The Board enquired about the £700k of cost savings that was agreed by the Board in July and the Principal confirmed that these were being achieved; the CFO would report further about this during the Finance agenda item. One aspect that Management was awaiting clarification on was the guidance regarding the Job Support Scheme (JSS) from the Chancellor, which would replace the furlough scheme ending at the end of October 2020. Initial detail was that the new scheme would fit well with the College with regards to retaining tutors with specialist skills and expertise. It was hoped that the College could transfer staff from one scheme to another but the detail was expected from Government within the next week. Management was also still waiting for clarification on the £1k bonus for bringing back furloughed staff.

The Principal commented on the upcoming FE Commissioner visit as per the email sent to governors from the Clerk. Whilst he welcomed the opportunity to demonstrate the College's strengths and potential to make a strong case to treasury in terms of financial support needed, there was also an element of concern about being considered a failing College. There was a reputational risk to contend with particularly with the power the FE Commissioner held. However, throughout the pandemic, the College's ESFA's contacts had reassured him that City Lit was considered a good college in an unfortunate situation. The Board welcomed the visit in that spirit and was confident that the College could demonstrate that it was being run well by Management and that the governance was robust; governors counselled that the differences between City Lit and a GFE model needed to be relayed during the assessment.

The Governing Body was pleased with City Lit's engagement with the Mayor of London who had enthusiastically endorsed City Lit's Mental Wealth Festival in a pre-recorded video and had made a further commitment to return to the College in person when appropriate.

The Chair asked governors to hold financial questions until the financial agenda item taken by the CFO and Chair of Finance & Commercial Committee. Governors asked about staff morale in general recognising this as a risk to the College. The Principal confirmed that there were not many staff (not including tutors) returning to the office, currently circa 12-20. The College paused the expectation that staff would begin returning to the office several weeks prior when the most recent government advice was to work from home where possible. Management was in the building on a rota basis ensuring at least one member of the Executive was in the building each day, equally there were staff that wanted to return for mental health reasons and to support their tutors. There was a sense that staff were still positive, working hard, often stretched but were proud of what was being achieved. Management did not underestimate the effect of a further six months of restrictions, particularly during the winter months. As per the College Update report, Julie's HR team were supporting staff with these challenges.

Reports

The Chair reminded the Board that as per the usual cycle of meetings, the Audit & Risk Committee and Quality Committee had not met this early into Term 1. The former being due to meet in November to predominately scrutinise the Report and Accounts, and the latter later in October with its main agenda item being the examination of the College's Self-Assessment Report.

20/77 Finance & Commercial Committee Chair's Key Points, 23 September 2020.

- **Update on Term 1 sales performance**
- **Sales Summary as at 5 October 2020**
- **Cashflow to 31 August 2020**

The Chair of the Finance & Commercial Committee reported that the Committee had met three weeks prior and examined the Term 1 sales performance, which had looked relatively positive then, and the figures received by the Board were an update to those. The Committee also spent time reviewing the cashflow to 31 August and felt this document was a priority for the Committee to continue to have oversight of. The outcome of the meeting had been that the Committee was confident in the leadership that Management was giving in this challenging period.

Update on Term 1 sales performance, sales summary, and cashflow to 31 August 2020

Paul Evans presented the sales data as at 5 October 2020 and gave the Board an oral update on this and the current cashflows. Paul began his presentation with an update on the last financial year ending 31 July confirming that the College's loss, before the pension adjustments, was circa £1.75m. Although this was slightly more positive than the forecasted loss of £1.9m, it was disappointing after posting five consecutive years of small surpluses but not surprising given the impact of the pandemic.

Governors enquired further about the cash at year end and Paul explained that this had been better than forecasted with the College remaining in the black by £313k. Governors acknowledged that this had been more positive for three main reasons: online sales in term 3

were better than anticipated with over £1m in sales and 1300 online courses put on; cash refunds had been less than anticipated, however, the balance sheet still had £600k of student credit for courses which students would use in the new financial year; there were delays regarding the major capital project - the refurbishment of Kean Street - this was currently in the snagging process and it was expected that the final bill would be paid in October.

Paul confirmed that the external auditor had undertaken the audit remotely; the wash-up meeting had taken place during the week and he was awaiting the final clearance meeting in several weeks but, so far, no major issues had been raised by them. One issue that the auditor had raised was Going Concern. To that end, the auditor had requested that Paul discuss with Barclays Bank as to whether the overdraft facility could be renewed and in place for December 2020, when the Board approved the Report & Accounts.

With regards to this financial year, Paul reported to the Board that the departments were falling into one of two areas: 1) face to face, which was proving a challenge, particularly in the Visual Arts area. To counteract this some of the larger drama diploma courses were being pushed back, cancelled or merged because they were not enrolling. 2) the online provision was doing well with Lipreading, Creative Writing and Languages currently exceeding their budget; Speech Therapy, Culture and Humanities, Access and Classics were not only above budget but were ahead compared to this point the previous year. In the longer term, when the College was through the pandemic, the College could revisit whether to maintain these areas online. Regarding new students, the College's advertising agency had developed department specific 15 second online clips to be used on social media platforms intended to draw the customer to the website as the data supports the conversion rate was good once there. Paul screen shared two of the 15 second clips to the Board, the clips demonstrated to the current or new student that the course on offer was a live experience and not a download.

Governors questioned the out of London advertising and the return on this. Paul answered that, initially, with regards to going outside of London the return on investment was low with every pound spent the College got £2 back; ordinarily the achievement was at least £5 in London. However, now that the College had more experience in this the ROI was equal now in both London and outside which was positive news. The areas that were performing well outside London were the niche area, such as, Classics and Speech Therapy.

Whilst the majority of the online areas were performing well, one area that was struggling online was Business Technology. Management believed that this was because there were many business technology course competitors. The action being taken to address the challenge was that Management was developing a 'skills for work' offer and Paul reminded the Board that the College had been allocated an extra £500k from the Mayor's office as part of its Innovation Fund - £55k of this related to the new financial year and the business technology courses could be offered to people who were either unemployed or on low income and who could apply for the course for free. City Lit had also recently been allocated an additional £207k of funding which would be used in a similar way. So although income may not be generated through fees there were options of generating through funding.

Paul informed the Board that now Term 1 was underway, Management would be undertaking a more detailed reforecast which would feed in to the cashflow; additionally, by the end of November the College was required to submit an updated cashflow to the ESFA with supporting narrative. As part of the reforecast, Management would be able to assess the gap regarding fee revenue and review how to potentially bridge that gap. The College was almost at 81% of the budget for the term, with £637k left to achieve. It had been a slow process but was a positive start given the circumstances.

Regarding the cash, governors discussed that at the end of September the College was still in credit by £659k. This was partially due to the additional capital grant awarded in one go during September by the ESFA for £388k, as reported in the College Update. This needed to be spent by end of March 2021 and there were restrictions on its use, therefore, it would be used to refurbish the 2nd floor.

Management projected that the College would remain within the £5m overdraft limit and, once the detailed reforecast work was completed, there would be a better understanding of this.

Paul highlighted and the Board discussed that the problem with the cash would more likely to manifest itself in the subsequent financial year if the impact of the pandemic continued. Once the detailed reforecast had been undertaken, Management would then be in a position to flow these numbers forward into the subsequent financial year. This would help to identify if the College projected the overdraft facility would be breached, so mitigating action could be taken. Now that there was more solid data from the performance of Term 1 sales this would enable Management to produce more accurate cashflows. Management was also seeing significant underspends on non-pay costs, which also needed to be updated in the cashflows. Paul updated the Board on the additional capital grants awarded by the GLA of £200k for Covid measures, and the College was awaiting news from the GLA in relation to the Small Project Funds, where it applied to have the five projects fully funded by them. This could result in a further capital grant of over £800k.

With regards to the £700k cost savings, £350k had been saved through staff savings, some non-pay cost savings and further guidance was being awaited regarding the JSS.

The Governing Body thanked Paul for his detailed update and a lengthy discussion ensued regarding the College's continuing financial situation, the further potential cost savings, the opportunities to grow the online provision more and how to adjust speedily if the current plan was not successful; and talked through some last resort scenarios with Management such as cutting the curriculum offer drastically, mothballing the College, being able to pay creditors with the building asset valued at £67m in the case of insolvency – none of which offered benefit to the learner or community.

Paul added that Barclays had undertaken an interim review in August and was pleased with the College's performance; it indicated a positive outcome when discussing with the credit risk team in November. Barclays confirmed that the College could start to look to convert the overdraft to a long term loan after June 2021 when the bank had more financial data to review from the College. Paul reminded the Board that, from the beginning of the pandemic, the ESFA had requested that Colleges exhaust all commercial options before they would consider assisting with the finances. Governors stated that it was critical that the Board had oversight of the detailed reforecast via the Finance & Commercial Committee first in November, and then the Board in December. Governors further asked when Paul could produce a first picture of the 2021/22 reforecast. Paul said that its accuracy depended on undertaking the current detailed reforecast, and he could then use this to project the numbers forward into 2021-22. If Management undertook that projection before the detailed reforecast their accuracy would be questionable.

Members of the Committee added that the numbers reviewed by them were a day after the Government had amended its guidance to work from home and enquired whether Management had seen a reduction in face to face enrolments since then. The Principal confirmed that he had not; he and his team monitored attendance rates for online and face to face and they had remained the same.

The Chair added that the Government had made a strong commitment to education remaining open and was prioritising education which was a positive for City Lit. Management confirmed that lifelong learning was a hot issue and Government had just released their lifetime skills guarantee – this would be another opportunity for the College to explain the difference in adult education and the work of the Institutes of Adult Learning.

The Chair reinforced the view that the Board did not underestimate the extremely challenging position that the College was in and that in a matter of months the College would go from a positive balance to £2m overdrawn by December due to the pandemic, but was mindful of its fiduciary duty. She concluded that the Board remained confident and assured that Management was taking the correct actions regarding the financial situation. They had demonstrated the breadth of initiatives taken and that all opportunities were being sought; medium and longer term plans were in place to redress the balance. The Board noted that to reach 81% of budget

for Term 1 and the recruitment of new students was evidence of this also. However, it should continue to challenge itself and Management about how the situation was being addressed.

20/78 Governance & People's Committee Chair's Key Points, 29 September 2020

The Board noted the *Chair's Key Points* from the 29 September 2020 Governance & People Committee. The Chair highlighted items that had not been covered elsewhere on the agenda and explained that the Clerk had presented the Committee's cycle of business for 2020/21 feeding back in all agenda items which had been cancelled since March-August 2020 due to Covid; and reconfirmed the Board and Committees' commitment to meeting outside the normal meeting schedule if required during the unprecedented times.

In light of the recent Government guidance the Board was **content** to continue its meetings virtually for a further six months but this would be reviewed periodically and some governors were keen to be face to face again; it may be pragmatic to trial Committee meetings in the building first when appropriate - depending on the guidelines and using appropriate socially distanced space in the building. The Board was also minded that classrooms for classes took priority over classrooms for meeting space for the Governing Body presently.

As per the Key Points the Committee wished to take forward an eGovernance Board portal package. Nevertheless, due to the current financial position of the College, the Committee did not believe it was the right time to make this investment of circa £8k per annum (minimum). However, the Board **agreed** its strong commitment to revisit this when the College was in the financial position to do so, In the meantime, the Clerk would investigate if there were other no cost eGovernance options which may be better than DropBox.

The Chair pointed out that the term of office for City Lit's student governor sadly was due to end in December 2020. The normal process for the student governor election was via in person canvassing and voting by ballot. Due to Covid restrictions this was not possible for 2020/21 and it was recommended that, for this year, the process would be to ask City Lit's current Student Panel members for expressions of interest to join as a Student Governor, they would then complete the usual application, and the nominees would be interviewed by members of the Governance & People Committee. The Board **approved** the approach for this year.

20/59 Cancelled items – due to Covid-19

The Chair reported that the ongoing cancelled agenda items list, which was being kept by the Clerk, had been fed back in to the Board and Committee agendas. In particular, the KPIs would return to the Committees and Board, although they would need to be reviewed as some were not suitable presently, such as Room Utilisation. The Strategy progress had been returned to the Governance & People Committee cycle, and usual Management Accounts to resume from November 2020.

20/60 Date of the next meeting:

The date of the next meeting was confirmed as **Tuesday 1 December 2020, 5pm** via Zoom.

Chair.....

Date.....