



**Minutes of the Meeting of the Governing Body of
The City Literary Institute held on 1 December 2020, 5-7pm
Via Zoom video (Covid-19)**

Governors Present:

Penny Allen	Simon Judge
Tim Bolderson	Christine Kinnear
Edward Breen (Staff Governor)	Mark Malcomson (Principal)
Jane Cooper (Deputy Chair)	Raj Parkash
Jon Gamble	Michael Simmonds
Moira Gibb (Chair)	Paula Smith
Eric Hadley (Student Governor)	Jill Westerman
Colin Jones	

In attendance (not for items 20/86-20/88): Phil Chamberlain (Executive Director, External Engagement); Clancy Gebler Davies (incoming Student Governor); 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

20/86 Apologies for absence

No apologies for absence were received. Christine Kinnear was welcomed to her first meeting of the Board. Christine had been appointed at the October meeting with her term commencing from 1 December 2020.

20/87 Declarations of Interest

Interests were declared by Jon Gamble for his usual declaration as a Trustee at WEA but there were no conflicts of interests to record. Eric Hadley had an interest in the student governor membership (item 20/88) but it was agreed that he would remain in the meeting for the item.

20/88 Membership: Student Governor

The Chair explained that due to the pandemic the usual 'in the building election process' could not take place. Therefore, as agreed by the Governing Body, an interview panel had been convened, consisting of members of Governance & Commercial Committee, who interviewed three potential student governors; and the Principal also met informally with each candidate. The Chair reported that the process had gone well and the Committee unanimously wished to recommend Clancy Gebler Davies.

To that end, the Board **ratified** the appointment of Clancy Gebler Davies to the Governing Body as Student Governor for a term of two years from 2 December 2021. Clancy would also serve on the Quality Committee *[Clancy Gebler Davies joined the meeting as an observer and was welcomed by the Governing Body. Management also returned to the meeting]*

20/89 Minutes of the Meeting

Minutes of the meeting held on 13 October 2020 were **approved**. All minutes would be signed when it was physically possible to do so.

20/90 Attendance figures

The annual attendance records for Board and Committee meetings were reviewed with attendance being between 92%-100%. The Governing Body **agreed** to retain the target of 80% for the 2020/21 Board and Committee meetings.

20/91 Matters Arising Not Appearing Elsewhere

There were no matters arising not appearing elsewhere.

20/92-93 College Update: October-December 2020 and oral Principal's Update

The College Update report and Principal's oral update items were taken together and the Governing Body discussed and noted the update on general activities which had taken place. The Principal highlighted the FE Commissioner's Diagnostic Assessment visit and Ofsted interim visit which had taken place within three weeks of each other during November 2020. He expressed that although the visits had involved extensive, additional work, both visits had been positive experiences and had proven extremely helpful in giving validation to Management and the Board that the College was well managed/governed and had responded well to the impact of the pandemic.

The Principal stated that he would speak about the FE Commissioner team visit later in item 20/94 but spoke about the Ofsted visit and reported that Wendy McKaig had done a tremendous job as the Ofsted nominee as did the staff, students and governors who met with the inspectors. The verbal feedback had been positive and they were impressed with the amount of provision the College had been able to transfer to online - there were no items of improvement suggested. Once the report has been published by Ofsted he would bring this to the Board for review.

The Principal reported that as per the email sent to governors, the College had asked staff for expressions of interest regarding voluntary redundancy and voluntary reduction in hours. This was an additional step to future proof the cost base which, proportionate to cost base, was high currently. This was in addition to the £700k of cost savings that Management had delivered at the end of the last academic year. Five people had expressed interest in voluntary redundancy and these had been accepted, this equated to a saving of just under £100k; additionally, 38 members of staff had volunteered for a reduction in hours/pay – the majority being Senior Managers, the Executive and the Clerk – they had mostly all undertaken this in order to be able to help the College recover and it was likely that they would continue to work their usual hours. The Principal had been heartened by the response of staff. The Board thanked Management and staff for the reduction in salary/hours, however, it was important for the Principal and the Executive team to be alert to their own wellbeing also. The Board was aware of its responsibility to the Principal for his wellbeing. The Governance & People Committee confirmed that it did discuss this in its meetings and also debated how staff could be rewarded appropriately, and creatively, given the financial restraints and they would be interested in exploring this further. The Principal stated that Management was closing the College over the Christmas period for several reasons: for mental health and wellbeing reasons - to ensure that staff take a break as many were exhausted and had not taken leave since the start of the pandemic; and also for good financial policy reasons as many staff had accrued a large amount of leave.

The Principal expressed that Management was cautiously optimistic about next term. The current term had been solid and he considered it an accomplishment that the College had been able to deliver 87% of budget considering the pandemic impact; and be at nearly 70% of last year. However, he assured that Board that he was not complacent.

The Board thanked the Principal for his oral update.

Reports

20/94 FE Commissioner's (FEC) diagnostic assessment report

The Governing Body reviewed the draft of the FEC's team report from the Diagnostic Assessment visit which took place on 3 and 4 November 2020 and in which a number of governors had met with the inspectors. The draft had been reviewed by the Governance & People Committee at its 23 November 2020 meeting and fact checked by Management. The FE Commissioner's team was happy for City Lit's Governing Body to view the draft report but conveyed that certain content may be subject to change following the FE Commissioner's final review.

Governors agreed that it was a helpful report for the Board to refer to as it captured the analysis of the underlying financials, how the College was responding to the pandemic and also took a step back and looked at the big picture.

The Principal expressed that as he outlined in the Principal's Update the report reflected positively on City Lit. The FEC team had made three substantive recommendations which the Board discussed in detail and acknowledged that Management was addressing anyway. Although the Board recognised the challenges with these it was assured that Management would continue to make progress on these and report back. The Chair confirmed that the appropriate Committees would also have oversight of the particular recommendations. The FEC team would return in March 2021 to review progress on these.

Governors discussed further about the class size issue particularly regarding online and in person sizes during the pandemic and future action. The Principal answered that, currently, the College was restrained by the government's social distancing guidelines and therefore there was a cap on the in person class size. He stated that, as soon as it was safe to do so, the aim was to lift the cap on class size numbers. Additionally, Management expected to grow the numbers in a balanced way whilst ensuring a quality student experience. They intended to: continue to grow the online courses, bring more students back to the course already running in the College, and then bring back more of the other courses to the College little by little. The Board confirmed it would continue to have oversight of this recommendation.

With regards to achievement rates, Wendy McKaig confirmed that during her discussion with the FEC team, Wendy did highlight that the final published achievement rates came through the final ILR and, actually, due to the impact of the pandemic the College was still working with some of those students and some were returning for resits, and the FEC team seem satisfied with that.

20/95 Finance & Commercial Committee (FCC) Chair's Key Points (16/11/20)

The Board noted the *Chair's Key Points* from the 16 November 2020 of which the items were on the main Governing Body agenda and would be picked up again then. The FCC Chair also reiterated to the Board that the Committee continued to recognise the seriousness of the financial situation the College faced due to the effects of the pandemic and was meeting regularly to monitor and have oversight of the situation.

The FCC Chair highlighted that at the 16 November 2020 the Committee had reintroduced the Sales and Marketing report back into the agenda as it had been on hold during the initial part of the pandemic. The Director of that area spoke to the Committee and members had been reassured regarding how the team had proactively adapted to the realities of the pandemic and had shifted their focus from how underperforming online courses could improve to how the online courses performing well could sell more.

The Chair confirmed that the Committee would discuss how to receive the monthly financial information at its next meeting, as recommended by the Audit & Risk Committee, but agreed that it was a sensible suggestion. He would also discuss the facilitation of this with the CFO.

20/96 Pension Assumptions – FRS 102

The Governing Body reviewed the underlying assumptions for the FRS 102 calculations leading to the disclosures in the Annual Financial Statements as recommended by the Finance & Commercial Committee at its 16 November 2020.

The Board acknowledged that the assumptions, used for the calculations of FRS 102, were ultimately the responsibility of the Governing Body based upon the actuarial evidence and reviewed these assumptions made by LPFA's actuaries in relation to the Local Government Pension Scheme (LGPS). The Board discussed that the FRS 102 actuarial calculations for the year ended 31 July 2020 showed an accounting liability of £19.073m, up from £11.497m. The fall in the discount rate from 2.15% to 1.40%, as a result of falling corporate bond yields, was a significant factor in the increase in the liability. There had also been a slight increase in life expectancy within the demographic assumptions used.

Governors were reminded that the actuarial calculations had no impact on the employer contribution rates. These were determined by the triennial valuation, which was last conducted in 2019. The latest valuation as at 31 March 2019 showed that the scheme was fully funded with a surplus of £140k. This was compared to a previous funding deficit of £528k (95.6% fully funded) as at 31 March 2016. Following the latest triennial valuation, City Lit's employer contribution rate increased from 12% to 12.9% from 1 April 2020; however, the College would no longer be required to pay deficit contributions (£93k per annum) so the amount being paid overall had remained stable.

The Governing Body **accepted** the actuaries' recommendation for underlying assumptions for FRS 102 as recommended by the Finance & Commercial Committee.

20/97 Approval of grant funded capital expenditure

Paul Evans spoke to his report which invited the Governing Body to approve the expenditure in relation to additional restricted capital grants which had been awarded to the College by both the ESFA and GLA. The Chair added that members of the Finance & Commercial Committee had reviewed the contents of the report informally via email and were supportive of it. The Board discussed the detail in the report and agreed that it was a good opportunity to upgrade the facilities in the College for when students returned to Keeley Street.

Governors acknowledged that the items were not included within the original capital budget for the year and that the grants were restricted and could only be spent on the specific projects that City Lit applied for. Those projects formed part of the College's draft Estates Plan which would be submitted to the Finance & Commercial Committee in February 2021. Governors also discussed that the net impact on the profit and loss account was zero, as the capital grant would be released in line with the depreciation of the asset. Governors also counselled that Management should continue to consult with students and staff using the facilities regularly to find out their views.

The Governing Body was content to **approve** expenditure in relation to additional restricted capital as follows: FE Capital Grant – used to fund refurbishment of music rooms and second floor toilets (new grant); GLA Capital grant - creation of mini lecture theatre/screening room (now 100% funded); GLA Capital grant - replacement of classroom digital infrastructure (now 100% funded); GLA Capital grants – completion of small project funds for classroom furniture/ student lounges/classroom refurbishment (now 100% funded)

20/98 Audit & Risk (A&R) Committee Chair's Key Points (19 November 2020)

The Governing Body received the Audit & Risk Committee Chair's Key Points from the 19 November 2020 meeting. The Audit & Risk Committee Chair additionally highlighted that the Committee had spent a reasonable amount of time robustly discussing the *going concern* issue and that this year's audit opinion would be a clean audit report but with a comment on material uncertainty around going concern due to the current Covid crisis. Mitigating items had been noted in the annual report which included ownership of the building, arrangement of overdraft and cashflow forecasts. To that end, the Committee was recommending that the Governing Body agree the concept that the Financial Statements be prepared on a going concerns basis and this would be discussed further within agenda item 20/100.

The Chair of Audit & Risk Committee added that the external auditors, during the non-Executive session at the November meeting, had specifically commended Management and the Finance team for their excellent work on the financial statements audit with regards to the timely information that was provided to them, as much of the audit was carried out remotely by the auditors. The Board added its own thanks to Management for the work undertaken to allow the going concern and financial statements work to take place so efficiently.

The Committee had also discussed *financial oversight into 2021* and felt that given the ongoing Covid challenges that there was even greater need for increased frequency in oversight of the financial position and status of the College – and this had been reflected in comments made by the external auditors to the Committee, and by the FE Commissioner's team diagnostic assessment visit. To that end, the Audit & Risk Committee made a recommendation that the Finance & Commercial Committee be provided with monthly information by Management - potentially the monthly report that was prepared for the EFSA - which would permit this greater oversight role on behalf of the Board. As recognised in the Chair of the Finance & Commercial Committee's Key Points item he supported this proposal. The Board **agreed** with the proposal and thanked the FCC Committee for taking this forward on behalf of the Board.

20/99 Annual report of the Work of the Audit & Risk Committee

The Board was presented with the Annual Report of the Work of the Audit & Risk Committee which was a requirement under the Post-16 Audit Code of Practice. The annual report covered the academic and financial year 2019-20/September-December 2020 and summarised and effectively discharged the Audit & Risk Committee's responsibility for advising the Governing

Body on the controls in place to ensure: the effective and efficient use of resources; the solvency of the college; and the safeguarding of the college's assets. The report covered membership, meetings, Covid 19 specific issues and the increased oversight of going concern and Covid-19 risk, review of internal reports, annual reports and financial statements, letter of representation, risk management, board assurance framework, reappointment of external auditors, the Committee's opinion and effectiveness of the Committee.

The Governing Body discussed and **approved** the Annual Report on the Work of the Audit & Risk Committee.

Financial Statements:

20/100 Consideration of Going Concern

Paul Evans spoke to his report which set out the principle that City Lit's Financial Statements should be prepared on a going concern basis as recommended by the Audit & Risk Committee. The Board acknowledged that in light of the Covid-19 pandemic, going concern was a significant issue for the College this year - which was the case for many other organisations. As a consequence there has been a particular focus on this issue from the external auditors. Governors discussed in detail that, whilst there was sufficient evidence to suggest that City Lit would continue in operation for the foreseeable future, there was material uncertainty related to going concern because of the impact of the pandemic on student fee income. Additionally, the auditors requested evidence that the £5m overdraft had been extended before the Board signed off the accounts on 1 December 2020, as well as a 12 month cashflow forecast to end of 2021. Paul added that Barclays Bank had now confirmed extension of the overdraft to 30 June 2021.

Whilst the auditors had provided an unqualified audit opinion, they had added an additional narrative in their audit report which highlighted the material uncertainty related to going concern. They do, however, still support the contention that City Lit was a going concern. Governors discussed the report and the supporting evidence in detail and agreed that the actions taken by the College to date would ensure that the College had sufficient liquid resources, the continued review of the cash flows and forecasts, and the actions taken to move courses online coupled with the implementation of the cost reduction plan, meant that there was sufficient evidence to suggest that the College remained a going concern.

To that end, the Governing Body **agreed** the concept that the Financial Statements be prepared on a Going Concern basis.

20/101 Financial Statements for year ended 31 July 2020 and Annual Report & Accounts

Paul Evans presented the Financial Statements for year ended 31 July 2020 and the Annual Report & Accounts document to the Board. He explained that the Financial Statements had been subject to external audit scrutiny and no adjustments to the financial statements had been required. As discussed during the going concern item, the auditors would be issuing a clear audit opinion, although they would be highlighting the material uncertainty regarding going concern in their audit report. Governors also received in the Board pack a summary of the profit and loss statement and balance which had been provided with commentary. This was the fifth year that the accounts had been prepared in accordance with international financial standards, brought in by Financial Reporting Standard 102 – FRS102. The Finance & Commercial Committee had reviewed the documents, and the Audit & Risk Committee had also scrutinised them further. The Audit & Risk Committee was formally recommending these to the Board.

Governors acknowledged that the College had been severely impacted by the Covid-19 pandemic. It closed for face-to-face teaching in March 2020 during the lockdown which lasted the remainder of the financial year. Prior to the closure, the College was on track to achieve its sixth continuous year of profit which, at the time, was forecasted to be £300k. However, the closure meant that a large number of planned courses were not able to take place in Term 3, achieving sales of £1.2m against a budget of £3.6m.

The final outcome for the year was a loss of £1.759m, prior to the FRS102 pension adjustments, and Management separated out the impact of the pension adjustments in the Statement of Comprehensive Income - this was so that the underlying profit or loss could be more readily

identified by the reader of the accounts. The net asset position decreased from £0.17m to a net deficit of £9.175m; over £7m of the decrease was due to the increase in the accounting valuation of the pension liability as the discount rate used by the actuaries had continued to fall from 2.15% to the 1.40% used. The College also had a balance of £2m owed to HMRC and the Teachers' Pension Scheme. Governors discussed that based on the results the College expected its financial health grade - under the ESFA ratings - to fall to 'Inadequate'. The cash balance at the 31 July 2020 was £428k compared with £1.071m at 31 July 2019. The loss of income had a significant impact on cash flow as the College continued to pay its staff and suppliers during the lockdown period. The receipt of grants from the Coronavirus Job Retention Scheme, the deferral of tax payments and pension contributions had helped to prevent the College using its overdraft during the financial year. Less refunds were paid out than what was first predicted as students accepted store credit as an alternative. The loss of income from planned courses was also stemmed by moving over 1,300 courses online which provided an alternative source of revenue during the lockdown period.

Paul reported that total capital expenditure in the year was £1.905m against forecasted spend of £2.08m. The Ground floor lobby was completed in September 2019 (£0.765m) and the Kean Street fit out of the new premises commenced (£0.515m) - the fit out was completed in the 2020-21 financial year. The College also continued to invest in its website which had been crucial for driving sales and was able to purchase IT equipment using government grants made available during lockdown.

The Governing Body **approved** the Financial Statements for year ended 31 July 2020 and the Report & Accounts document which would be signed by the Chair of Governors and Principal.

20/102 Buzzacott Post-Audit management report

The Governing Body received and **agreed** the external auditor's post-audit management report as reviewed by the Audit & Risk Committee.

20/103 Letter of Representation to Buzzacott

The Audit & Risk Committee Chair presented the College's Letter of Representation to Buzzacott and confirmed that the Audit & Risk Committee had also reviewed the letter at its November meeting and was recommending it for signing by the Board

The Governing Body reviewed the letter and gave its **approval** that it may be signed by the Chair of Governors on behalf of City Lit.

20/104 College Risk Register

Paul Evans presented the Strategic Risk Register which the Board had sight of annually. The Risk Register had also been reviewed by the Audit & Risk Committee at its 19 November 2020 meeting who had made a number of comments regarding the actions and these had been incorporated into this version. Unsurprisingly, the biggest risk currently was the pandemic and its impact on the finances of the College.

20/105 Quality Committee Chair's Key Points (27 October 2020)

The Governing Body noted the Quality Committee Chair's Key Points from its 27 October 2020 meeting. The Quality Committee Chair also wished to highlight that the Committee had been keen that the College undertake a form of Self-Assessment Report (SAR) this year still and had agreed to a light and focussed format due to the pandemic. He expressed that the Committee had been impressed with the SAR and considered it an excellent piece of work which was thoughtful and realistic, but which also captured the special qualities of City Lit and reflected its ethos and was happy to recommend for the Board's approval. He explained that the report had been a culmination of moderation meetings which Wendy McKaig and her team had facilitated with curriculum areas in order to discuss the strengths and weakness of teaching and learning during the pandemic; and there was strong evidence to support the grades provided. He reported that member of the Quality Committee had also attended the moderation meetings and they had been extremely professional and invited honest conversations. The FE Commissioner's team had also been supportive of the SAR. He wished to commend Wendy McKaig and her colleague, Dragana Ramsden – Head of Quality & Tutor Improvement - who had lead the self-assessment process for the College.

The Committee acknowledged that there were some areas for improvement and discussed these at length. For example, there were achievement gaps, most notably amongst people with declared Learning Difficulties and Disabilities (LDD) as well as BAME students and those on accredited courses. It would be a high priority to understand the dynamics behind this data and to build a plan, at pace, for remediation. This was reflected in the Quality Improvement Plan and would be revisited by the Committee regularly this year.

**20/106 2019/20 College Self-Assessment Report (SAR) covering report:
- 2019/20 SAR and QIP**

Wendy McKaig presented the 2019/20 City Lit Self-Assessment Report (SAR) and 20/21 Quality Improvement Plan as the culmination of the self-assessment process that had been ongoing since July 2020 among the College's curriculum areas. The report used the Ofsted Education Inspection Framework (EIF) to outline the College's own judgments on strengths and areas for improvement across the four areas: Quality of Education, Behaviour and Attitudes, Personal Development and Leadership and Management. It feeds into the Quality Improvement Plan, which determines the quality priorities and actions for 2020/21. The College was graded as 'Good' with areas of outstanding practice' (specifically, Behaviour and Attitudes and Personal Development were 'Outstanding' and Quality of Education and Leadership and Management were 'Good').

The SAR/QIP had been scrutinised by the Quality Committee at its 27 October 2020 meeting and Wendy explained that a transition of the curriculum to online delivery had impacted on the speed of progress made against the areas for improvement identified in the 2018/19 Quality Improvement Plan. Therefore, many of those areas of improvement remain relevant for the year ahead. Despite the upheaval brought about by the pandemic there was plenty of evidence demonstrating strong aspects of students' learning at City Lit. Students' retention, attendance, motivation for learning and loyalty to City Lit remained high. Wendy expressed that there was still much scope to further examine the impact of the pandemic on City Lit staff, students' learning needs and quality of experience in order to develop impactful responses in 2020/21.

The Board reviewed the documents and agreed with the Quality Committee's comments that it was a robust analysis and evident that City Lit understood where the problems were and the actions required. Governors acknowledged that Management was planning an audit review of the Access, Inclusion and Student Support area in order to understand fully the issues regarding achievement gaps – Wendy was prioritising this for next term.

The Governing Body was content to **approve** the 2019/20 City Lit Self-Assessment Report as 'Good with Outstanding practice', and the supporting Quality Improvement Plan.

20/107 Governance & People Committee Chair's Key Points (23 November 2020)

The Governing Body noted the Governance & People Committee Chair's Key Points from its 23 November 2020 meeting which the majority of the items covered on the Board's agenda. The Chair highlighted that Julie Gilbert had given a thorough People update and the Committee talked about the complex nature of the employment situation with changing Government rules and guidance. Management was being as supportive to staff as possible but also recognising the dilemmas faced by the College. The Committee discussed the danger of burn out as a risk during the pandemic and the importance of wellbeing for all staff.

20/108 Chair/Governor 1:1 Review Summary

The Chair spoke to her report which summarised the annual 1:1 governors meetings, and as discussed in detail at the Governance & People Committee. She outlined that governors were universally positive about the College's response to the pandemic. Governance during this time had been considered appropriate, supporting Executive colleagues and recognising how pressured they were. Feedback was that the Governing Body's ability to govern had not been impaired since the start of the pandemic and it rightly prioritised some issues over others but did not lose sight of important but less pressing issues. Committees functioned well, adjusting their agendas appropriately and minimising demands on executive colleagues. Governors wished to commend the work of the Clerk during this time also.

The Board discussed the biggest issue facing the College, or which governors thought should be priorities for the Governing Body now; including: how the College navigates 2021 including financial reforecasts; what was the future; succession planning; curriculum review; quality in the new world; digital learning; reducing cost base and addressing high staffing ratio; diversity;

addressing the post Covid-19 realities; digital; the building - help or hindrance; burnout; student journey; and recruiting governors with identified Board skills gaps such as EdTech.

Regarding next steps, the Board felt it appropriate to spend in depth time reflecting on the challenges facing the College in the short to medium term, including the financial position, delivering digitally and maintaining quality. The Board agreed that in order to assist in this, input from individual experts in the EdTech world was needed and governors wished to learn from the College's tutors' recent experiences. To that end, the Board **agreed** that a Task and Finish Group be formed to work further on this. Details would be worked on further in early January 2021 and proposals brought to the Board in March 2021.

- 20/109 Policies for approval:**
- **Assessment Policy update**
 - **Admissions Policy update**
 - **Refunds and Credit Policy update**

The Chair invited governors to approve the Assessment Policy and Admissions Policy – accredited courses updates as recommended by the Quality Committee; these updates had been made in order to be fully compliant with awarding body requirements and to provide clarity to departments around compliance with legislation. The Chair also invited governors to approve the Refunds and Credit Policy update as recommended by the Finance & Commercial Committee. Paul Evans explained that the Terms of Conditions of Sale had not been included as the Committee had queried some of the points and, therefore, he was meeting the lawyers that week to clarify issues. The Terms and Conditions would be brought back to the Committee in February 2021 and then to the March Governing Body.

The Governing Body was content to **approve** the updates in the Assessment Policy, Admissions Policy and Refunds and Credit Policy.

20/110 Date of the next meeting:

The date of the next meeting was confirmed as **Tuesday 9 March 2021, 5pm via Zoom.**

The Chair took the opportunity to ask the Board/Management to introduce themselves to the new members of the Governing Body.

Finally, the Chair – on behalf of the Governing Body and Management – wished to thank the two members of the Board, Raj Parkash and Eric Hadley, whose last meeting it was due to the end of their terms of office; their contributions had been invaluable and they would be missed.

Chair.....

Date.....