

Hereford College of Arts

Finance and General Purposes Committee
to be held on Thursday 1 March 2012 commencing at 5.30 pm
in Room 106, Hereford College of Arts, Folly Lane, Hereford

(i) AGENDA

1. Apologies for absence
2. Declaration of Interests
Aim: To declare any interests during the meeting
3. Minutes of the last meetings held on 24 November 2011
 - I. Approval of the Minutes
 - II. Matters arising from the Minutes

(a) Aim: To approve minutes and note matters arising

(b)
4. Finance Report
 - I. Monthly Management Accounts: December 2011
 - II. Financial update 2011/12 and current risks*Aim: To discuss the above presented by the Finance Director*
5. Accommodation
Aim: To consider the draft proposal presented by the Principal
6. **B. Personnel Report**
Aim: To receive the report presented by the Finance Director
7. Treasury Management Policy
Aim: To consider and approve the policy presented by the Finance Director
8. Health and Safety
Aim: To receive a verbal update from the Principal
9. Pay Awards 2012:
 - I. Staff Pay Award
 - II. Senior Postholders and Clerk to the Governors (Confidential item)*Aim: To consider make recommendations to the Board for endorsement*
10. Any other business
11. Date and time of next meetings
Thursday 10 May 2012 commencing at 5.30pm

Hereford College of Arts

Minutes of the Meeting of the Finance and General Purposes Committee held on Thursday 1 March 2012

Present: - Mr Francis Drasar (Chair)
Professor Gary Crossley
Mr John de la Cour
Mrs Lynn Forrester-Walker
Mr Richard Heatly
Dr Michael Lafferty

In attendance: - Mrs Linda Watkins (Clerk to the Governors)
Mr Tim Williams (Finance Director)

The meeting was quorate as there were six Members present.

1. Apologies for Absence

Phil Burrows, Estates Manager.

2. Declaration of Interests

There were no declarations of interest.

3.I. Minutes of the Last Meeting

The Chair signed the minutes of the last meeting held on 24 November 2012 as an accurate record.

3.II. Matters arising from the Minutes of the Last Meeting

- A. The Senior Management Team had reviewed the results of the Health and Safety Executive Stress Survey completed by staff. SMT were planning to run some focus groups with staff run by an external consultant. The timing and format of these would be discussed at the next Joint Consultative Committee(JCC) with staff and union representatives.
- B. The College had received written confirmation from the University of Wales that the current validation model would continue and would include enrolments in 2013. Management were continuing dialogue with the University of Wales regarding their 'International model' of future provision.
- C. The Chair of the Corporation had signed the letter of representation and Financial Statements on behalf of the Board. KPMG had signed off the Financial Statements and a copy had been submitted to the Skills Funding Agency. He had confirmed this to Governors by an email.

The Committee agreed: -

- To approve the minutes of the last meeting.

Action

4. Pay Awards 2012

I. Staff Pay Award

Members noted the paper, including the AoC briefing on pay negotiations. AOC recommended a consolidated pay increase of £200 per annum for all staff earning under £21,000 and £125 for all employees earning £21,000 or above. The only exception is that employees earning less than £13,542 have a consolidated increase of £309. AOC recommendations were implemented from 1st August 2011. All trade unions had agreed to this increase. The College had allocated a 1% pay award in the budget at a cost of c. £20,000 per year. The College made an operating surplus in the year ended 31 July 2011 and has a healthy cash balance. The College is anticipating to exceed its budgeted surplus for the year. The Finance Director reminded Members that the College had historically awarded the AoC recommended pay award since at least 2003, with the exception that the increase is implemented from 1st April each year.

Members were reminded that the College was not on the AOC single harmonised pay scale. The Principal proposed the College should progress implementation of the AOC single harmonised pay scale whilst recognising that there would be some financial implications. This could be introduced gradually with adjustments to staff where their current scale point was within £100 of the AOC scale point. Movements would be in an upward direction only.

It was recognised that moving to the AOC single harmonised pay scale would make it easier to compare with other colleges across the sector. It was felt that FE and HE salaries in the College are comparable within the FE sector whereas College HE salaries are below HE institution salaries. This had not had a serious effect on the recruitment of staff.

The Committee agreed: -

- To recommend that the Board endorse a £200 consolidated increase for all staff earning under £21,000; a £125 consolidated increase for all staff earning £21,000 or over and for all employees earning less than £13,542 a consolidated increase of £309 for all proportionate, full time and hourly paid staff (excluding casual staff – invigilators and models) with effect from 1 April 2012.

II. Senior Postholders and Clerk to the Governors (confidential item)

The Principal, Finance Director and Clerk to the Governors left the meeting for this item

The Committee agreed: -

- To recommend the Board endorse the same pay award for

senior post holders (Principal, Vice Principal, Assistant Principal and Finance Director), and the Clerk to the Governors, as the staff pay award with effect from 1 April 2012.

5. Finance Report:

I. Monthly Management Accounts: January 2012

The Finance Director reported that there were no significant issues expected to affect finances in the current financial year and he anticipated the College's financial health would be outstanding using the Skills Funding Agency's calculations.

In discussion the following points were raised: -

- The College had paid out all monies relating to Folly Lane extension, with the exception of the retention and the Colleges' contribution to the catering facility.
- Non-pay costs had exceeded forecast by £79,000. The Finance Director stated that this included costs to remove asbestos and an increase in the marketing budget. A Member asked if marketing would be evaluated to review its effectiveness. Attendance to open days and levels of applications and enrolments in September would be assessed.
- The payroll costs for the full financial year were forecasted to be £109,000 below budget.

II. Financial Update 2011/12 and current risks

Next year's funding allocations would be announced by the end of March 2012. The YPLA funding allocation would drop by approximately 20% as a result of lower 16-18 enrolments. This was the College's largest funding stream. The HEFCE allocation would be based upon student numbers. As a result of the introduction of student fees, there would be no Teaching grant for new students.

The 3-year financial plan had been prepared based upon the assumption of a 20% reduction in HE and a decrease of 30 16-18 learners in 2011/12 recruitment. The College recruited 77 fewer learners in 2011/12. If the College does not increase its first year enrolments in 2012/13 the College would see its learner numbers decrease further as current outgoing second year cohort is larger than the current first year cohort on Extended Diploma courses.

HE applications were currently down compared to this year but comparable to the 2009-10 recruitment cycle. Work was being done to increase both applications and conversion rates.

The Finance Director would be preparing a revised budget using new information on funding allocations to assess the impact of these on College finances. SMT would review this

information to assess what action needs to take place.

The Committee agreed: -

- To note the management accounts for January 2012
- To note the current financial risks

5. **Accommodation**

The Principal referred to his paper proposing phased redevelopment of the Blackfriars' site. Further exploration of options would be required, particularly as there was a funding gap based upon the College's known cash reserves and financial position. The Principal had met with the Architect to discuss potential options and costings. Herefordshire Council and Hereford Futures have both confirmed support to progress the project.

Herefordshire Council has rejected the original proposal of an asset transfer from Hereford Council to the College. Hereford Futures had proposed an alternative lease arrangement with a pre-development lease, this would reduce risk to the College. It may be possible that lease costs could be zero rated, this had not been confirmed.

Members viewed the Architect's plans and the Principal explained proposals with refurbishment of an existing building and some new buildings. The plans proposed an additional block and social space for students, which could be built at a later date and subject to student numbers. Financial investment from a University partner working within the HE Gateway was proposed. The Principal had prepared a vision statement outlining delivery of Higher Education in Herefordshire for discussion with potential university partners.

The College would need to maintain accommodation for students during the development phase for new accommodation. Members were reminded of arrangements for leased accommodation. The lease of the HE Centre was likely to be extended annually from August 2013 with the Media Centre leased until August 2018.

To progress the project, the College would require a significant bank loan to make the necessary capital investment and incur significant interest costs. A pre-development lease could be a preferable option. Financial forecasts of options were presented in the paper which made an assumption that the College would be able to borrow £3.2M at 4.5% interest (based on Herefordshire Councils Prudential borrowing rate). The Skills Funding Agency must give permission to colleges before entering into agreements to borrow funds or lease property. The Board would require accurate details of costs and review risks before it could agree to progress the project. Due diligence had not been commissioned at this stage.

It was recognised that it would be timely to progress partnerships and federations. The new freedoms and flexibilities introduced to colleges under the Education Act would enable the College to forge partnerships and federations which could incorporate HEIs. The Principal would investigate interest from potential HEIs for the HE

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gateway.

The Board would need to consider appropriate actions to enable the College to achieve its long term strategic aims. An option could be to appoint a Development Officer with a remit to attract funding and build strategic partnerships. This was a preliminary suggestion for exploration by Management.

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John de la Cour left the meeting

The Committee agreed: -

- To note the accommodation report.
- The Principal would investigate interest of the HE Gateway from potential HE partners
- Management should explore appointing a Development Officer

6. Personnel Report

Members noted the personnel report. Sickness showed 289.5 days between 1 November and 31 January. During this period, there were five members of staff on long-term absence, (4 weeks or more). Three of these have returned to work.

Staff equality and diversity data was presented in the annual personnel report. The reporting format had been agreed by the Committee previously. No changes were proposed to the report.

The Committee agreed: -

- To note the personnel report

7. Treasury Management Policy

The Finance Director had revised the College's Treasury Management Policy which had been introduced several years ago as a recommendation by the internal auditors.

The Committee agreed:

- To endorse the updated Treasury Management Policy

8. Health and Safety

Roofing work had resulted in a water leak through the ceiling. The College was investigating if there was any asbestos in the room damaged by water.

The Committee agreed:-

- To note the health and safety verbal update

10. Any Other Business

There were no items.

11. Date and Time of Next Meeting

The next meeting was arranged for Thursday 10 May 2012 commencing at 5.30pm.