

# Hereford College of Arts

## Minutes of the Meeting of the Finance and General Purposes Committee held on Thursday 15 May 2014

**Present: -** Mrs Lynn Forrester-Walker (Chair)  
Mr Richard Heatly  
Professor Dan Howard  
Dr Mike Lafferty

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

The meeting was quorate as there were five Members present.

### Action

1. **Apologies for Absence**  
Mr Scott Rolfe and Dr Paul Hartley (post meeting).
2. **Declaration of Interests**  
None declared.
- 3.I. **Minutes of the Last Meeting**  
The Chair signed the minutes of the last meeting held on 27 February 2014 as a true and accurate record.
- 3.II. **Matters arising from the Minutes of the Last Meeting**  
Following the last meeting the Chair had updated Members of the Committee's recommendation for the senior postholders' pay award. This had been confirmed with the recommendation subsequently endorsed by the Board.  
  
The Committee agreed: -
  - To approve the minutes of the last meeting.
4. **Finance Report:**  
The Finance Director presented the reports.
  - I. **Financial Scenario Planning and draft budget 2014-15**  
This showed forecasted income and expenditure for 2014/15 based on funding confirmation of funding grants from HEFCE, EFA and Skills Funding Agency. There was also a first cut budget for 2015/16. Colleges are required to complete 2-year financial plans.  
  
Assumptions and risks were outlined as stated in the report with significant changes including:
    - The EFA funding allocation showed an increased allocation based on 359 learners to reflect this year's recruitment levels in the lagged funding system.
    - £155,000 cut in EFA funding allocation as a result of the new funding mechanism does not impact the 2 year financial plan as the cut impacts 2016/17 onwards.

- Lagged EFA funding may increase in 2015/16 by approximately £140,000 if the College enrolls another 30 students. This is not included in the budget.
- HE tuition fees assume 125 new students and 20 Top-Ups against the SNC of 148 students. The number of new students expected had been reduced by 15 since the first cut budget in March, as a result of a lower number of firm acceptances at this point in the year. Additional students and improved retention would increase income.
- The final SFA allocation was £133,000. A reduction of £23,000 compared with 2013/14. 24+ advanced learning loans allocation had increased to £140,000 but only £84,000 of this allocation was included in the budget. The College enrolls a small number of students in the 24+ level 3 category. Therefore to include the full £140,000 would be imprudent.
- Pay expenditure included the impact of the current years pay award, additional teaching staff and teaching assistants to reflect increased student numbers. A Member asked if this was within the KPI 'pay as a percentage of income'. This was within target, currently 63% against the national benchmark of 65%, an average in the FE sector. It was noted that there were no assumptions to address pay scales and anomalies which may increase pay expenditure. In 2015/16 teachers' pension scheme changes would be factored into pay costs.
- Student recruitment to the targets assumed in the plan remained a risk until these converted to enrolments.
- The forecasted cash measured operating surplus is £232,000 with a £149,000 operating deficit.

The following was discussed: -

- Funding per qualification had ensured the College achieved maximum funding per student in contrast to funding by student which reduces average funding level per students.
- HEFCE grant and tuition fees would have an adverse variance if there was a shortfall in recruitment. There was discussion as to whether applications would be received at a later stage. It was disappointing that applications had not increased particularly as the College had invested in its new College Road Campus; however, it was noted that it may increase recruitment in the future.
- Recruitment of international students had not been included in next year's budget.
- The marketing budget had been increased specifically to increase HE and international recruitment as growth areas.
- Colleges could deliver apprenticeships or traineeships; however, there were limited options for the College to progress as a specialist art college. Delivery of apprenticeships would incur costs and there was insufficient demand in the area.

**I. Monthly management accounts: April 2014**

In summary, the full year forecast shows a cash based surplus of £164,000 and operating deficit of £141,000. This is £164,000 better than forecast. The forecast out turn had improved by £16,000 since March 2014 with reasons for improved position outlined. The cash balance at the end of July is forecasted at £1.2M. There were no significant issues to report against the balance sheet.

**II. Course Costings Model – HE**

This provided an HE course costing model as requested following discussion on the FE model at the previous meeting. Assumptions of £8,000 tuition fees were made calculating fees using student numbers as at April 2014. The HEFCE grant was not included. Direct costs included staff salaries as outlined in the paper and registration fees with UW. Overall, all courses showed a positive contribution. There was an anomaly of artist blacksmithing which was largely driven by the cost of using workshops owned by HLC. Other than HLC workshop costs, all other workshop costs were classed as an overhead as these were used by all courses.

A Member asked about comparisons of HE and FE course costs; these were similar. There was a further question about benchmarks and the Finance Director replied that some FE benchmarks had been presented at the last meeting, but was not aware of any for HE.

Craft courses have higher staff costs and also included the HE Curriculum Leader's salary who teaches across crafts and blacksmithing. Recruitment to artist blacksmithing is limited to 18 per year by the number of forges. Some courses would require very little capital investment if student numbers increased. Niche speciality areas may attract international students, such as artist blacksmithing and illustration.

The level of contribution to each course would increase as a result of increased student numbers.

A Member asked how effective marketing spend was on recruitment. The application rate of internal FE students to HCA HE courses is c35%, with a progression rate of c20%. A bursary was offered to students who progressed to HE internally last year with very little impact. The College is investigating offering an HE music course next year.

**III. Payroll and Outsourcing Pay Options**

This report was for information. The Finance Director had investigated options and services available from payroll providers as the College had a legacy system which was unsupported. An upgrade would incur minimal cost whilst providing improvements and additional options. The Finance Director would progress as this was an operational issue.

**V. Financial Regulations**

T Williams

These were deferred. The Finance Director would discuss the possibility of the Internal Auditors reviewing the existing financial regulations and recommending changes which would be presented to the Committee in November.

T Williams

**V. Correspondence from Skills Funding Agency: 11 March 2014 re: financial statements 2012/13**

Members noted correspondence confirming that the College's financial health was 'outstanding' and underlying financial health was 'good'.

The Committee agreed: -

- To note management accounts to 30 April 2014 showing there were no issues of concern
- Financial scenario planning 2014/15 showed a potential deficit of £149,000.
- To note the report on payroll and outsourcing pay options which the Finance Director would implement
- To defer revision of the Financial Regulations which would be presented to the Committee in November
- To note correspondence from the Skills Funding Agency confirming the College's positive financial health in 2012/13

**5. Personnel Report**

The Finance Director presented the personnel report which evidenced staff changes, sickness and grievances. New appointments would be considered to enhance the marketing function next year.

The Committee agreed: -

To note the personnel report

**6. Results of Staff Survey**

The Principal presented a summary broken down into areas of high satisfaction(80% or agree or strongly agree) and dissatisfaction (30% or more disagree or strongly disagree); for all staff and specific groups; namely, academic and support staff, and those based at Folly Lane or College Road Campus. This was the first year the survey was used; therefore, no comparisons were available. There was an option to use an exercise benchmarked with other colleges in the future if considered more meaningful and useful.

There was more dissatisfaction amongst HE academic staff. Common areas of dissatisfaction identified throughout the survey were appraisals, morale, pay, communication of decision making, senior staff leadership and progression.

There was detailed discussion, specifically about pay structures and progression, terms and conditions, and the appraisal system. There was an option to introduce different pay structures for HE or continue to use the same terms and conditions for HE and FE. Research opportunities are felt to be lacking for HE staff identifying that this needed to be developed, while recognising that as an FEC this College does not receive funding to support such activity.

The pay structure does not include automatic progression through

pay scales, and the appraisal system is not directly linked to pay awards. Members suggested developing clear criteria to focus on professional development and clarify progression within pay scales specifically for FE and HE; examples suggested were to increase student progression from FE to HE, staff development and high quality and relevant research outcomes.

The College's pay scale required the setting of bands for positions and specific measurable criteria for progression.

In the long term the College's strategy could be to work towards university status with its own degree awarding powers.

The Principal would prepare a pay and progression procedure for FE and HE staff including pay bands and progression criteria which would be discussed at the next meeting. Consultation would be required with staff before changes could be implemented.

R Heatly

The Committee agreed: -

- To note the results of the staff survey, particularly how management would action areas of dissatisfaction either at team meetings or overall
- The Principal would prepare a pay and progression procedure for FE and HE staff

## 7. **Accommodation Report**

- I. *Student housing:* A Housing Association was identifying potential sites to develop housing before calculating costs. At this early stage, it was uncertain if this project would progress. An option could be to collaborate with the NUH to share student accommodation. Alternative options were briefly discussed including leasing some additional bedrooms from RNC; however, RNC have no spare capacity at this time. Houses leased from landlords work effectively. A Member suggested marketing the product and benefits to students more effectively on the website.
- II. *Music Studios:* Applications to the music course had increased. There was potential to develop an HE course. Additional sound proof studios would be required costing c.£150,000 which would need to be tendered for immediately to complete by September. A single tender could be requested from a specialist company, subject to references and assessment of costs from a Quantity Surveyor. Alternative options could be explored to identify if specialist facilities could be used at RNC or HLC. The Finance Director was requested to make enquiries amongst Finance Directors about alternative specialist companies. It was agreed in principle to obtain further tenders with Chair's action to be taken to approve the contract if it was not possible to comply fully with financial regulations by obtaining alternatives quotes.
- III. *College Road Campus:* The project was virtually complete with the exception of the student social space and café, and some remaining office spaces.
- IV. *Folly Lane Campus:* Planned maintenance budget for roofing and windows would not be priority projects for next year.

T Williams

The Committee agreed: -

- To note the verbal report
- To agree in principle to obtain tenders from specialist companies to extend the music studios and delegate approval of contract to the Committee Chair

**8. Health and Safety Report**

There were no significant areas of concern. It was particularly pleasing to note that there were a low number of accidents to date. There had been 22 incidents to date this term of which 8 incurred injuries.

The Committee agreed: -

- To note the health and safety report

**9. Any Other Business**

**10. Date and Time of Next Meeting**

The next meeting was arranged for Thursday 26 June 2014 commencing at 5.30pm.

**Summary of F&GP Committee's business**

Ref 4 I For information: Financial scenario planning 2014/15. Predictions forecast £149,000 operating deficit taking account of confirmation of funding grants. 2014/15 budget would be discussed at the next meeting with a recommendation to the Board for approval in July.

Ref 4.III For information: Course costings model for HE showed this is operating at a profit with student numbers driving the profit margin.

Ref 5,8 For information: Personnel and health and safety reports.

Ref 6 For information: Results of staff survey. Summary of areas of staff satisfaction/dissatisfaction presented; Committee discussed staff dissatisfaction. SMT would take action to address and report proposed actions and progress to the Committee

Ref 7.II For information: Tenders to be sought to extend music studios for completion by September 2014 to accommodate additional students in the region of £150,000 costs. In principle agreement to agree the contract would be taken by Chair's action if it was not possible to comply fully with financial regulations by obtaining alternatives quotes. If this did not progress, alternative options would be explored.