

Hereford College of Arts

Minutes of the Meeting of the Finance and General Purposes Committee held on Thursday 27 February 2014

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

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

The meeting was quorate as there were three Members present.

Action

1. **Apologies for Absence**
Dr Paul Hartley, Dr Mike Lafferty and Mr Scott Rolfe.
 2. **Declaration of Interests**
None declared.
 - 3.I. **Minutes of the Last Meeting**
The Chair signed the minutes of the last meeting held on 28 November 2013 as a true and accurate record.
 - 3.II. **Matters arising from the Minutes of the Last Meeting**
 - A. The Principal was discussing potential additional student accommodation to lease from RNC which was surplus to their needs; this was likely to be a floor with about eight rooms. He was also discussing options to lease high-spec rooms in Gardner Hall for international recruitment.
- The Committee agreed: -
- To approve the minutes of the last meeting.
4. **Finance Report:**

The Finance Director presented the reports.

 - I. **Financial Scenario Planning 2014-15**

This showed forecasted income and expenditure with a crude first cut budget for 2014/15 giving an initial indication of the outturn for the year based upon the limited information available to date. Confirmation of funding allocations and 24+ advanced learning loans was anticipated by the end of March. The HEFCE grant had decreased with income replaced by tuition fees.

In summary, the following assumptions were made: -

 - A. 2014/15 initial budget showed a year-end deficit of £28,000. The budget would be adjusted following confirmation of funding allocations. Tuition fee income was estimated based on recruitment and retention assumptions. The budget assumed enrolling 140 new year 1 HE students, 20 top ups, 90% retention and a

- 95% collection rate of HE tuition fees.
- B. Subject to recruitment, HE tuition fees could potentially change the year-end deficit to a surplus.
 - C. Interest receivable decreased as investable cash and interest rates have decreased.
 - D. CRC utility costs are estimated based on information provided by RNC; no benchmarks are available with the Queen's Building occupancy commencing mid-year.
 - E. Staffing increases for additional FE groups were assumed with no additional posts for HE.
 - F. A staff pay award had not been budgeted. The financial performance indicator for staff costs is 65% of pay as a percentage of income. The first cut budget showed 63%.
 - G. There may be capital spend to extend accommodation for additional Foundation and Music students. Options are being pursued.
 - H. There would be a reduction in funding for 18+ students as announced by the EFA. The Adult Skills Budget(ASB) could also potentially decrease. The College may be eligible for transitional funding if 18+ funding cut was more than 3% of funding.

II. Monthly management accounts: January 2014

These were noted with the following points brought to Members' attention:-

- A. The College had not received the first invoice for the bus contract from Herefordshire Council which may be higher than the forecast.
- B. Utilities costs at CRC were assumptions during the first year of the lease. The Queen's Building became operational part way through the year.
- C. A variance of £6K on the non-capital and furniture budget was being investigated. It was likely that the capital equipment budget would not be utilised but the non-capital equipment and furniture budget would be exceeded.
- D. It would be important to manage cash in and outflows in a timely manner to avoid drawing on cash invested in a timed deposit account.

III. Course Costings Model

This provided an FE course costing model along with benchmark data collected by another Finance Director from ten colleges. A simple but robust course costing mechanism for FE courses was presented. It did not include costs for workshops, theatre, management or support staff pay costs as these would be difficult to apportion between course areas.

The purpose of the exercise was to identify if courses were viable and prepare assurance to Members. It was agreed that this level of sophistication was adequate, requesting the same level of information for HE, (reporting FE and HE separately).

IV. Payroll update

Services the College required as part of its payroll provider are

T Williams

changing with the implementation of RTI, pension auto-enrolments and more complex pay arrangements. Preliminary research on options and costs had been made with presentations received from 2 companies.

The Finance Director would further research systems and costings to upgrade the payroll and potentially the HR system.

T Williams

It was noted that the College would defer auto-enrolment until 2017. This would not impact on employer contributions as set by Teachers' Pension Scheme and LGPS.

V. Financial Regulations

Agreed to defer to the next meeting.

T Williams

VI. Impact of FRS 102 and the new Education SORP

College Finance Directors had established a working group to identify implications and risks to colleges. The Committee noted that in view of recent changes to capital grants, FRS102 and the new education SORP would not have any significant implications to the College. The Finance Director would continue to monitor and alert the Committee if any issues occur. This would be reported to the Audit Committee.

T Williams

The Committee agreed: -

- To note reports
- Financial scenario planning 2014/15 showed a potential deficit of £28,000 at this early stage.
- A report on payroll options, costs and benefits to upgrade the payroll and HR systems would be prepared for the Committee
- To defer revised Financial Regulations
- FRS 102 and new education SORP would not have any implications on the College currently, but would be monitored

5. Accommodation Report

The Principal reported that the workshops in the Queen's Building at CRC were open with snagging underway.

Potential capital works would be investigated at Folly Lane to provide additional classrooms to deliver Foundation, Music, Art and Design and A Levels; these would be subject to student recruitment.

The Principal had approached local colleges and a hospital trust to establish interest for student housing; there was interest from the hospital trust. He had subsequently met with housing associations to discuss student accommodation, with interest from a national company. Potential development sites had been identified. The next step would be to establish the level of commitment required, costs and period to guarantee accommodation. The Principal would continue discussions and update the Committee.

R Heatly

The Committee agreed: -

- To note the verbal report

6. Health and Safety Report

No report

7. Personnel Report

The Finance Director presented the personnel report which evidenced staff changes, sickness and grievances.

The Committee agreed: -

- To note the personnel report

8. Pay Award

I. Staff

Members considered the paper prepared by management in tandem with a paper from the Staff Governor, prepared in his capacity as a representative on the staffs' Joint Consultative Committee. This included HE staffs' views which, he believed, were shared by FE staff. The Staff Governor (support) had seen the report and decided not to comment. Members extracted two main issues for consideration: the pay award and pay scales which were discussed separately.

General pay award: AoC consult with unions before recommending a pay award for colleges to consider. To date AoC has not reached agreement with unions. It was not mandatory for colleges to implement the recommended award. The Principal reminded Members that the College had not made an award last year and proposed considering implementing 0.7% along with last year's AoC recommendation of 0.7%, whilst acknowledging that the College is forecasting a deficit.

Members considered affordability to implement a pay award against the forecast. The Chair outlined views received from Members who were in favour of implementing 1.41% which would cost approximately £50,000 with some minor costs for hourly paid staff.

Implementation of the living wage would cost c£2,000; however, this would reduce the differential between some roles which would have the knock on effect to increase some salaries. Members agreed to recommend that the living wage should not be implemented as, despite it being a small cost, its impact would require the College to address differentials between roles. Additionally, local market needs were taken into account.

Following detailed discussion Members agreed that it was important to make an award in recognition of staffs' commitment and seek to improve staff morale, whilst recognising the College's limited financial situation. Members recommended implementing a consolidated pay award of 0.7% plus an additional 0.7% on top which would only be consolidated once student number assumptions within the 2014/15 budget are achieved. Both awards were effective from 1 April 2014. The two increases would be a compound increase of 1.41%. Whether the non-consolidated increase was consolidated or not would be confirmed at the March 2015 Board meeting.

Pay scales and incremental process: It was noted that there was not a sufficiently clear and transparent pay structure which needed to be addressed; this may incur additional costs. The Principal was tasked to oversee the review of current arrangements in order to establish a revised single pay scale with bands; and an annual review process whereby managers conducting staff APDRs could submit proposals to a panel for consideration against key criteria (e.g. achievement, changed roles, increased responsibility, increased students). It was likely that the panel would comprise of the Principal, Finance Director and Personnel Manager.

R Heatly

II. Senior Postholders and Clerk to the Governors

[A confidential minute was recorded]

The Committee agreed to recommend the Board endorse: -

- Living wage should not be implemented.
- 1.41% compound pay award implemented from 1 April 2014, of which only 0.7% would be consolidated. The remaining pay award would be consolidated once student number assumptions within the final 2014/15 budget are achieved.
- The Principal was tasked to oversee establishing a pay scale with bands; and an annual review process

9. Any Other Business

No items.

10. Date and Time of Next Meeting

The next meeting was arranged for Thursday 15 May 2014 commencing at 5.30pm.