

**Minutes of the Meeting of the Finance and General Purposes Committee
held on Monday 27 November 2017**

Present: - Mrs Lynn Forrester-Walker (Chair)
Ms Abigail Appleton (Principal)
Professor Robin Baker
Mr Mervyn Jones
Mr Scott Rolfe
Ms Kay Sandford-Beal

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

The meeting was quorate as there were six Members present. The Chair welcomed Professor Baker as a new member of the committee.

1. Apologies for Absence

No apologies.

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 June 2017 as a true and accurate record.

3.II. Matters arising from the Minutes

- A. The staff survey was anonymous and therefore it was not possible to identify the top scoring college.
- B. Staff:student ratios were tabled with separate reports for FE and HE showing student numbers in each year of study. Ratios varied between 18-26 students per lecturer. The Finance Director would allocate direct, indirect and overhead costs to courses. Some costs related to both FE and HE and a sound basis of how these costs could be allocated would need to be developed. It was not necessarily a straight 50/50 split. There were no sector benchmarks for course contributions. TRAC (Transparent Approach to Costing) methodology used by Higher Education Institutes might provide a basis for allocating costs to FE and HE. Space occupancy was not allocated as a cost which would require additional data collection. The formula would need to include all staff supporting courses, (Technical Demonstrators and Critical Studies tutors). The Finance Director would prepare course costings and contributions which would only be used internally. These would be issued to the Committee in advance of the next meeting to allow Governors sufficient time to make comments and observations.

ACTION: FINANCE DIRECTOR

- C. A verbal update was given regarding CRC's lease and rent review with RNC. The lease provided some protection to the College as a tenant beyond the end of the lease. The College had instructed a property consultant and was arranging a meeting with RNC to discuss the rent review before the end of term. The College would need a contingency

plan after 2023 which the Principal and Finance Director were fully aware of and were addressing. Regular updates will continue to be provided to the Accommodation Group.

The Committee agreed: -

- To approve the minutes of the last meeting

4. Financial Statements for year ending 31 July 2017

The Finance Director presented the draft report which had been prepared using the Casterbridge Model. The Audit Committee had received the management letter and recommended it to the Board for approval. In accordance with the revised Audit Code of Practice (ACOP), the Chair of the Audit Committee would recommend the Financial Statements to the Board for approval.

The financial statements confirmed that the College was a going concern and Mazars' opinion was to issue an unqualified opinion.

There was a detailed presentation of the financial statements with specific discussion about the statement of comprehensive income and pension deficit with questions duly answered and further explanation provided.

Reconciliation between financial statements surplus and management accounts surplus was provided. The main changes were as a result of the FRS102 pension adjustments.

The Committee agreed: -

- To note the Financial Statements to 31 July 2017 which were acceptable for the Chair of Audit Committee to recommend to the Board for approval

5. Hereford College of Arts Financial Plan 2017/19

Governors noted the correspondence and dashboard which was historical and based on last year's budget.

In the next few years staff costs were increasing as a percentage of income and this was being driven by the increase in staff costs being higher than the increase in revenues which would erode any potential contingency. Staff costs are closely monitored against the financial indicator pay as a percentage of income.

Governors were reminded that the budget setting process is detached from the strategic planning process which will require investment and expenditure to attract additional students and move the strategy forward. Governors agreed that the College could use some of its cash reserves in the short-term to cushion finances and operating costs whilst embedding the strategy.

The Committee agreed: -

- To note ESFA correspondence regarding the College plan 2017/19

6. Finance Report

- I. Management Accounts to 30 October 2017 and current risks:
The Finance Director presented the accounts and highlighted key points with questions answered.

Income from student tuition fees had been allocated to the budget showing 97% collection HE student fees and 88% FE. Additional MA students, portfolio students and advanced learning loans were included with a positive variance of £73,000 for MA fees which was unbudgeted

and £27,000 for portfolio students. This was a different method of recognising income compared to previous years and consequently it was not anticipated that they would improve later in the year.

A provision had been included in the budget for a potential rent increase at College Road. RNC do not charge VAT and the College cannot reclaim VAT. A new landlord may elect to charge VAT. This would increase the Colleges costs base.

FRS102 was a negative variance this year based on Mercer's valuation. This was a non-cash item and not counted by ESFA.

The costs of the proposed HR and Payroll system are not allocated in the budget. Advice would be sought from Mazars to identify if costs could be capitalised.

ACTION: FINANCE DIRECTOR

There were some costs to update the MIS system in response to recommendations made by Ofsted.

The College had requested Crescent Purchasing Consortium (CPC) to manage the tender for the catering contract. A suggestion was made to have a zero cost expectation. Financial returns to the College were raised with the option to use an independent catering consultant to expand companies eligible to tender instead of limiting these to CPC. The tender process could be more expensive which needed to be balanced against the level of service for students and financial return to the College. In the long term the HE café could be opened to the public. The cleaning and caretaking facility are managed in-house which means that quality can be managed and maintained. Outsourcing would also incur VAT costs.

II. HR and Payroll

The Finance Director outlined the paper explaining that the current payroll provider had served notice. The Committee had previously agreed investment was required into a more sophisticated HR and payroll system. Details and costs of alternative providers were presented with a recommendation to appoint Cintra IQ whose system included e-payslips, the ability to generate more detailed reports quicker and improve the process of sickness and holiday reporting. A Governor asked if the proposed system would cover both FE and HE reporting. The Finance Director noted that it could do FE reporting but it would not be able to HESA returns; these could be required in the future. There was a further question if the payroll system would be compatible with the finance system; it was anticipated that these will be linked in the future. Staff recruitment could not be managed using the system; however, there were modules for staff development and health and safety. Initially the system would cover core HR and payroll systems. Caution was expressed that implementation could take longer proposing a contingency in the financial plan. Confirmation that the process met the financial regulations was requested which was confirmed on the basis that the College had been served notice.

III. Annual Treasury Management Report 2016/17

This advised Members on activities for the year ended 31 July 2017. It covered treasury management activity during the year, investment arrangements and interest earned.

In discussion a suggestion was made to develop a finance strategy which would add value to the student experience. It is crucial to focus on the College's core activities ensuring that these are distinct and create growth followed by supporting activities to create high returns e.g. student accommodation and energy investments. It could be timely to ascertain alternative options to CRC and potential impact on cash reserves.

- IV. FRS102: The Finance Director would discuss this separately with the Chair of the Corporation.

ACTION: FINANCE DIRECTOR/CHAIR OF THE CORPORATION

The Committee agreed: -

- To note the management accounts to 31 May 2017
- To appoint Cintra IQ to provide an HR and Payroll system
- To recommend the Board approve the Treasury Management Annual Report 2016/17

7. Strategy Review 2017/18: Extending the Vision

The Principal presented the paper asking for comments on what a leading Arts School would look like and potential issues relevant to the Committee's remit.

- I. Maximise utilisation of workshops
- II. Further development of short course programmes
- III. Develop a financial strategy to implement the strategic plan
- IV. The quality of the workforce is crucial – focus on people management, staff development and additional skills to attract income. Use tangible skills of staff as commercial assets around the curriculum we offer
- V. Use analysis of HR data (staff development hours delivered, cost, number of staff trained, staff turnover and absenteeism) to identify changes and shape culture
- VI. Develop a business strategy to attract additional income streams and investment for growth. Consider investing in a short-term self-funding business development post
- VII. Expand income generating activities (conferences, use of out of hours facilities, charging employers for HE student live briefs)
- VIII. HEI status could create some entrepreneurial benefits
- IX. Student accommodation fundamental issue to growth
- X. Are we an art school? The creative industries cover a bigger area
- XI. Develop differentiation/USP that we can sell in different ways. Find opportunities to do something special – not just locally
- XII. USP – Artist Blacksmithing
- XIII. Explore collaboration with NMite to use creative skills with engineering. Develop a partnership model for use of facilities for students from each institution
- XIV. Develop digital aspect of provision
- XV. Ensure physical assets are fit for purpose and develop differentiated future e.g. forge arrangement
- XVI. Secure HE facility for the future which could include CRC. Identify if the College is big enough to own its own facility

8. Annual Health and Safety Report 2016/17

The Finance Director presented the report which gave a flavour of activities and accident statistics during the year. There had been seven RIDDOR reported accidents which had required hospital treatment. The safety management system had been restructured and presented to the Health and Safety Committee. It would be embedded once agreed by SLT.

The Committee agreed: -

- To note the annual health and safety report which would be issued to the Board
- In future the Principal would report accidents whereby hospital treatment was required to the Board within the Principal's report

ACTION: PRINCIPAL

9. Annual Personnel Report 2016/17

The Principal apologised that an annual report had not been prepared. In discussion Governors were pleased that long-term sickness had decreased.

The Committee agreed: -

- To note the personnel report
- An annual report would be requested to include with the Principal's report to the Board in December

ACTION: PRINCIPAL/CLERK TO THE GOVERNORS

10. Annual Complaints Report 2016/17

A summary of anonymised formal complaints was presented. The Principal had asked the Vice Principal and Head of FE to capture complaints which were addressed before escalating to a formal complaint to identify any common issues.

The Committee agreed: -

- To note the report showing that there were extremely low levels of complaints which had all been addressed

11. Any Other Business

No items.

12. Date and Time of Next Meeting

The next meeting was arranged for Monday 12 March 2018 commencing at 5.00 pm.