HCA | Hereford College of Arts

**Minutes of the Additional Meeting of the Finance and General Purposes Committee
held on Monday 24 February 2020**

Present: -   Mr Mervyn Jones (Chair)
                        Ms Abigail Appleton (Principal)
                        Mr Clive Hodgeman
                        Mr Scott Rolfe

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

The meeting was quorate as there were four Members present.

1.   **Apologies for Absence**
        Apologies for absence were received from Professor Robin Baker, Mrs Peta
        Darnley and Mrs Lynn Forrester-Walker (Co-opted Member).

2.   **Declaration of Interests**
        No interests were declared.

3.   **Integrated Financial Model for Colleges (IFMC)**
        The Finance Director explained that the ESFA had introduced the IFMC to
        enable them to closely monitor finances and early identification of any financial
        shortfalls in colleges. HCA was placed in early intervention last year based on
        its performance against ESFA's financial indicators. The financial health score
        is forecast as 'requires improvement' until 2020/21 based on financial
        indicators. Governors were reminded that the Board made a decision to invest
        into the FE digital futures programme last year which triggered early intervention
        by ESFA.

        The report showed financial indicators and key performance indicators up to
        2021/22 with comparisons. The EBITDA was forecast to be negative until
        2021/21 meaning that the financial health could not improve until the EBITDA
        becomes positive in 2021/22 when the College is forecast to achieve a year-
        end surplus.

        The cash balance will be better than the financial plan to reflect additional ESFA
        income for student numbers in 2019/20 based on the funding methodology of
        lagged funding which will materialise in the next financial year. The number of
        students with Education Health Care Plans (EHCP) has increased from 3 to 21
        in the current year with similar numbers of applications with EHCPs next year
        which will provide additional financial support. Teaching Assistants and
        Learning Support Assistants are being used effectively to support students
        which has not increased the staffing budget. FE applications have increased for
        2020/21.

        16-18 funding per student has increased from £4000 to £4188 and 19+
        students from £3,300 to £3,455.

It was noted that the HE income forecast had been decreased to more realistic numbers based on enrolments in 2019/20 and applications received to date.

Staff costs as a percentage of pay are 72.9% in 2019/20. This was based on revised student numbers. There is a long-term vision to achieve a target of 65%; however, the living wage, competition, LGPS will impact on this. Discussion progressed to differentials in pay regarding the impact of the minimum wage. The Committee will discuss the staff pay award and sustainability at its next meeting.

Governors were reassured that operating costs are being carefully controlled. Governors will continue to regularly monitor the balance sheet and EBITDA to ensure that the College has a positive cash position.

There was a request for revenue growth to show differentials between growth in recruitment and additional funding streams, such as efficiencies introduced to staffing as opposed to increases to FE and EHCP funding. This would evidence the impact of actions to create efficiencies. Previously enrolment and staff costs have been key indicators for Governors. The Committee has extended its focus to include course costs suggesting further breakdowns of costs to include academic and professional staff. **ACTION: FINANCE DIRECTOR**

The Committee agreed: -
- The Finance Director will populate the spreadsheets for submission to ESFA as part of the IFMC **ACTION: FINANCE DIRECTOR**
- To recommend the Board approve the IFMC by special resolution for submission to the ESFA by 28 February 2020 **ACTION: CLERK TO GOVERNORS**
- To thank the Finance Director for the significant amount of work to prepare the IFMC

4. **Any other business**
   There were no items.

5. **Date and time of next meeting**
   Monday 27 April 2020 commencing at 5.00 pm.

Signed as a true record

Chair ………………………………………………………… Date ……………………………………………