

Minutes of the Meeting of the Finance and General Purposes Committee
held on Thursday 29 June 2023

Present: - Mervyn Jones (Chair)
Abigail Appleton (Principal)
Peta Darnley

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

The meeting was quorate as there were three Governors present.

1. Apologies for Absence

Apologies were received from Clive Hodgeman and Professor Robin Baker.

2. Declaration of Interests

There were no declarations of interest.

3. Minutes of the Last Meeting

Governors agreed that the Chair should sign the minutes and confidential minute of the last meeting held on 30 March 2023 as true records.

Matters arising had been addressed or will be covered on the agenda with the exception of the following.

- I. The Principal had pursued conversations with councillors and, in addition, the Principal also had a useful meeting with the Headteacher at Aylestone School.
- II. The Student Protection Plan 2023/24 updates were carried forward (item 8 in the minutes) **ACTION: FINANCE DIRECTOR**

The Committee agreed: -

- To approve the minutes of the last meeting
- Actions from committees should be addressed promptly

4. Student applications marketing and recruitment update [A confidential minute was recorded]

The Principal summarised that HE applications are better than last year with 111 firm level 4 acceptances to date despite being below the KPI of 140. The new Course Leaders in textiles and photography have had an impact on student outcomes this year and are continuing to develop the courses anticipating future growth. Bespoke strategies are being developed for each course. A company has been commissioned to provide an analysis of how HCA is perceived by its audience

which will be useful intelligence. The Marketing team are also working with UCAS regarding the photography course to identify specific areas to target. There have been staff changes in the marketing team. Several junior members of staff in the team have been involved in events; in future, more senior staff will attend careers events in schools. There is confidence that FE will recruit to target.

In summary, changes will be implemented to improve relationships with schools. HE marketing will concentrate on course specific selling points. Marketing is moving to a technical approach with a question if the Course Leaders will be involved; Course Leaders this will be involved, however, this will be a cultural change to embed. There was a suggestion to contact schools without sixth form colleges in Herefordshire border market towns, such as Queen Elizabeth School in Bromyard and Tenbury High School in Tenbury Wells, as there is a moral case to provide accessible education to everyone. The option to investigate transport and potential to fund dedicated transport, or Saturday club transport, with funding from a philanthropic charity was suggested.

5. Finance Report

- I. The Finance Director presented the management accounts to 31 May 2023 which showed the College is on the cusp of moving from 'requires improvement' to 'good' for its financial health calculated by ESFA's financial indicators. This will improve once the EBITDA (education specific) exceeds 1% which is currently 0.6%; (an improvement of £30K is required). There was discussion about the benefits of moving to 'good' noting that this would evidence prudent financial management. It was noted that during the annual conversation with ESFA no financial concerns about the College's performance were identified. HCA is a small College offering workshops and studio space meaning there are very few economies of scale. The College continues to have a strong balance sheet. To enable the College to increase staff pay requires growth in student numbers. The year-to-date surplus is positive at £36k compared to the budgeted deficit of £148k.

- II. The Board are required to approve a budget for 2023/24 and financial forecast for submission to ESFA by 31 July 2023. The draft budget 2023/24 was outlined in detail based on applications to date and assumptions; the pay and non-pay costs. Capital grants and depreciation will also be included in the budget. A Governor request the EBITDA to be added to the report for presentation to the Board. **ACTION: FINANCE DIRECTOR**

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The budget assumes similar income levels to the current year. In summary based on 496 16-18 years students with the ESFA allocation remaining the same in the financial plan with no inflationary increase. HE income is based on 130 Level 4 applications increasing to 140 in 2024/25 which will reflect two new courses offered. OfS grants are based on the same level received in 2022/23. There was a question if revenue costs to staff new courses are included in 2023/24 which was confirmed as unfunded costs.

The TPS grant income is assumed at 23.68%. Pay costs include the new Vice Principal, SLT administrator and Digital lecturer posts. A 3% pay increase has been budgeted from April 2024 with an option to factor in an additional increase of 8% for staff paid the National Living Wage costing c£27k; this equate to c20 staff with a knock-on effect on other salaries. This would be added as an assumption. **ACTION: FINANCE DIRECTOR.** The timing of the staff pay award was discussed noting that, this year, it had been brought forward to January 2023; the budget assumes April 2024. The Principal was requested to check the communication to staff in January 2023. **ACTION: PRINCIPAL.** The Committee will consider the staff pay award and fairness of the staffing structure based on scenario planning later in the year.

The capital grant received from the DfE and the Stronger Towns capital grant will impact on depreciation charges.

Short course income has increased to pre-pandemic levels. A Governor asked if there was an option to growth short courses in 2024/25 noting that it is time consuming to run short courses which detract from FE and HE marketing and administration which were seen as the main focus for resources.

Interest from cash reserves is forecasted at £58k.

Non-pay costs include costs to UWTSD who issued a revised Memorandum of Understanding with an overall cost increase in excess of 200%. The Principal is in discussion with UWTSD's Vice Chancellor regarding the increase. 10% increase as been assumed year on year in the budget.

Herefordshire Council have issued instruction for new 1-year leases on the Chapel and Hive with peppercorn rent until the April 2024. After which rent will become chargeable if no rent agreement is agreed for the CRC site.

The EBITDA education specific is -£230k based on additional staff and lower student enrolments. It is anticipated that increased student enrolment will improve this. This takes account of investment into the School of Digital Future and implementing course growth.

Overall, the budget reflects an attempt to grow noting that it was not timely to make savings which would be damaging. A statement would be prepared for the Board to explain that there will be a rigorous cost management processes to expenditure and an explanation regarding the negative EBITDA. **ACTION: FINANCE DIRECTOR**

The Committee agreed: -

- To note the management accounts to 31 May 2023

- To recommend that the Board approve the budget subject to revisions discussed and agreed by the Committee

6. Premises and Accommodation Report

- I. The Principal referred to discussion by the Audit Committee when the financial statements auditors had referred to the requirement for the Board, as part of the regularity audit in accordance with the Audit Code of Practice, to agree a property strategy. This is a high-level Estates Strategy which the Principal had prepared using the DfE guidance to develop an estates strategy issued in November 2022. This will dovetail with the College's new Strategic Plan which the Board will be requested to approve in October. The high-level Estates Strategy will be a key document issued to the consultant to prepare the detailed Estates Strategy.
- II. The Finance Director outlined ESFA capital funding received and a proposed capital schedule explaining that the Board are required to approve expenditure over £100K gross value which has not already been approved within the College budget. The capital schedule will be amended as it will not permit capital allocation at CRC which would require the lease to be over 125 years or rented on a peppercorn rent. A Governor enquired about the process and criteria to score capital projects noting that projects had not been scored. A criterion will be developed to score and prioritise projects based on key areas (suggestions included the economic return, health and safety, age of equipment in place, benefit students to score, sustainability and level of disruption). Scores for capital projects will be presented to the Board with explanations. **ACTION: PRINCIPAL/FINANCE DIRECTOR**

Progress to commence the School of Digital Futures project, partly funded by the Stronger Towns bid, was outlined. There is some urgency to address in order to appoint the contractor to commence work this summer to ensure it is open for September 2023. Costs exceed the budget which require value engineering to reduce costs and scope within the project. As part of the project, the wall is being replaced and rebuilt, the College had agreed to replace the roof which is in poor condition, which will also improve insulation and sustainability, and anticipated to incur costs in the future if it is not replaced. The Stronger Towns grant does not provide sufficient funding to address the poor condition of both the walls and roof of Area B of the School of Digital Futures project. There was a thorough discussion about options concluding that whilst there is an option to defer replacing the roof and wall, the F&GP Committee felt that it would be better, in the long run, to do the full works together and immediately. The shortfall and likely contribution from the College to the project was not anticipated to exceed £100k. The capital funding received from ESFA cannot be used to fund HE or at a leased site as previously mentioned. The option to fund the School of Digital Futures build from the whole College capital

budget was proposed, particularly as the College has received £1m ESFA capital funding which could be allocated to the capital budget to spend on FE accommodation. The Committee concluded that this proposal should be presented to the Board by special resolution to address urgently.

III. CRC lease update was noted.

The Committee agreed: -

- To recommend the Board approve the Estates Strategy
- To issue a resolution to the Board requesting urgent approval to due to time constraints to commission the contractor, requesting that the Board approve additional capital expenditure of £100,000 for the School of Digital Futures build at College Road. This is to come from the College's unallocated capital budget for 2023-24. This is to fund the additional costs of specification.

ACTION: CLERK

7. Health and Safety Report

- I. The Health and Safety Report was noted with Governors requesting confirmation that actions following the fire safety inspection had been completed; this was confirmed.
- II. The Health and Safety Statement was presented for review and recommendation to the Board which is published on the College's website.

The Committee agreed: -

- To note the report
- To recommend the Board approve the Health and Safety Policy Statement

8. Pay and Progression Report progress

There was no progress to report to date.

9. Annual item for Committee

The Committee agreed: -

- To appoint Mervyn Jones as Chair for 2023/24
- The Committee effectively met its terms of reference
- The Clerk would be reviewing the terms of reference during the summer

10. Any other business

There were no items.

11. Date and time of next meeting

The next meeting was arranged for Monday 25 September 2023 commencing at 5.00 pm.

Signed as a true record

Chair **Date**