

MINUTES OF THE MEETING OF THE FINANCE & GENERAL PURPOSES COMMITTEE

HELD 28 NOVEMBER 2007



HADLOW
COLLEGE

Innovation. Experience. Excellence.

Present: Mr D Somers (Chair) -Business
Mr H Guntrip -Co-opted
Mr P Hannan -Principal
Mr V Patel -Business

In attendance: Mr J Allen -Clerk
Mr M Lumsdon-Taylor-Director of Finance & Resources
Mr J Ericson -Financial Statement & Regularity Auditor (Baker Tilly)

The meeting commenced at 09.00.

APOLOGIES FOR ABSENCE & DECLARATION OF INTERESTS

1. Apologies were received from P Dubrow. The Chair welcomed Mr J Ericson to the meeting. There were no declarations of interest against any agenda item. The Clerk confirmed that the meeting was quorate.

MINUTES

2. It was **RESOLVED** that the minutes of the meeting of 13 June 2007 be approved as a correct record and signed by the Chair.

SUMMARY ACTION LIST AND MATTERS ARISING

4. The '*Summary Action List*' was received (copy attached to the signed minutes). It was noted that all action points were either addressed at the last Board meeting or are agenda items at this meeting with the following exceptions:

Minute 51: VAT. Confirmation was received on the agreement between the College and HRMC on the College's VAT exemptions with effect from 1 August 2007. The College will be entitled to 100% reclaim on both Broadview and the farm, with a 32% reclaim on agreed central overheads. The net effect is estimated to be an improvement of circa £80k per year.

Minute 89: A revised Overseas Travel Policy is to be put to the next meeting of the Board for approval.

Stewardship Day: Following the request made by some students for consideration to be given to installing an ATM machine, the Director of Finance updated the Committee on the actions taken to date. Further investigations are to be conducted and focus group meetings with students are to be held to discuss the best way forward. It was agreed to receive a further update at the next meeting.

5. It was **RESOLVED** to note the report.

FINANCIAL STATEMENT AND YEAR END ACCOUNTS 31 JULY 2007

6. The *'Financial Statements and Year End Accounts 31 July 2007'* were received (copy attached to the signed minutes). In attendance was Mr Jonathan Ericson (Baker Tilly). Attached to the accounts was the *'Audit Findings Report'* that has been considered by the Audit Committee.
7. The College has achieved a strong operational surplus for the year 2006-07, the 5th year of a consecutive operating surplus. The draft accounts confirm an operating surplus of £222k. However, the draft accounts record exceptional expenditure of £82k that is currently being recorded below the line in the accounts 'Surplus on continuing operations'. Under FRS3 these exceptional cost items have to be recorded above this line. Therefore, the operating surplus for 2006-07 is £140k. It was confirmed that the commentary in the accounts would explain the presentation of this information.
8. The draft *'Audit Findings Report'* for the Financial Statements 2006-07 was received and has been considered by the Audit Committee. It was confirmed that the College has received two management recommendations. The Audit Committee deemed management responses to be timely and appropriate. The *'Audit Findings Report'* confirmed an unqualified opinion on both the financial statements and regularity audit
9. It was **RESOLVED** to recommend that the Board at its meeting on 13 December 2007 approves the College's *'Financial Statement and Year End Accounts 31 July 2007'*

(Mr J Ericson left the meeting at this point)

PERFORMANCE REPORT

10. The College *'Performance Report'* for periods 1 & 2 was received (copy attached to the signed minutes). The report covered the following:
 - College Operations to date (30/9/07)
 - Income & Expenditure Account & balance Sheet
 - Cash flow actual to date
 - Capital expenditure to date
 - Projections to 31 July 2008
 - Income and Expenditure projection to 31 July 2008
 - Capital budget projections to 31 July 2008
 - Cash flow projections to 31 July 2008
 - Performance Indicators and Risk Assessment
 - Appendices
 - Headline management accounts to 30 September 2007
 - Detailed cash flows including projections to 31 July 2008
 - Headline capital reports including projections to 31 July 2008
 - Detailed I&E projections to 31 July 2008
11. The following key points were noted:
 - (i) Net profit to date was £74k against the budget of £138k, a negative variance of £64k. The variances are due to front loaded marketing, print costs and expenditure incurred on 'offsite' residences due to over demand on student residences. The

expectation is that the variances should balance during the fiscal year.

- (ii) Actual LSC student numbers were 714 against the budget of 687, a positive variance of 27
 - (iii) Actual HEFCE student numbers were 515 against the budget of 505, a positive variance of 10.
 - (iv) College cash flow remains ahead of planned budget
 - (v) Overall income is forecast to be £10.6m against the agreed budget of £10.4m, a positive variance of £200k
 - (vi) Total expenditure is forecast at £10.365m against the set budget of £10,175m, a negative variance of £190k.
 - (vii) The year-end forecast of an operating surplus of £275k is forecast against the set budget surplus of £275k.
12. A discussion took place on the arrangements for the reporting of variances to the Committee and the Board. The Committee noted the agreement confirmed at the last meeting for the reporting on variances of £10k or 5% (whatever is greater) for each budget line, but clarification was sought on the process for seeking Board approval in advance on any proposed material change to the agreed budget. It was agreed to receive at the next meeting a framework for the reporting on variances, either in advance or retrospectively.
13. It was **RESOLVED** to note the College Performance report.

CAPITAL PORTFOLIO UPDATE

14. The College report '*Capital Portfolio Update*' was received (copy attached to the signed minutes). The report, in three sections, provided the Committee with updates on the following:
- Capital Build (College and LSC)
 - Sites & Related Developments
 - Other Key Projects and Partnerships
15. The Committee noted the 2007-08 building programme update with confirmation through the performance management report that the forecast capital expenditure is in-line with the agreed capital budget.
16. The report provided the Committee with a progress update on Phase 1 of the Capital project that received LSC approval in September 2007 but with changes to the LSC funding support. The Board had agreed to the capital project and approved a budget of £8m consisting of £7.6m of LSC capital support, with the remaining balance being made up of a £400k College loan and £200k College cash. Since the Board approved the capital project and its budget, the LSC Capital Committee has reduced LSC grant support from 89% to 71%. The Finance Directorate and its advisors have reviewed the project to obtain baseline costs and savings of £1,658m have been identified. Despite the identified savings, an additional borrowing of £500k is required to deliver the build. If approved, the additional £500k would result in net borrowing liabilities of £3.2m, 30% of the College's turnover (it was stated at the June meeting of the Committee that the College should not borrow above 30% of turnover even though the LSC guidelines state that Colleges can and should

borrow up to 40% of turnover to fund major capital projects). The paper also proposals an additional borrowing contingency of a further £250k which would only be drawn down if required. If the facility was used, then College borrowing commitments would be at 32% of turnover.

17. It was agreed that there are significant educational benefits to be gained from the build, and based on a thorough review of the financial data made available, it was **RESOLVED** for the Director of Finance to make available for the next Board meeting a detailed paper outlining the proposal, its costs, borrowing requirements, with confirmation of affordability, to enable the Board to make a decision on whether to approve the revised budget for the Phase 1 Capital Project and to obtain an additional borrowing facility of £500k, and a provisional borrowing contingency of £250,000.
18. The Committee noted the updates made available on the Ashes Lane Project, Farm Visitor Centre, Canterbury, Maidstone, and Court Lane.
19. With reference to Maidstone site options, its was agreed to pursue the options listed in the report and discussed in details at the meeting and for a further update to be made available at the next meeting.
20. The Committee noted the update on the Detling Project and it was noted that Board approval would be required for any proposed 'Heads of Terms' between the College and KCAS.
21. Similarly, proposals for the College to acquire 'Produced in Kent' would need to be put to the Board for approval. The Director of Finance indicated that approval, with confirmation of the budget, could be ready to put to the March Board meeting for consideration.
22. An update was provided on the Sustainability Project (ERA) with confirmation that there could be a link between this possible capital project and Phase 2 of the College's capital project. Initial discussions with the LSC on Phase 2 are due to commence in January. Any firm proposal, with related budgets, would be subject to Board approval.
23. It was **RESOLVED** to note the Capital Portfolio Report.

TENDERS

24. The College termly report '*Tenders*' was received (copy attached to the signed minutes). The Committee received details of all tender outcomes with confirmation that the College's Financial Regulations were followed.
25. It was noted that some contracts were awarded to tenders that were not the lowest price tendered and explanations were made available to explain why the College decided not to accept the lower tender.
26. It was **RESOLVED** to amend the Tender Report to include the explanations made available to the Committee on the reasoning behind some of the decisions made not to award contracts to the lowest tender received.

BROADVIEW COMPLEX

27. The College report '*Broadview Complex*' was received (copy attached to the signed minutes). Following the use of an external consultant to review Broadview operations, and after implementing the recommendations made from the review, it was confirmed that sales have increased by 25% and the Broadview complex is in line with budgeted expectations (small loss to 30/9/07). Although significant improvements have been made, there still remains much to improve in line with the agreed development plan.
28. It was **RESOLVED** to note the report.

ANNUAL HUMAN RESOURCE REPORT 2006-07

29. The College report '*Annual HR Report 2006-07*' was received (copy attached to the signed minutes).
30. The report provided a detailed commentary on:
- College structure
 - Staff turnover
 - Staff profile – age, gender, ethnicity, disability and length of service
 - Absence
 - Staff disputes
 - Staff development
 - Benchmarking Data
 - Future Developments & Initiatives
31. The Committee noted the thoroughness of the report and noted the following key points:
- (i) Staff turnover was higher than the set target. All 49 leavers were subject to exit interviews. Of the 49 leavers, 10 were due to termination of contracts, as the individuals concerned did not meet required standards. The Principal confirmed that the College does not apologise for having in place exacting standards. A total of 15 leavers left for promotion elsewhere. 4 leavers stated that they left through dissatisfaction. The Principal confirmed that the College is not complacent on this matter and an HR action plan has been agreed with one of the aims being to achieve a staff turnover target of not more than 14% for 2007-08.
 - (ii) There is now an even distribution of the age profile amongst college employees.
 - (iii) There are more female staff compared to male (143/71)
 - (iv) Non-white staff is 3% and non-white British is 7.5% (compared against Kent & Medway data of 3.5% and 6.1% respectively)
 - (v) The average number of days sick per employee was 6.11 that compares favourably against the national average of 8.5 days.
 - (vi) There were no current staff disputes to report to the Committee.
32. It was **RESOLVED** to note the report.

STUDENT UNION ACCOUNTS

33. The Committee received accounts for the Students Union for 2006-07. Baker Tilly, the College's Financial Statement Auditor, conducted the audit. Although the accounts confirm an operational loss of £7,197, the Union holds general funds of £2,235
34. It was **RESOLVED** to note the student union accounts for 2006-07.

HEALTH & SAFETY

35. The Committee received the following reports (copies attached to the signed minutes):
- H&S Termly Report
 - Minutes of the H&S Committee held 1 October 2007
36. It was **RESOLVED** to note the H&S termly report.

PARTNERSHIP APPROVAL PROCEDURE

37. The College report '*Partnership Approval Procedure*' was received (copy attached to the signed minutes). It was resolved at the last meeting for the Clerk to liaise with the internal auditors and the Director of Finance to propose a set of procedures for approval by the Committee to oversee the development of partnerships; and that such procedures should be so designed to allow for flexibility and responsiveness on the part of the Executive whilst allowing for accountability and robust reporting to the governing body.
38. The Committee reviewed the proposed procedure, and it was **RESOLVED:**
- (i) To confirm in the procedure that any partnership with a proposed income of up to £50k can be authorised by senior management and any partnership of over £50k will require authorisation from the Board;
 - (ii) That subject to the above amendment, to approve the procedure for inclusion in the College's Financial Regulations; and
 - (iii) To note the report.

DATE OF NEXT MEETINGS

39. Tuesday 4 March 2008 @ 09.30

The meeting closed at 11.45.

Signed: _____ Date: _____
(Chair)

CURRENT F&GP SUMMARY ACTION LIST

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	Who
4	To receive a progress report on the feasibility of installing an ATM	DoF
12	It was agreed to receive at the next meeting a framework for the reporting on variances, either in advance or retrospectively.	DoF
19	With reference to Maidstone site options, its was agreed to pursue the options listed in the report and discussed at the meeting, and for a further update to be made available at the next meeting	DoF
20 & 21	Any confirmed proposal relating to either the Detling Project and Produced In Kent require Board approval	DoF
26	To amend the Tender Report to include the explanations made available to the Committee on the reasoning behind some of the decisions made not to award contracts to the lowest tender received	DoF
Agreed after the meeting	To review the Committee's Terms of reference and reporting framework	DoF