

**MINUTES OF THE MEETING OF THE FINANCE COMMITTEE  
HELD 23 JUNE 2016**

**Present:** Mr P Dubrow- Chair  
Mr C Porter  
Mr P Hannan

**In attendance:**

Mr J Allen	- Clerk to the Governors
Mr M Lumsdon-Taylor	- Group Director of
Ms P Powditch	- Assistant Director of Finance, MIS & ICT

The meeting started at. 11.00

**WELCOME, APOLOGIES & DECLARATION OF INTERESTS**

86. The Chair welcomed everyone to the meeting. There were no apologies. The Clerk confirmed the meeting was quorate. The Clerk advised that the membership of the WKAC Corporation and the Hadlow Group Board would be a standing declared interest at each meeting for Mr C Porter, Mr P Dubrow and Mr P Hannan.

**MINUTES**

87. Minutes of the Part I Finance & Resources Committee meeting held 25 February 2016 were **APPROVED** and the Chair was authorised to sign as an accurate record of the meeting.

88. The confidential minutes of the Part III Finance & Resources Committee meeting held 25 February 2016 were **APPROVED** and the Chair was authorised to sign as an accurate record of the meeting

**SUMMARY ACTION LIST & MATTERS ARISING**

89. The '*Summary Action List*' was received for review and the following updates were received:

<b>MIN REF &amp; DATE</b>	<b>DETAILS OF RESOLUTION/ACTION POINT</b>	<b>ACTION UPDATE TO BE PROVIDED AT MEETING ON 23 JUNE 2016</b>
20	Debt of £612,000 due from Marpaul when Marpaul become entitled to HCA grants – to keep the Committee informed on developments	Receipt is still expected by the target date of 31 July.
14	New structure for the finance function of the Hadlow Group to be confirmed	Structure chart was made available with confirmation given of the changes and new

		appointments. Caroline Buckley appointed Group Head of Finance and Caroline starts on 18 June.
50	The College is in the process of planning a new location for a farm shop and a further progress update would be made available at the next meeting	Addressed in agenda item 6(ii)
57	The tender report to be updated to include details of the location of some of the proposed tendered works and the reasons for the required works.	Addressed in Agenda item 7

90. There were no other matters arising from the minutes and it was **RESOLVED** to note the '*Summary Action List*'.

91. Under matters arising an update was given on a letter received from the Department of Education (DfE) regarding the financial performance of the Hadlow Rural Community School. It was confirmed the College has made a response to the letter that addressed all the points raised by the DfE. Further updates would be made available to the Committee if there was any further correspondence on this matter from the DfE.

## FINANCIAL PERFORMANCE REPORT

92. The College '*Performance Report*' for up to Period 9 (30/04/16) was received. The report covered the following:

- College Operations to date (30/04/16)
  - Income & Expenditure Account & balance Sheet
  - Cash flow actual to date
  - Capital expenditure to date
- Projections to 31 July 2016
  - Income and Expenditure projection to 31 July 2016
  - Capital budget projections to 31 July 2016
  - Cash flow projections to 31 July 2016
- Performance Indicators and Risk Assessment
- Appendices
  - Headline management accounts to 30 April 2016
  - Detailed cash flows including projections to 31 July 2016
  - Headline capital reports including projections to 31 July 2016
  - Detailed I&E projections to 31 July 2016

93. The following key points were noted:

- (i) The College is showing a £267k surplus against a profit of £182k budgeted for the period (9 months)
- (ii) The Hadlow Group net profit at the end of period 9 stands at £187k.
- (iii) Commercial arms show a net profit of £62k against the budget of £96k for the period. The key factor behind the failure to meet the budget was due to the fall in the price of milk with the College losing 3 pence on every litre produced. This price change has hit the budget by £62k.
- (iv) College cash flow is forecast to be £1,200m against the budget £1,550m as at 31 July, a negative variance of £350k

- (v) Revenue capital spend is in line with the agreed budget
- (vi) The year-end forecast surplus for Hadlow College is £301k against the budget of £346k, a negative variance of £45k.
- (vii) The Group surplus at year-end is forecast at £246k against the budget surplus of £375k, a negative variance of £131k.
- (viii) Total core borrowing stands at £4,271,000; 22% of College turnover on a projected Hadlow College turnover of £19,629,000.

94. It was **RESOLVED** to note the '*Performance Management Report*'.

## **COLLEGE GROUP BUDGET 2016/17 & 2 YEAR FINANCIAL FORECASTS**

95. The '*College Group Budget 2016/17*' and '*2 Year Financial Forecasts 2016/17 – 2017/18*' were received. To support the proposed budget, the Group Director of Finance made available a presentation and it was confirmed the presentation would also be made available at the July Corporation meeting.

96. The proposed budget continues the 14<sup>th</sup> year trend of returning positive budgets which was welcomed by the Committee. The budget takes into account continued control of staffing positions and a tight control of expenditure for the Group within appropriate controls in turnover (student growth targeted) with the expansion of new segments.

97. In summary, Hadlow College core operations (commercial and education) is forecast to have a turnover of £17,840m with an operating surplus of £334k.

98. The budget outlined a clear vision for the enlarged Group with appropriate risk structures and contingency to ensure all targets are adhered to.

99. The College Group financial objectives are structured to ensure a virtuous circle of positive financial performance; surplus, liquidity, debt management & stable reserves. The fundamental risks for the Hadlow College relate to the achievement of the target for Further Education recruitment (16-18: 1,100), Higher Education numbers of 650; and continued containment of cost base.

100. It was confirmed that five key fiscal drivers underpin the budgetary process, these being:

1. All Curriculum divisions must return a baseline contribution of 50%
2. All Curriculum divisions must return and show net 5% growth in either FE or HE student count
3. Net contribution from core business must be equal to or greater than commercial net profits
4. All College overhead, unless specifically cannot grow by more than 5%
5. Any commercial loss positions must show improvement of baseline 25% for the forthcoming year (against in year budget)

101. Benchmark staff expenditure as a % of income was 51% for the land-based sector and 63% for general and further education. The Hadlow College Budget has staff costs at 50% of turnover. College staffing costs remain on benchmark with the

sector average. The College has adopted its own performance awards and no longer follows AoC recommendations.

102. Student numbers must be met as the College's profitability is geared on achievement of student targets.

103. College Group commercial divisions contribute a significant percentage to the projected surplus. The forecast surplus from commercial divisions is £301k.

104. The risk and sensitivity analysis confirmed the following 'High' risks:

- HEFCE Main Recurrent Grant envelop is not achieved
- Budgeted levels of tuition fee income are not achieved
- Pay expenditure is exceeded

105. The risk and sensitivity analysis confirmed the following 'Medium' risks:

- 16-18 Student numbers are not achieved – The College is protected as part of the WKAC acquisition agreement but any shortfall will impact on future years due to lagged funding
- Funding methodology effects core growth and reductions in 19+ funding
- Indirect costs for ad hoc projects/external influences affect operational costs and cash flow
- Other income streams fail to deliver in both revenue and profit
- Net income from Commercial activities is not achieved

106. The budget paper outlined the actions to be taken to mitigate against each of the 'High' and 'Medium' risks.

107. The College Capital Programme 2016/17 is divided into two segments:

- Hadlow College Core Investments of £1,420,000 – to be funded through £600k SELEP Grant, £50k Leader Grant, £550k hire purchase, and £220k from reserves
- - £11,400,000 to be funded through Grants (Betteshanger £7,394,000 and Rural School £5,767.000)

108. It was also noted that the proposed capital budget expenditures are still dependent on a number of quotations yet to be received so there may be a change to the overall total. Any cost changes required to the Capital Programme would be brought to the Committee's attention.

109. Hadlow College is forecast to show a £1,200,00 bank balance as at 31 July 2016 rising to £1,500,000 by 31 July 2017.

110. The forecasts in the '*2 Year Financial Forecasts*' were completed in the template prescribed the Skills Funding Agency although there are issues with the template with software errors still yet to be resolved. The forecasts for Hadlow College confirm a financial health assessment of 'Good' for each year of the forecast.

111. It was **RESOLVED** to recommend that the Board, at its meeting on 14 July 2016, approves:

- (i) Hadlow Group Budget 2016/17; and
- (ii) Hadlow College Commentary & 2 Year Financial Forecast 2016/17 and 2017/18

112. The Chair placed on record the Committee's appreciation of the detail of the first Hadlow Group Budget and congratulated the finance team for the work undertaken to make available the budget.

## **CAPITAL PORTFOLIO AND ESTATES UPDATE**

113. The College paper '*Capital Portfolio and Estates Update*' was received. The report provided the Committee with a progress update on internal and external capital projects.

114. The Committee was informed the application request for £500k from Garfield Weston for the Betteshanger project had been awarded and the Committee welcomed this development. A total of £1.3m is still being sought to bridge the gap funding for the project and this is being pursued through additional funds and grant opportunities.

115. The Group Director of Finance was able to confirm to the Committee that he had just received confirmation during the meeting of the award of £1,312m from the Heritage Lottery fund for the Betteshanger project. Again the Committee congratulated the Group Director on achieving the award. It was noted that this was not part of the £1.3m still being sought to fund the funding gap for the Betteshanger project.

116. The Committee considered the report and proposal relating to Leybourne Lakes Country Park that is currently owned by Tonbridge and Mailing District Council (TMBC). The proposal is for Hadlow College to enter into a partnership agreement with TMBC in which the resource is developed and managed by Hadlow College.

117. The Committee sought assurances that there is capacity within the Group to provide leadership and management of this project. In response it was confirmed the management of the Leybourne Lakes team, the development of the curriculum offer and the management of the relationship with TMBC is to be led by the Director of Betteshanger Sustainable Parks who has capacity to lead on this project.

118. It was **RESOLVED** for the Executive Team to progress the development of a detailed partnership proposal with TMBC for the management and operation of Leybourne Lakes Country Park.

119. It was noted there were no other resolutions for the Committee to consider and it was **RESOLVED** to note the report.

## **TENDERS**

120. The College termly report '*Tenders*' was received. Under College regulations, any quotes over £50,000 require sign off and approval from the Chair of the Board. The report provided the Committee with a summary of actual tenders, anticipated tenders and tenders in progress.

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

## HUMAN RESOURCE EXCEPTIONAL REPORT

122. The Committee received the termly '*HR Exceptional Report*'. The report informed the Committee on the number of leavers and starters, provided an update on staff absence, pay and benefits, and other HR matters.

123. No issues of concern were reported to the Committee and it was **RESOLVED** to note the report.

## HEALTH & SAFETY

124. The following reports were received:

- Health & Safety June 2016 Report that reported on operational matters, Health & Safety management; data reporting; and strategic developments
- Minutes of the Health & Safety Committee meeting held 18 May 2016

125. No issues of concern were reported to the Committee. It was **RESOLVED** to note the termly report on Health & Safety.

## MONITORING OF COLLEGE PERFORMANCE

126. The College report '*Monitoring of College Performance*' was received (copy attached to the signed minutes). The Committee is responsible for making assessments in the two areas of finance & estates; and staff & human resources.

127. Against the 14 agreed performance indicators for the area of finance & estates, one 'Amber' assessment was recorded against debtor days. All other assessments were confirmed as 'Green'. It was **AGREED** to inform the Board of a 'Green' assessment (No concern/No risk) against finance and estates.

128. Against the 9 agreed performance indicators of the area of staff & human resources, an 'Amber' assessment was recorded against current staff vacancies. It was **AGREED** to inform the Board of a 'Green' assessment (No concern/No risk) against Staff & Human Resources

129. It was **RESOLVED** to inform the Board of the following assessments:

Finance & Estates	<b>No Risk/No Concern</b>
Staff & Human Resources	<b>No Risk/No Concern</b>

## ANY OTHER BUSINESS

130. There was no other business.

## DATE OF NEXT MEETING

131. Friday 18 November 2016 @ 09.30 at **HADLOW**

The meeting closed at 1300

Signed: \_\_\_\_\_ Date: \_\_\_\_\_