

**MINUTES OF THE OF MEETING OF THE FINANCE,
COMMERCIAL & RESOURCES COMMITTEE HELD 29 NOVEMBER 2013**

Present: Mr P Dubrow Chair
Mr P Hannan
Mr C Potter
Ms S Shelton
Mr N Coffin

In attendance Mr J Allen Clerk
Mr M Lumsdon-Taylor Director of Finance & Resources
Ms L Brown Vice Principal
Mr J Ericson Baker Tilly

The meeting commenced at 09.30.

WELCOME, APOLOGIES FOR ABSENCE & DECLARATION OF INTERESTS

1. Welcome was made to Mr N Coffin who was attending his first meeting of the Committee. There were no apologies. There were no declared interests against any agenda item.

MINUTES

2. It was **RESOLVED** that the minutes of the meeting of the Committee held 27 June 2013 be approved as a correct record and signed by the Chair.

MATTERS ARISING

3. There were no matters arising from the minutes

ANNUAL HUMAN RESOURCE REPORT 2012/13

(Ms S Wisdom, HR Manager, was in attendance for just this agenda item)

4. The College report 'Annual HR Report 2012/13 was received (copy attached to the signed minutes). The report provided a detailed commentary on:
 - Staff turnover
 - Staff profile – age, gender, ethnicity, disability and length of service
 - Absence
 - Staff disputes
 - Staff development
 - Benchmarking Data
 - Future Developments & Initiatives
5. The Committee welcomed the thoroughness of the report and noted the following key points:

- (i) Staff turnover was at 16% compared with 20.5% for the same period last year. The current turnover is in line with the sector average confirmed in published data from the Association of College.
 - (ii) The staff absence rate stands at 7.12 working days per employee, and although a 1.4% increase on last year, is still 0.48% below the national average.
 - (iii) There continues to be an even distribution of the age profile amongst college employees.
 - (iv) There are more female staff compared to male (201/104).
 - (v) Non-white staff is 2% and non-white British is 4% (compared against Kent & Medway data of 6.9% and 11.5% respectively).
 - (vi) The Committee welcomed the news of the College winning its case in the recent Employment Tribunal hearing.
6. It was **RESOLVED** to note the report and the Committee wished Ms Wisdom well for her future when she leaves the College.

FINANCIAL STATEMENT AND YEAR END ACCOUNTS 31 JULY 2013

7. The '*Financial Statements and Year End Accounts 31 July 2013*' were received (copy attached to the signed minutes). In attendance was Mr J Ericson (Baker Tilly). Attached to the accounts was the '*Audit Findings Report*' that was considered by the Audit Committee. As the agenda item was reporting on the Group, also made available were the year-end accounts for the Students Union and Social Club, the Hadlow Rural Community School, and Produced in Kent (copies attached to the signed minutes). Also made available under this agenda item was the '*College's Accounting Policy*' and the report '*Tax Advice reference Hadlow College*' issued by Baker Tilly (copies attached to the signed minutes).
8. The Financial Statements confirmed that against the College budget of a surplus of £250k for 2012/13, the College achieved an operating surplus of £164k.
9. It was confirmed that the College would retain a 'Good' financial rating at 31 December 2013 as submitted to the Skills Funding Agency.
10. The '*Audit Findings Report*' confirmed an unqualified opinion on both the financial statements and regularity audit with no control issues identified. It was reported to the Committee that a current valuation for Betteshanger is required for inclusion in the Balance Sheet. The Director of Finance confirmed to the Committee that a valuation has been conducted and the outcomes should be made available to the auditors upon completion. The Committee requested that all efforts be made to Ensure the valuation is received promptly. The College Financial Statements will show an additional capital value and a corresponding income in revaluation reserves. Presented assets will include the re-evaluation (To submit to SFA).
11. The auditor brought to the attention of the Committee the issues around Corporation tax and VAT on the commercial activities of the College. The tax advice outlined in the report from Baker Tilly was noted and the Committee agreed with the conclusions in the report. It was **RESOLVED** for the Director of Finance to provide a full report to the Committee on future expected tax liabilities of the Hadlow Group.

12. It was **RESOLVED**

- (i) To recommend that the Board at its meeting on 12 December 2013 approves the College's '*Financial Statement and Year End Accounts 31 July 2013*';
 - (ii) To note the '*Audit Findings Report*' from Baker Tilly;
 - (iii) To note the College's Accounting Policy;
 - (iv) To note the year-end accounts for the Student Union & Social Club;
 - (v) To note the year-end accounts for the Hadlow Rural Community School;
 - (vi) To note the year-end accounts for Produced in Kent; and
 - (vii) To note the tax advice given by Baker Tilly on the Group's commercial activities;

PERFORMANCE REPORT

13. The College '*Performance Report*' for up to Period was received (copy attached to the signed minutes). The report covered the following:
- College Operations to date (31/10/13)
 - Income & Expenditure Account & balance Sheet
 - Cash flow actual to date
 - Capital expenditure to date
 - Projections to 31 July 2014
 - Income and Expenditure projection to 31 July 2014
 - Capital budget projections to 31 July 2014
 - Cash flow projections to 31 July 2014
 - Performance Indicators and Risk Assessment
 - Appendices
 - Headline management accounts to 31 October 2013
 - Detailed cash flows including projections to 31 July 2014
 - Headline capital reports including projections to 31 July 2014
 - Detailed I&E projections to 31 July 2014
14. The following key points were noted:
- (i) The College is showing a £45,000 profit for the period (2 months) against the budget of £40,666.
 - (ii) The Group is showing a profit of £63,000.
 - (iii) College cash flow remains in line with projections.
 - (iv) Revenue capital spend is in line with the agreed budget.
 - (v) Total borrowing stands at 30% of College turnover. The College's present fiscal rule is not to borrow above 30% global.
15. The main risk to the budget is the financial impact of lower than budgeted HE student recruitment (variance of 100 against the recruitment target) and continued retention of HE learners through the year. Against the shortfall of income of £750k, savings have been identified from consumables (£359k), freezing vacancies (£90k); staffing (£74k); and the freezing or partially

implementing the pay award (£20k). Reserves of £177k will be used to offset the loss of income should retention fall below 90%. The Committee welcomed the remedial action taken to address the shortfall in HE income and it was agreed for the Committee to monitor closely HE performance against budget.

16. The Principal confirmed that undertaking a strategic review of HE provision and marketing is a key priority for the Executive.
17. It was **RESOLVED** to note the Performance Report.

CAPITAL PORTFOLIO UPDATE

18. The College paper '*College Capital Portfolio Update*' was received (copy attached to the signed minutes). The report provided the Committee with a progress update on internal and external capital projects. Also received were the minutes of the first meeting of the Betteshanger Sub Group (copies attached to the signed minutes). A further progress update was made available to the Committee on possible additional funding support from Coastal Communities. The Principal outlined the current thinking of appointing two project directors to support the Betteshanger project. One post would focus on capital projects and the other would focus on the community, business, and curriculum. Both posts would report to the Director of Finance who would still maintain a strategic oversight of the project dealing with funding and key stakeholders.
19. It was noted that there were no resolutions for the Committee to consider and it was **RESOLVED** to note the report.

PROJECTS AND PARTNERSHIPS PORTFOLIO UPDATE

20. The College report '*Projects and Partnerships*' was received (copy attached to the signed minutes). The report provided a progress update on the following:
 - Canterbury
 - Mottingham
 - Greenwich
 - Medway Project
 - Court Lane Nursery
 - Free School
 - Pre-School
 - Produced in Kent
 - Commercial Operations
 - Exceptional Developments
21. The Committee received a short presentation on developments at Court Lane Nursery and drawings were reviewed for the Medway Campus
22. Drawings for the location of the Free School were received and noted and an update was made available on the current planning application.
23. It was **RESOLVED** to note the 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 **RESOLVED** to note the report.

HEALTH & SAFETY

26. The Committee received and noted the Health & Safety termly Report November 2013 and the minutes of the Health & Safety Committee held 12 June 2013. It was agreed to ask the College's Health & Safety Co-Ordinator to attend future meetings to present the report.
27. It was **RESOLVED** to note the report.

MONITORING OF COLLEGE PERFORMANCE

28. 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.
29. Against the 14 agreed performance indicators for the area of finance & estates, three 'Amber' assessments were confirmed for cash generated; forecast year-end outturn against set budget; and creditor days. Following questioning from the Committee, the Director of Finance confirmed that the filling of staff vacancies in the Finance Department would address the delays that have occurred in the payment of invoices. It was noted all other assessments were confirmed as 'Green'. Due to the high risk of HE recruitment and HE retention having a negative impact on the forecast year-end surplus, it was agreed to inform the Board of an 'Amber' assessment (some concern/some risk) against finance and estates.
30. Against the 9 agreed performance indicators of the area of staff & human resources, 'Green' assessments were confirmed against 8 performance indicators with an 'Amber' assessment made against employment disputes to reflect the potential risk of one ex-employee threatening a tribunal claim against the College as reported in the Annual HR Report.
31. It was **RESOLVED** to inform the Board of the following assessments:

Finance & Estates	Some Risk/Some Concerns
Staff & Human resources	No Risk/No Concerns

ANY OTHER BUSINESS

32. The Principal updated the Committee on a Freedom of Information request that has been made to the Skills Funding Agency that would involve the release of some information relating to the College. The Committee agreed with the actions proposed by the Principal.

GROVE FARM

33. All governors had been emailed this week with a progress update on Grove Farm and governors were in receipt of the College report '*Grove Farm*' (copy attached to the signed minutes). Governors were asked to consider the resolutions being proposed and to make available any comments for consideration at this meeting. The Clerk confirmed that positive comments had been received with no negative views expressed.
34. As previously approved by the Board, the College has proceeded with the acquisition of Grove Farm. A new separate entity has been created under the title of 'Grove farm parks limited'. This is a wholly owned subsidiary of Hadlow College and serves as a financial vehicle for the mortgage debt for the purchase of grove farm (residential). The Board approved borrowing of £4.5m to acquire grove farm and the College report provided an audit trail of previously agreed resolutions relating to Grove Farm.
35. However, under close review, the proposal is to reduce the agreed debt to £4m to mitigate risk and also to enable Hadlow College to have the benefits of the site without the increased level of debt. The existing rental agreement will be void and a new agreement has been outlined, on the basis of commercial income general. This also reduced the remaining rentals down substantially.
36. The College will be borrowing £4million for the purchase of 75% holding of the centre. £300,000 will be ring fencing for a further % acquisition (giving grove farm liquidity) with £500,000 being invested in the new building to generate commercial revenue.
37. A lease with the College will be agreed, whereby the College pays Grove Farm Parks limited £238,000 per annum in rent, being the bank repayments for the debt (excluding the short term loan of £300,000) any other costs will be funded via the commercial income generation.
38. The loan, excluding the capital investment (£3.2million) amounts to annual repayments of £210,000 being marginally lower than the original rental agreement.
39. The £3.7m loan is a fixed term loan for 20 years with the £300,000 being repayable within 3 years. For the £3.7m loan the interest margin will be 2% above LIBOR with an arrangement fee of 0.75%. There will be a review of the margin at 5 years. For the £300k loan the margin will be 1.8% above the base rate with an arrangement fee of 0.5%.
40. The current charge on title from Marpaul will be removed upon conclusion of the transaction giving the bank the full legal fixed charge.
41. It was confirmed the bank requires formal agreement from the Board before proceeding with the drawdown of funds.
42. Following review, and taking into account the views received from Governors, it was **RESOLVED** to approve the following resolution and wording required by the bank:

THAT (after full and careful consideration of the terms of the Guarantee detailed hereunder; the nature and scale of the liabilities to be undertaken thereby; and of the commercial and financial consequences direct and indirect of the execution of such Guarantee, so far as they affect the Company) it is in the best interests of and to the advantage and further benefit of the Company and is most likely to promote the success of the Company for the benefit of its members as a whole to guarantee to Barclays Bank PLC the liabilities to the said Bank of any one or more of the companies (except this Company) detailed in the said Guarantee the schedule of which is reproduced in the attachment to these minutes.

THAT such Guarantee, being in the form currently required by the said Bank, be approved

THAT the Company should execute the Guarantee by affixing its common seal in the presence of one governor and the company secretary who are hereby authorised to affix and attest the seal or, acting in accordance with all applicable statutory provisions, sign the Guarantee as a deed.'

DATE OF NEXT MEETING

43. Thursday 13 March 2014 @ 09.30

The meeting closed at 11.45

Signed: _____ Date: _____
(Chair)

CURRENT FC&R SUMMARY ACTION LIST

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	REVIEW DATE
10	Valuation of Betteshanger to be made available to finalise Financial Statement	13/3/14
11	Director of Finance to provide a full report to the Committee on future expected tax liabilities of the Hadlow Group	13/3/14
15	The Committee to monitor closely HE performance against budget.	13/3/14