

**MINUTES OF THE PART I MEETING OF THE FINANCE &  
GENERAL PURPOSES COMMITTEE**

**HELD 12 NOVEMBER 2010**

Present:	Mr P Dubrow	Chair
	Mr G Charlton	
	H Guntrip	
	Mr P Hannan	
	Ms S Shelton	
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.

**APOLOGIES FOR ABSENCE, DECLARATION OF INTERESTS & UPDATE**

1. No apologies were received. There were no other declarations of interest against any agenda item. The Chair welcomed both S Shelton and L Brown to their first meeting of the Committee.
2. It was agreed to record this minute as a confidential Part III minute not for circulation to the public.

**MINUTES**

3. It was **RESOLVED** that the minutes of the meeting of the Committee held 24 June 2010 be approved as a correct record and signed by the Chair.

**SUMMARY ACTION LIST & MATTERS ARISING**

4. The College report '*Summary Action List*' was received (copy attached to the signed minutes).
5. It was confirmed that all action points are either agenda items or have been actioned. The only exception is a decision on the pay award for 2010/11 as no national agreement has yet been reached. It was agreed to defer this to the December Board meeting.
6. It was **RESOLVED** to note the Summary Action List

**FINANCIAL STATEMENT AND YEAR END ACCOUNTS 31 JULY 2010**

6. The '*Financial Statements and Year End Accounts 31 July 2010*' 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 will be considered by the Audit Committee.

7. The College achieved a strong operational surplus for 2009/10 the 8<sup>th</sup> year of a consecutive operating surplus. The draft accounts confirm a College operating surplus of £412k pre FRS17 with College reserves of £11,616,000. The College's turnover grew by 22% in 2009/10 (an increase of £2,710,000)
8. The '*Audit Findings Report*' confirmed an unqualified opinion on both the financial statements and regularity audit with no audit recommendations.
9. It was **RESOLVED** to recommend that the Board at its meeting on 16 December 2010 approves the College's '*Financial Statement and Year End Accounts 31 July 2010*'
10. As this was the last meeting for the current Lead Partner due to the requirement to change Lead Partners after 7 years, the Committee asked for the minutes to record their appreciation of the work of Mr Jonathan Ericson during his time as the Lead Partner.

*(Mr J Ericson left the meeting at this point)*

## **STUDENT ACCOUNTS**

11. The Committee received and noted audited accounts for Hadlow College Student Association and Hadlow College Social Club (copies attached to the signed minutes).

## **PERFORMANCE REPORT**

12. 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 (30/9/10)
    - Income & Expenditure Account & balance Sheet
    - Cash flow actual to date
    - Capital expenditure to date
  - Projections to 31 July 2011
    - Income and Expenditure projection to 31 July 2011
    - Capital budget projections to 31 July 2011
    - Cash flow projections to 31 July 2011
  - Performance Indicators and Risk Assessment
  - Appendices
    - Headline management accounts to 30 September 2010
    - Detailed cash flows including projections to 31 July 2011
    - Headline capital reports including projections to 31 July 2011
    - Detailed I&E projections to 31 July 2011
13. The following key points were noted:
  - (i) The College is showing a £94,000 loss against a £40,000 loss budgeted for the period (2 months). Associated actions have been implemented to move the position to profit for the year end as outlined in detail in appendix 5 of the College report.

- (ii) Actual SFA student numbers were 924 against the allocation of 906, a positive variance of 18
  - (iii) Actual HEFCE student numbers were 581 against the budget of 580, a negative variance of 1.
  - (iv) College cash flow remains ahead of planned budget.
  - (v) Revenue capital spend is in line with the agreed budget
  - (vi) Overall income is forecast to be £13,091,000 against the agreed budget of £13,174,000, a negative variance of £83k.
  - (vii) Total expenditure is forecast to be £13,081,000 against the agreed budget of £13,024,000, a negative variance of £57k.
  - (viii) The year-end forecast of an operating surplus of £10k against the budget of £150k, a negative variance of £140k. After taking into account net commercial activities, the net college profit is projected at £100k against the budget of £250k, a negative variance of £150k.
  - (ix) Total borrowing stands at £4,6m, 29.5% of College turnover. The College's present fiscal rule is not to borrow above 30% global.
14. As this was the first time for a significant period that an operating loss was being forecast, the Committee asked for further explanations on the reasons behind the net outturn position of a loss of £94k against the budget loss of £40k.
15. In response the Director of Finance listed the following reasons:
- Shortfall in fees (especially part-time fees) and a shortfall in Schools income (circa £20k)
  - Shortfall in other income generation of circa £10k
  - Staff costs above the budget by circa £20k as a result of the budget being front loaded
  - Increased expenditures in estates and central by £25k due to increased demands.
16. The Director of Finance was able to report that the actions being taken to address the current loss have resulted in an improvement in forecasts for period 3 where the operating loss is forecast at £74k, an improvement of £20k.
17. It was agreed that if there is no indication of an improvement in the year-end forecasts then a special meeting of the Committee should be held early in the New Year.
18. It was **RESOLVED** to note the Performance Report.

## **COMPREHENSIVE SPENDING REVIEW**

19. The College report '*Comprehensive Spending Review*' was received (copy attached to the signed minutes). The report gave the Committee an analysis of the impact of the spending cuts arising from the Review. The report is a precursor of what will be in the budget statement made to the Board next March.
20. Cash generation of a minimum of £150k is required as the 2010/11 budget was set as a break even budget. The new structure and associated costs were predicated upon growth but the CSR is going to result in reduced funding. Difficult and necessary decisions will be required to ensure sufficient cash generation is in place. Whilst the College shows basic profitability, the key

concern remains that of cash flow generation especially as the College faces annual bank interest payments of £250k along with hire purchase and lease costs of £150k per year.

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

### **ESTATES COMMITTEE**

22. The minutes of the Estates Committee held 30<sup>th</sup> September 2010 were received and noted (copy attached to the signed minutes). Since the meeting it was confirmed that written confirmation of planning permission for Maidstone has been received.
23. Confirmation was sought on the arrangements for Section 106 and it was agreed to check with Maidstone Borough Council where the Section 106 money is to go.

### **PRIORITY CAMPUS WORKS – CAPITAL & DEBT POSITION**

24. The College paper '*Priority Campus Works*' was received (copy attached to the signed minutes). The Committee is being asked to approve the proposed loan and debt position for 2010/11.
25. It is proposed, following the sale of the Maidstone site, that the College debt and solvency position be as follows:

£4,100,000	Current debts
£ 500,000	Requirement for in year debt made up of £150k for IT; £150k capital development costs; and £200k to mitigate against the revenue impact of funding cuts arising from the CSR)
<b>£4,600,000</b>	<b>As at 31 July 2011</b>

26. The re-organisation of debt to be:
- £3,450,000 fixed debt with capital repayments to commence 31<sup>st</sup> August 2011.
  - £1,150,000 variable structured debt at 1.75% above Base Rate (but could be reduced further to 1.5%) as against the current fixed rate of 4% with the loan provided over a 5 year interest only term.
27. The Committee noted the terms confirmed and outlined in a letter from Barclays Bank dated 22 October 2010 (Appendix 4 in the College report).
28. The Committee noted the forecasts in Appendix 1 of the College report that confirmed that over the period 2010/11 to 2014/15 the fiscal rule of borrowing not exceeding 30% of turnover is maintained throughout.
29. Based on the forecasts made available in the College report, and based on the conditions outlined by the College bankers, the Committee **RESOLVED** to approve the re-organisation of the College debt.
30. It was further **RESOLVED** that in light of the CSR, the fiscal rule of borrowing no more than 30% of turnover should be subject to review with a target of 25% being considered.

## **CAPITAL PORTFOLIO**

31. The College report '*Capital Portfolio*' was received (copy attached to the signed minutes). The report provided the Committee with a progress update on all current capital projects:
- Canterbury
  - Mottingham
  - Maidstone
  - Cozenton project
  - Court Lane Nursery
  - Detling project
  - Grove Farm
  - Farm Shop at Marchant's Farm
  - Dover/Betteshanger
  - Other key Projects & Partnerships
32. Clarification was sought on minute 9 from the meeting of the Estates Committee held 30 September 2010 where it was requested that demand/population analysis be undertaken to support the proposal. It was confirmed that the analysis was currently being undertaken and will be presented at the next meeting of the Estates Committee scheduled this December.
33. The Committee agreed that there must be long-term sustainability of the project with no risk to the main Hadlow College operation. In response the Director of Finance confirmed that if the project proceeds, Betteshanger would be structured as a separate company to Hadlow so that projection is given to the core of the College business. It would be treated as a separate corporate entity with a separate corporate strategy and structure. The Committee noted and welcomed this assurance.
34. It was **RESOLVED** to note the report.

## **PRIORITY WORKS – NORTHBOURNE DEVELOPMENT**

35. As the design team were not in attendance it was agreed to defer the presentation on design language of Northbourne redevelopment to the next meeting of the Estates Committee.

## **ANNUAL HUMAN RESOURCE REPORT 2009/10**

36. The College report '*Annual HR Report 2009/10*' was received (copy attached to the signed minutes). The HR manager presented the report.
37. 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

38. The Committee noted the thoroughness of the report and noted the following key points:

- Staff turnover dropped at 16% against the average for South East Colleges of 13.9% (AoC figure).
- There is now an even distribution of the age profile amongst college employees.
- There are more female staff compared to male (206/99).
- Non-white staff is 3.6% and non-white British is 5.9% (compared against Kent & Medway data of 3.5% and 6.1% respectively).
- The average number of days sick per employee dropped from 9.15 days last year to 6.29 days this year and is almost 1.5 days per employee lower than the national average...
- There is currently a manager on suspension pending a disciplinary meeting.

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

## **TENDERS**

40. 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.

41. The report confirmed that all the tenders listed as being accepted were the lowest submitted tender price.

42. The Committee received a proposal (copy attached to the signed minutes) that the current contract with ABM be extended for a further 3 years up to 2015 following an additional investment of £30k from ABM for evening service for students.

43. The Committee received for information purposes an update on a proposal for ABM to manage the Broadview tearoom thereby mitigating all staff risk and exposure from Hadlow. Losses will be indemnified, An investment of £10k would be made by ABM and a profit sharing arrangement is to be negotiated.

44. After discussion it was **RESOLVED**:

- To approve the extension of the ABM catering contract for a further 3 years to 2015;
- To agree in principle to the proposal for ABM to take over the running of Broadview tearooms and to authorise the Senior Management Team to negotiate the transfer of Broadview tearoom to ABM subject to
  - that the development of Broadview team room has to be linked with the main restaurant in terms of local produce, sustainability and other core principles agreed between the College and ABM;
  - that any development of the tearooms must be part of the student experience and needs to be part of the curriculum mix;

- c) Any proposal from ABM must address the need to ensure the public have access to refreshments during opening hours and that there is in place a strategy to deal with ensuring waiting times for service are kept to a minimum;
- (iii) To keep the Committee informed on Broadview tearoom developments; and
- (iv) To note the report.

**HEALTH & SAFETY**

- 45. The Committee received and noted the Health & Safety termly Report November 2010.

**MONITORING OF COLLEGE PERFORMANCE**

- 46. The College report ‘*Monitoring of College Performance*’ was received (copy attached to the signed minutes). The F&GP Committee is responsible for making assessments in the two areas of finance & estates; and staff & human resources.
- 47. Against the 15 agreed performance indicators for the area of finance & estates two red assessments were confirmed for operating surplus and current assets to liabilities ratio. In addition three amber assessments were made on cash generated, forecast year-end outturn, and cash days in hand.
- 48. Against the 11 agreed performance indicators of the area of staff & human resources, one amber assessment was recorded against current employment disputes.
- 49. The reasons for each red and amber assessment, with an outline of corrective action being taken, were noted.
- 50. It was **RESOLVED** to inform the Board of the following assessments:

Finance & Estates	<b>Some Risk/Some Concerns</b>
Staff & Human resources	<b>No Risk/No Concerns</b>

**DATE OF NEXT MEETING**

- 51. Thursday 17 March 2011 @ 09.30

The meeting closed at 11.00.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
 (Chair)

### CURRENT F&GP SUMMARY ACTION LIST

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	REVIEW DATE
119(v)	The budget incorporates a pay award for 2010/11 but no decision for the Board to consider and approve on the amount of the award will be made until the outcomes of national pay negotiations are known.	Board 16/12/10
17	It was agreed that if there is no indication of an improvement in the year-end forecasts then a special meeting of the Committee should be held early in the new year.	Early new year
23	To check with Maidstone Borough Council where the Section 106 money is to go.	17/3/2011
30	In light of the CSR, the fiscal rule of borrowing no more than 30% of turnover should be subject to review with a target of 25% being considered.	17/3/2011
35	To defer the presentation on design language of Northbourne redevelopment to the next meeting of the Estates Committee.	Estates Committee 8/12/10
44 (iii)	To keep the Committee informed on Broadview tearoom developments;	17/3/11