



HADLOW
COLLEGE

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**MINUTES OF THE FINANCE &
GENERAL PURPOSES COMMITTEE
HELD 24 JUNE 2010**

Present: Mr P Dubrow -Chair
Mr G Charlton
Mr V Patel
H Guntrip
Mr P Hannan

In attendance: Mr J Allen -Clerk
Mr M Lumsdon-Taylor -Director of Finance & Resources

The meeting commenced at 09.30.

APOLOGIES FOR ABSENCE & DECLARATION OF INTERESTS

111. There were no apologies. H Guntrip declared an interest against agenda item 6 (iii) as a Director of Southern Wood Pellets. G Charlton declared an interest in his capacity of being a Board member at KCAS against agenda item 6(iii). The Clerk confirmed that the meeting was quorate.

MINUTES

112.

- (i) It was **RESOLVED** that the Part 1 minutes of the meeting of 11 March 2010 be approved as a correct record and signed by the Chair; and
- (ii) It was **RESOLVED** that the confidential Part III minutes of the meeting of 11 March 2010 be approved as a correct record and signed by the Chair.

SUMMERY ACTION LIST AND MATTERS ARISING

113. The 'Summary Action List' was received (copy attached to the signed minutes).

MIN REF & DATE	DETAILS OF RESOLUTION/ACTION POINT	FOLLOWING UPDATES WERE MADE AVAILABLE
13	F&GP to approve the long-term lease for Cozenton	Update provided under agenda item 6(iii)
33	To make available to the Board at the May Strategy Day an updated Budget/Recession paper to help the Board to make informed decisions on future strategic & financial forecasts.	Covered through the SWOT analysis undertaken at the strategy day this has been incorporated in the DoF's 'Economic Review Report' which will be made available at the July Board meeting.
88	It was agreed for the commercial framework to be reviewed annually at the spring meeting of the Committee	To be incorporated into the schedule of business 2010/11

93	College's Internal Audit Service to conduct a review of the internal controls that are in place to oversee the use of College credit cards and to report outcomes of their review to the Audit Committee	It was confirmed that this review has been included in the Audit Plan for 2010/11 and outcomes of the review will be reported to the Audit Committee.
84(i)	For the Director of Finance & Resources to make available at the March Board meeting an overview on the headline issues discussed at both the Estates Committee & F&GP Committee to enable governors to be aware of the context and background against which they are being asked to make decisions on	Overview given at the March Board meeting and Governors Strategy Day held 26 th May 2010
84(ii)	To seek Board approval at its meeting on 25 March 2010 on the proposed direction of travel for: <ul style="list-style-type: none"> - Maidstone Disposal - Priority Campus Works - Restructure of the long term debt for subsequent Board approval (July 2010). 	Board approval given 25/3/10
84(iv)	To seek Board approval on 25 March 2010 for a £400k short-term debt required for detailed planning of the Maidstone site and to support essential priority campus works	Board approval given 25/3/10
84(v)	To make available for Board approval (July 2010) a proposal for the restructure of the College's existing debt at £5,950,000 with delegated approval given to F&GP to approve in advance any draw down of the approved facility	The DoF proposed, and it was AGREED by the Committee, to defer this item to December Board meeting so that any restructure of the College's debt can take account Maidstone disposal and economic outcomes arising from recent budget announcements.

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

COLLEGE PERFORMANCE REPORT

115. The College '*Performance Report*' incorporating periods 1 to 9 was received (copy attached to the signed minutes). The report covered the following:

- College Performance Indicators
- College Operations to date
 - Income & Expenditure Account & balance Sheet
 - Cash flow actual to date
 - Capital expenditure to date
- Projections to 31 July 2010
 - Income and Expenditure projection to 31 July 2010
 - Capital budget projections to 31 July 2010
 - Cash flow projections to 31 July 2010
- Performance Indicators and Risk Assessment
- Appendices

- Detailed Management Accounts
- Detailed cash flows
- Detailed capital reports
- Detailed projections
- Variances +/-5%

116. The following key points were noted:

- (i) All agreed performance indicators are being met with the exception to aim for solvency ratio of 1.5:1. The current ratio is 1.06:1 and the forecast is to achieve this objective by 31 July
- (ii) Net profit to date was £287k against the budget of £285k.
- (iii) Actual LSC student numbers were 885 against the budget of 900.
- (iv) Actual HEFCE student numbers were 630 against the budget of 620.
- (v) College cash is forecast at £480k against the budget bank balance of £600k, a negative variance of £120k. The building up of cash reserves will be a key financial priority for 2010/11.
- (vi) Overall income to date is £9,409,000 against the budget of £8,994,000, a positive variance of £415k.
- (vii) Expenditure to-date is £9,127,000 against the budget of £8,764,000, and negative variance of £363k.
- (viii) Commercial activities show a net £5,000 surplus.
- (ix) Capital expenditure is forecast to be £166,803 against the budget of £155,000 (-£11,803).
- (x) Total borrowing stands at £4,100,000 (28% of turnover).
- (xi) Staff costs stand at 54% of turnover which compares favourably against national benchmark data.

117. It was **RESOLVED** to note the College Performance Report.

COLLEGE BUDGET 2009-10

118. The Committee received the 'College Budget 2010/11' (copy attached to the signed minutes) supported with a presentation on the budget made by the Director of Finance. The proposed budget continues the eight year trend of returning positive budgets which was welcomed by the Committee.

119. In reviewing the College Budget the following key points were noted:

- (i) Total income is forecast at £14, 500,000, compared with £13,150,000 for 2009/10. An overall surplus of £250k is forecast. Taking out the identified exceptional restructuring costs of £265k would result in a revised surplus of £515k.
- (ii) Full-time FE students is set at 910 with part-time numbers at 1200. HE student numbers are 580. For 2010/11 any overachievement of HEFCE numbers will be 'fined' with the university.
- (iii) The accurate and robust forecasting over the last five years does enable the Committee to accept with a large degree of assurance the assumptions behind the student growth targets for 2010/11.
- (iv) It was noted that curriculum financial modelling confirms that all curriculum areas will make a net contribution, with the aim of making a net 50% contribution. Equine achieves 58%; Animal Management 59%; and Horticulture 43%. Overall, there is a curriculum total of a net contribution of 54%.
- (v) The staffing budget is £7,140,000 which is at 54% of turnover against the land-based sector benchmark of 57%. 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.
- (vi) Net commercial contributions are forecast at £110k. It was noted and **AGREED** that in future management accounts each separate commercial activity to be reported on in full with detailed lines on income and expenditure.
 - (vii) The capital budget is forecast at £220k focusing on student residences, curriculum investment, IT and contingency. The capital expenditure of £220k will be funded through revenue cash flow. Capital expenditures at Princess Christian Farm will be funded through KCC and campus Priority Works to be funded through receipts from the disposal of the Maidstone site.
 - (viii) The College Budget Risk Register outlines all high-risks associated with the budget and proposes a range of remedial action that would be taken in the event of any of the high-risks occurring.

120. It was confirmed that all but one of the five financial objectives set by the Board will be achieved based on the forecasts in the budget. Against the cash flow balance of £1,000,000 (30 cash days), it is expected that at year-end there will be a cash balance of £700k (24 cash days).

121. The Committee sought further explanations and assurances on how the College aims to achieve this critical financial target. It was agreed the a key financial priority for 2010/11 and beyond is for the need to build up cash reserves. By achieving the forecasts in the 2010/11 budget, and through the disposal of the Maidstone site, good progress will be made in building up cash reserves. It was **RESOLVED** to add to the existing financial objective of ensuring a cash balance of £1m, and additional sub-set objective of having £2m cash reserves by July 2012.

122. The Committee welcomed the detail of the reports and asked for the minutes to record the Committee's appreciation of the work of the Director of Finance and the finance team in preparing the reports.

123. It was **RESOLVED** to recommend that the Board at its meeting on 8 July 2010 approves the College Budget 2010/11.

3-YEAR FINANCIAL FORECASTS 2010-2013

124. The '3-Year Financial Forecasts 2009-2012' were received (copy attached to the signed minutes). The three-year financial plan has been prepared using the model provided by the LSC, and in accordance with the guidance provided by the LSC. The Plan contains Income and Expenditure forecasts, balance sheet, cashflow forecast and performance indicators for the three-year period. An assessment of the College's financial health is computed by the model and the outcome is consistent with the College's own assessment of the College remaining in Financial Health Category 'Outstanding' for the 3-year period.

125. It was **RESOLVED** to recommend that the Corporation at its meeting on 8 July 2010 approves the LSC 3-Year Financial Forecast 2010-2013.

CAPITAL PORTFOLIO UPDATE

Estates Committee Minutes

126. The Committee received the minutes of the Estates Committee that met on 3 June 2010 (copy attached to the signed minutes).

127. The Committee noted the two resolutions arising from the Estates Committee:

Minute 30: Following a thorough review of the Estates Strategy 2010-2015 and after taking into consideration the additional information made available on future provision and demand levels at Betteshanger Colliery, it was **RESOLVED** to recommend that the Board at its meeting on 8th July 2010 be asked to approve the 'Strategic Vision' for the College's Estates Strategy 2010-2015, subject to the result of the next stage of feasibility for Betteshanger and the assessment of supply and demand for Kent as a whole, which will be presented at the November Estates Committee.

Minute 33: Having carefully considered the rationale and business case for the disposal of the Maidstone site (following a pre proposal in March 2010 discussing key areas of risk and vision), and after careful consideration of the processes and regulations followed to date, it was **RESOLVED** to recommend that the F&GP Committee when it meets on 24th June 2010 formally recommends to the July Board meeting the disposal of the Maidstone site based on the preferred developer option (Marpaul) subject to receipt of planning permission from the local authority planners and subject to final approval for the disposal having been obtained from the Skills Funding Agency.

127. It was **RESOLVED** to note the minutes of the Estates Committee held 3 June 2010.

Disposal of the Maidstone Site

128. The College report '*Priority campus Works*' was received (copy attached to the signed minutes). Both the Estates Committee and F&GP Committee have been asked to approve the recommendation to be put to the July Board meeting for the disposal of the Maidstone site with the chosen developer.

129. The rationale and business case for the disposal of the Maidstone site to fund future priority campus works has been outlined at previous meetings and again reinforced in the paper presented to the Committee. Following the last meeting it was agreed to seek in principle joint venture arrangements and a tendering process was followed. The tendering process followed was outlined in Appendix 1 of the College report. The tendering process identified Marpaul Construction as offering best value in terms of receipts and matching of the tender specification. It was confirmed that due diligence on Marpaul Construction has been undertaken and a summary of the due diligence findings were outlined in Appendix 2. It was noted that there were no issues arising from due diligence. The draft Heads of Agreement with the preferred developer has been subject to legal review and a copy of the draft was attached in Appendix 3. The draft Heads of Agreement confirms the financial arrangements between the College and chosen developer as outlined in the College report. An update on the planning process was made available in Appendix 4 of the report. Planning application was submitted on 12th March 2010 and a planning decision is expected 23rd June 2010 (Committee members will be informed of the outcome of the planning decision). It is a requirement for appropriate approval to be obtained for the disposal of assets owned by the College. Appendix 6 outlined the process followed to date in obtaining approval from the Skills Funding Agency (SFA) for the disposal of the Maidstone Site. For the disposal to be approved the SFA require evidence of tendering, evidence of MRV, evidence of planning consent, independent valuation, and an Agent report on marketing. All of the SFA criteria have been met with the exception of evidence of planning consent which is expected on 23rd June. Discussions to date with the SFA have raised no issues on disposal and SFA has indicated that their consent will be granted by 31st July 2010.

130. Having carefully considered the rationale and business case for the disposal of the Maidstone site, and after careful consideration of the processes and regulations followed to date, it was **RESOLVED** to recommend that the Board at its meeting on 8th July approves the disposal of the Maidstone site based on the preferred developer option (Marpaul) subject to receipt of planning permission from the local authority planners and subject to final approval for the disposal having been obtained from the Skills Funding Agency.

131. As and when the disposal of the Maidstone site has been agreed and completed, the next stage will be for the Estates Committee and F&GP Committee to review and consider the various options available for future priority campus works and to make recommendations for the Board to consider.

College Capital Portfolio Report

132. The College report '*Capital Portfolio Report*' was received (copy attached to the signed minutes). The report provided the Committee with progress updates on all the other capital works. No decisions were being asked of the Committee to make but detailed progress updates were made on plans for Court Lane development, Mottingham development, and Princess Christian Farm developments.

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

TENDERS

134. The College termly report '*Tenders*' was received (copy attached to the signed minutes) and the report confirmed that there were no tender awards to bring to the attention of the Committee.

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

HUMAN RESOURCE EXCEPTION REPORT

136. The Committee received the termly '*HR Exception Report*' (Copy attached to the signed minutes). The report informed the Committee on the number of joiners and leavers; provided an update on the College structure and an update on pay and benefits. The report confirmed that there are currently no staff disputes.

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

HEALTH & SAFETY

138. The Committee received the following reports (copies attached to the signed minutes):

- H&S Termly Report
- Minutes of the H&S Committee held 1st March 2010.

139. It was **RESOLVED** to note the H&S termly report.

MONITORING OF COLLEGE PERFORMANCE

140. The College report '*Monitoring of College Performance*' was received (copy attached to the signed minutes). The Board meeting has agreed a framework for the monitoring of College performance. The F&GP Committee is responsible for making assessments in the two areas of finance & estates; and staff & human resources. Assessments are to be carried out at each meeting of the Committee through a

standing agenda item *'Monitoring of College Performance'* with an overall assessment for each of the two areas being made available to the Board.

141. Once the assessments have been agreed, the Committee, in conjunction with College management, will then agree on the overall assessment (Red for concern/risk, Amber for some concern/some risk/or Green for no risk/no concern) to be made available to the Board for the two areas of finance & estates; and staff & human resources.

142. Against the 15 agreed performance indicators for the area of finance & estates, four amber assessments were agreed against current assets to liabilities ratio, cash generated last year, cash days in hand, and forecast surplus against the set budget.

143. Against the 11 agreed performance indicators of the area of staff & human resources one amber assessment was recorded against staff absence rate

144. The reasons, with an outline of corrective action being taken, for each red/amber assessment has been disclosed in some detail in agenda items at today's meeting.

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

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

146. The Committee received an update on the provisional grades of Grade 1 (Outstanding) received from both Ofsted and PFA at the recent College inspection. The Committee asked for the minutes to record the Committee's congratulations to the Financial Controller and all the finance staff all staff in achieving such outstanding results.

DATE OF NEXT MEETING

147 Friday 12 November 2010

The meeting closed at 11.30.

Signed: _____ Date: _____
(Chair)

CURRENT F&GP SUMMARY ACTION LIST

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	Who
84(v)	To make available for Board approval (Dec 2010) a proposal for the restructure of the College's existing debt at £5,950,000	DoF
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	Board

	national pay negotiations are known.	
119(vi)	It was AGREED that in future management accounts each separate commercial activity to be reported on in full with detailed lines on income and expenditure.	Dof
121	It was RESOLVED to add to the existing financial objective of ensuring a cash balance of £1m, and additional sub-set objective of having £2m cash reserves by July 2012.	DoF
131	As and when the disposal of the Maidstone site has been agreed and completed, the next stage will be for the Estates Committee and F&GP Committee to review and consider the various options available for future priority campus works and to make recommendations for the Board to consider	DoF