

**MINUTES OF THE PART I MEETING OF THE HADLOW GROUP FINANCE  
COMMITTEE HELD 24 FEBRUARY 2017**

Present:	Mr P Dubrow	-Chair
	Mr P Hannan	Group CEO/Principal
	Mr C Hearn	
In attendance:	Mr J Allen	- Clerk
	Mr M Lumsdon-Taylor	- Group Deputy CEO/Principal
	Ms L Pamphilon	- Group Vice-Principal
	Ms P Powditch	- Assistant Director of Finance, MIS & ICT

The meeting commenced at 09.30.

**APOLOGIES FOR ABSENCE & DECLARATION OF INTERESTS**

59. Apologies were received from Mr G Cutress and Mr C Porter. The Clerk advised that the membership of the Hadlow Corporation and the Hadlow Group Board to be a standing declared interest at each meeting for Mr P Dubrow and Mr P Hannan.

**GROUP FINANCE COMMITTEE MEMBERSHIP**

60. It was **AGREED** that membership of the Committee needs to be strengthened by having a qualified accountant with relevant strategic/sector experience and this will be referred to the Group Governance & Search Committee meeting scheduled for 07 March 2017 for further review.

**MINUTES**

61. It was **RESOLVED** that the minutes of the meeting of the Committee held 18 November 2016 be approved as a correct record and signed by the Chair.

**SUMMARY ACTION LIST & MATTERS ARISING**

62. The College report '*Summary Action List*' was received. The following updates were made available:

<b>MIN REF &amp; DATE</b>	<b>DETAILS OF RESOLUTION/ACTION POINT</b>	<b>ACTION UPDATE PROVIDED AT MEETING ON 23 FEBRUARY 2017</b>
8	Clarity was sought on the number of enrolments (EFA, SFA & HE) in table 2.3 and it was <b>AGREED</b> to circulate to Committee members a revised table.	Included in the Performance Report – agenda item 4
14	Through the minutes, it was	This was approved by the

	<p><b>RESOLVED</b> to recommend the West Kent &amp; Ashford College Board at its meeting on 07 December 2016 be asked to approve a £1m overdraft facility with Barclays Bank for the period November 2016 to April 2017.</p>	<p>WKAC Corporation.</p> <p>The facility was used only up to December 2016 due to the required Ashford Campus capital payment schedule and there is no expectation to use the facility further.</p>
31	<p>Sale of Jemmett Road:</p> <p>(i) To make available to the Corporation as an attachment to the minutes, Appendix 5 from the College report – Heads of Terms for the sale and purchase of Jemmett Road; and</p> <p>(ii) For the Corporation at its meeting on 08 December 2016 be asked to <b>APPROVE</b> the Heads of Terms and sale of Jemmett Road to Orbit at a sale price of £8,000,000.</p>	<p>This was made available</p> <p>Approved by the Corporation</p>
33	<p>Rose Revived:</p> <p>To endorse and support the proposed direction of travel, subject to due diligence being undertaken on Southern Events, with outcomes of the due diligence reported to the Committee along with the final business and education case, for final review and approval.</p>	<p>Agenda item 6 – Capital Portfolio Report</p>
34	<p>To receive at the next meeting an analysis on Farm Shop takings compared against previous takings, with a year-end forecast.</p>	<p>Agenda item 6 – Capital Portfolio Report</p>
38	<p>It was agreed to amend the reporting framework on annual HR reports as follows:</p> <ul style="list-style-type: none"> <li>• Group Annual HR Report to be presented to the Group Board</li> <li>• Hadlow College Annual HR Report and WKAC Annual HR Report to be presented to the Hadlow Group Finance Committee.</li> </ul>	<p>Incorporated in the Group's business of cycle</p>

56	<p>Financing of the College's variable debt:</p> <p>To delegate authority to the Chair of Hadlow Corporation and the Deputy Chair of Hadlow Corporation to review the credit papers, and if both governors are in agreement, to approve the financing of the variable debt, and to report the use of delegated authority to the December Corporation meeting.</p>	<p>Delegated authority was used and debts reconciliated at 20/12/17.</p>
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63. It was **RESOLVED** to note the 'Summary Action List'.

## HADLOW GROUP FINANCIAL PERFORMANCE REPORT PERIODS 1 TO 6

### (i) Hadlow College & Hadlow Group

64. The College has had a challenging start of the year during six months, returning a surplus of £4k against a budgeted surplus for the period of £167k. After inclusion of the subsidiary companies and dowry releases, this becomes a small surplus of £50k against a budgeted surplus of £191k mainly due to matched income against trading performance in Betteshanger Country Park and Betteshanger Sustainable Parks. The variance is down to two significant factors, one being residential accommodation fees and the other being outside of the College Control – University of Greenwich issues.

65. The College has reduced its forecast for the year from the budgeted level of a surplus of £383k to £313k. This still represents a robust outturn for the year in challenging conditions and represents 15 years of continued surplus. Lower recruitment against both target and the previous year, and increased pay costs, will put significant pressure on maintaining the forecast outcome. In year growth planning and control of salary costs is fundamental to long term sustainability. To achieve this forecast, and compensate for the shortfall in HE income, savings will need to be made in both non-pay and in reductions in the establishment. It was confirmed reductions were implemented in December 2016 as a pre-emptive measure. In-year growth targets and forecast savings are set out in the Pre-Budget Statement, a later agenda item.

66. In terms of performance to date against the budget, the College is showing a break-even position for the first six months. Before extraordinary releases from grants the loss was £700k

Loss on activities	£700k
Release from Betteshanger Dowry	£250k
Release from Coastal Communities Grant	£250k
Release from WKAC Transitional Funds	£200k

67. Income for the first 6 months was £9,746k, £726k above budget but this includes £700k of exceptional releases as reported to the Committee. The two significant areas of income shortfall relate to HE provision and residential boarding

fees. Residential fees were increased by 11% for 2016/17 but this had an adverse effect on occupancy. Although, as soon as this was identified, the price uplift was reversed and a full marketing campaign put in place, 28 rooms remain empty on the Hadlow campus and 31 at Bower Terrace. Opportunities to sublet Bower Terrace are being explored with the landlord but have so far not yielded any income and the property has been relinquished for 2017/18. The loss accounted for in the first six months amounts to £193k. Investigations into the lower than targeted HE recruitment in September and October have revealed issues with the management of the applications process by the University of Greenwich, which also affected 2016/17. A meeting took place with the University last week where indications were given that additional financial support will be forthcoming in the current academic year and the University have also indicated that they will indemnify any losses incurred for 2017/18.

68. Expenditure is at £9,742k and is £888k above budget. Salaries on an evenly profiled budget show an increase of £704k. Savings targets of £375k identified when the budget was set have not been delivered. Other overspends have been identified including ALS but this is against a significantly higher income stream from local authorities. On costs have also increased to between 23-24% of gross pay and a review of the impact of changes to pension regulations will be carried out. A full reconciliation of pay to original budget by post is being undertaken. Agency costs have been strictly controlled and much reduced from the previous year, totalling £76k for the half year. Premises costs include high maintenance costs including boiler repairs and increased insurance charges. Supply costs including significant spends on legal fees £47k, other professional fees £275k and Advertising and Marketing £340k.

69. A savings programme has been implemented for the remainder of the year cutting expenditure on maintenance, cleaning and events. A review has taken place of the establishment. Some posts will be removed and discussions have commenced with the Unions with a view to changing curriculum staff contracts.

70. Growth of EFA numbers for 17/18 is essential and requires a minimum of 100 new 16-18 year olds on program. A review of potential growth areas of the curriculum is underway with the Vice Principal Curriculum.

71. In terms of subsidiaries, Betteshanger Sustainable Parks made a surplus in the first six months (£24k) after dowry release. Costs were significantly high as a result of the Sewerage works costs. Betteshanger Country Parks made a surplus of £21k. Income will increase in the second half of the year as visitor numbers increase in the spring and summer. The Pre School delivered a loss for the period of £10k. Numbers are restricted in the current premises but the proposed move to the Court Lane site should allow pupil numbers to grow. Hadlow Rural Community School (HRCS) achieved a surplus of £11k for the five months which is a significant improvement on the previous year due to change in policy and administration within the School rationale. All other subsidiaries have produced a surplus.

72. The Committee welcomed the excellent financial performance of the HRCS. The School's Finance Committee has a five-year repayment plan to repay the £650k given to HRSC last year, and the first repayment of £100k will be paid in the current financial year. If the financial performance of the School continues to improve further then there could be the opportunity to repay the full amount before the end of the 5-year repayment plan, but this would have to be determined by the School's Finance Committee.

73. It was noted that payments to some suppliers was below the target of 30 days, with an average of 60 days being reported. The Committee stressed the need to ensure for reputational purposes that local suppliers were paid promptly and certainly no later than by 30 days. It was **AGREED** to make available to the Committee a full analysis on debtors and creditors.

74. It was **RESOLVED** to note the Hadlow College Performance Report.

**(ii) West Kent & Ashford College**

75. Overall, the College has performed in line with budget in financial terms over the first half of the year, returning a surplus of £91k before exceptional items and £1,591k after exceptional items, against a budgeted surplus for the period of £250k. The College has changed its forecast for the year from the budgeted level of a surplus of £500k to £1,317k. This is as a result of removing the release from the revaluation reserve which is no longer permitted under FRS102 and the inclusion of the first tranche of the sale of the Jemmet Road site. If further tranches of the sale are completed during the year, this forecast will increase. Lower recruitment against both target and the previous year has put significant pressure on maintaining this outcome but in year savings have been implemented to compliment.

76. In year growth planning is fundamental to long term sustainability. The target figures anticipated for R06, summarised in the table below, were not met and further growth in student numbers before the final data return is essential.

	<b>Actual @ R06</b>	<b>Target</b>	<i>Variance</i>	<i>Previous Year – Full year</i>
<b>EFA</b>	<b>2170</b>	<b>2,941</b>	<i>(771)</i>	<i>1,971</i>
<b>SFA *</b>	<b>1,262</b>	<b>1,875</b>	<i>(633)</i>	<i>1,459</i>
<b>HEFCE</b>	<b>218</b>	<b>276</b>	<b>(58)</b>	

77. In year growth of 500 16-18 year-old students before 18 December 2016 was targeted in the last report. Although considerable effort was put in to pursuing students who had previously withdrawn from the College, only circa 140 were enrolled onto the new programs. Recruitment will continue until the end of the year.

78. The partial failure to meet in-year growth targets will impact on the funding allocated by the funding bodies for 2017/18. This had been planned for in detail from October 2016 In the event of R06 being below expectations. Funding for 2017/18 is fixed by the RO4 and RO6 funding returns, both of which have ben submitted but further growth is essential to support recovery plans. The EFA target of 2,500 remains in place for the year-end but anything above 2,200 will be challenging and unlikely to be funded for 2017/18. Hence the risk to funding for 2017/18 that is outlined in more detail in the later agenda item 'Pre-Budget Statement'. To put the target of 2,500 into perspective, as at 21 January 2017, the raw 16-18 numbers overall was recorded at 1,926, this being full time 16-18 year olds rather than total head count.

79. The College has achieved in-year growth with substantial growth in some curriculum areas, In addition, student applications for 2017-18 are up by 80% for Ashford and 17% for West Kent. The key enrolment target for 2017-18 for 16-18 year-olds that must be met by RO6 is 2,750.

80. When the Hadlow Group acquired 'K' College three years ago, the Executive had to provide an estimate on student numbers and recruitment over a three year period, but with no historical data or experience of the College to help inform the forecasts, and against the backdrop of a College that had failed its Ofsted inspection resulting in considerable reputational damage. It was always going to be a challenge to achieve the forecasts within the first three years. It is now in the forthcoming fourth year that a positive impact on recruitment is expected, based on a much improved reputation of the College and better marketing of the College and the provision on offer. The positive impact of this can be seen in the significant increase in applications for next year. The key is to convert these applications into enrolments.

81. The Committee discussed their role and responsibility to ensure the solvency and liquidity of the College and asked for a visual explanation to be made available that liquidity is in-hand and is being managed. This could be done by way of a graph in the financial performance report.

82. The Committee also requested a high level summary of key recruitment and financial KPIs be made available, with year-on-year comparisons. KPIs to include surplus, cashflow, student numbers etc. The Group Deputy CEO/Principal agreed to take this forward.

#### **HADLOW GROUP PRE-BUDGET STATEMENT**

83. Due to the confidential nature of the paper presented it was **RESOLVED** to declare this a confidential agenda item and to record the minutes separately.

#### **HADLOW GROUP CAPITAL PORTFOLIO UPDATE & COLLEGE PROPERTY STRATEGY**

84. The following reports were received:

- Capital Projects Report
- Group Capital & Commercial Portfolio
- Progress Reports on Major Projects
- New Ventures

85. It was **AGREED** that for future reporting on the Group's capital portfolio, there would be an executive summary of no more than six pages followed with the various appendices to support the executive summary.

86. Following review of the reports and appendices, the following was **RESOLVED**:

- (i) To close the Medway Campus and to withdraw the limited provision there.
- (ii) To note that negotiations are now taking place between the College and landlord for the Tunbridge Wells Campus regarding how to deal with dilapidations. Assurances were given to the Committee that no surprises are expected in terms of any financial liability but provision has been made just in case.
- (iii) To note the formal launch planned for the Rosemary Shrager Cookery School for Easter 2017, with the assets of the cookery school including the professional kitchen having been transferred to West Kent & Ashford College.
- (iv) To keep under review and scrutiny the challenging apprenticeship recruitment targets set for the Rosemary Shrager Cookery School.

- (v) To note and welcome the improved trading and profit position for Broadview Garden Centre & Gardens, with an increase in turnover of £37,848 and an increase in gross profit of £19,478 compared against the same period last year. The overall gross profit for the period August 2016 to February 2017 is £61,939
- (vi) To note and welcome the first commercial development at west Kent college being the opening of the Artisan Restaurant in January 2017 at West Kent College. Initial feedback is strong recording over £1,000 trading a week.

87. The report proposed for recommending to the Hadlow Corporation approval for the sale and disposal of two houses and the Business Park at Betteshanger.

88. There are two old redundant houses at Court Lane that were previously occupied by long standing license tenants who had right of tenancy until they left the employment of the College. Both houses are now empty and of need of refurbishment and improvement. As these two properties were not designated key worker housing and were surplus to the existing stock of 22 houses within the estate, and as refurbishment and improvement costs could be in excess of £50k, the proposal is to sell the two properties following receipt of valuation from Country Homes of £325,000 - £350,000 for each property. It was confirmed the receipts of £700k would be used as follows - £400k to match the funding grant received for glassworks at Court Lane Nursery and £300k for summer works capital projects.

89. The College has negotiated a sale price of £4,000,000 for the sale of the Betteshanger Business Park to Corinthian Land. The strategic decision has always been to retain the Betteshanger Country Park but to sell elements of the business park. The proposal to sell the Business Park was noted and supported by the Hadlow Group Board and the Betteshanger Board at their recent Board meetings. If approved, the proceeds would be received in two formal stages with the first stage being receipt of £2,000,000

90. The Committee received for review the Heads of Terms for the sale and the TPI Transfer Document.

91. It was **RESOLVED** to:

- (i) Recommend to the Hadlow Corporation to approve the sale and disposal of 2 & 3 Nursery Cottages, Court Lane for a sale price of £325,000 - £350,000 for each property; and
- (ii) Recommend to the Hadlow Corporation to approve the sale and disposal of the Betteshanger Business Park for a sale price of £4,000,000 to Corinthian Land

92. At the last meeting an update was provided on a proposed Joint venture with Southern Events and the Revived Inns. At this meeting the Committee agreed the proposed direction of travel subject to due diligence and a business and education case to be made available to support the proposal. It was reported that the proposed Joint Venture will not be pursued at the current time and instead the College will continue to work with Southern Events to further develop curriculum links. It was reported that a Third Party Transaction matter concerning Revived Inns is to be reported to the Audit Committee. Until this matter is resolved, the College investment remains under review as directed by the Finance Committee.

## **TUITION FEE POLICY AND FEES 2017/18**

93. The proposed Hadlow College '*Tuition Fee Policy and Fees 2017/18*' was received. The policy sets out the proposed fees for full-time 16-18 years olds, full-time 19+, full time overseas students, fees for registration and examinations; full-time compulsory fees and a range of part-time fees. It was noted that proposed residential fees have yet to be agreed and included in the Fee Policy.

94. Subject to the inclusion of residential accommodation fees, it was **RESOLVED** to recommend that the Hadlow Corporation at its meeting on 16 March 2017 approves the '*Tuition Fee Policy and Fees 2017/18*'.

95. The proposed West Kent & Ashford College '*Tuition Fee Policy and Fees 2017/18*' was received. The policy sets out the proposed fees for full-time 16-18 years olds, full-time 19+, full time overseas students, fees for registration and examinations; full-time compulsory fees and a range of part-time fees.

96. It was **RESOLVED** to recommend that the WKAC Board at its meeting on 15 March 2017 approves the '*Tuition Fee Policy and Fees 2017/18*'.

## **ANNUAL REVIEW OF HADLOW COLLEGE AND WKAC FINANCIAL REGULATIONS**

97. The updated '*Financial Regulations*' were received for the Committee to review and approve. Changes proposed involved the updating of Centre lists, authorisation limits and cheque signatories. Other changes made were to procedures but none of the changes were substantial.

98. It was **RESOLVED** to approve the revised '*Hadlow College Financial Regulations*' and the '*West Kent & Ashford College Financial Regulations*'

## **HADLOW GROUP TENDERS**

99. The termly report '*Hadlow Group Tenders*' was received. The report confirmed details of the tenders currently being pursued.

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

## **HUMAN RESOURCE EXCEPTION REPORT**

*(The Group Director of Human Resources was in attendance to present this agenda item)*

101. The Committee received the termly HR Reports for Hadlow College and WKAC. The reports informed the Committee on the number of joiners and leavers; provided an update on pay and benefits; Performance Management, safeguarding, current disputes, and HR priorities for January 2017 to June 2017.

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

*(The Group Director of Human Resources left the meeting at this point)*

## **GROUP HEALTH & SAFETY**



103. The Committee received the Group Health & Safety Report and the report provided the following:

- Executive Overview
- Operational Updates
- Health & Safety Management
- Data Reporting
- Strategic Developments
- Minutes of the Health & Safety meetings held at Hadlow, Ashford and West Kent

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

### **MONITORING OF PERFORMANCE & ASSESSMENT OF RISK FOR HADLOW COLLEGE AND WEST KENT & ASHFORD COLLEGE**

105. The report '*Monitoring of College Performance*' was received. The Committee is responsible for making assessments in the two areas of finance & estates, and staff & human resources, and to report the outcomes of the assessments to the Boards of Hadlow College and West Kent & Ashford College

#### **Hadlow College:**

106. Against the 14 agreed performance indicators for the area of finance & estates, five 'Amber' assessments were recorded against operating surplus as a % of income, forecast year-end outturn against budget, current assets to liabilities ratio, creditor and debtor days. All other assessments were confirmed as 'Green'.

107. As there were some risks identified that could impact on the year-end forecast, It was **AGREED** to inform the Corporation of Hadlow College of an 'Amber' assessment (Some concern/Some risk) against finance and estates.

108. Against each of the 9 agreed performance indicators of the area of staff & human resources, 'Green' assessments were confirmed, and it **AGREED** to inform the Corporation of Hadlow College of a 'Green' assessment (No concern/No risk) against human resources

#### **West Kent & Ashford College:**

109. Against the 14 agreed performance indicators for the area of finance & estates, six 'Amber' assessments were recorded against current assets to liabilities ratio, cash days in hand, income diversity, creditor days, pay expenditure as a % of income, and SFA financial health category. All other assessments were confirmed as 'Green'.

110. As there were some risks identified that could impact on the year-end forecast, It was **AGREED** to inform the Board of West Kent & Ashford College of a 'Amber' assessment (Some concern/Some risk) against finance and estates.

111. Against the 9 agreed performance indicators for the area of staff & human resources, one 'Amber' assessment was recorded against current staff vacancies. 'Green' assessments were confirmed for the remaining performance indicators.

112. It was **AGREED** to inform the Board of West Kent & Ashford College of a 'Green' assessment (Some concern/Some risk) against human resources.\

### ANY OTHER BUSINESS

113. There was no other business.

### DATE OF NEXT MEETING

114. Thursday 22 June 2017 @ 09.30 at **Hadlow**.

The meeting closed at 12.00.

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

### SUMMARY ACTION LIST

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	REVIEW
60	It was <b>AGREED</b> that membership of the Committee needs to be strengthened by having a qualified accountant with relevant strategic/sector experience and this matter will be deferred to the Group Governance & Search Committee meeting scheduled for 07 March 2017 for further review.	22/6/17
73	It was noted that payments to some suppliers was below the target of 30 days with an average of 60 days. The Committee stressed the need to ensure for reputational purposes that local suppliers were paid promptly and certainly no later by 30 days. It was <b>AGREED</b> to make available to the Committee a full analysis on debtors and creditors.	22/6/17
81	The Committee discussed their role and responsibility to ensure the solvency and liquidity of the College and asked for a visual explanation that liquidity is in-hand and is being managed. This could be done by way of a graph in the financial performance report.	22/6/17
82	The Committee requested a high level summary of key recruitment and financial KPIs be made available with year-on-year comparisons. KPIs to include surplus, cashflow, student numbers etc. The Group Deputy CEO agreed to take this forward.	22/6/17
85	It was <b>AGREED</b> that for future reporting on the Group's capital portfolio, there would be an executive summary of no more than six pages followed with the various appendices to support the executive summary.	22/6/17
86(iv)	To keep under review and scrutiny the challenging apprenticeship recruitment targets set for the Rosemary Shrager Cookery School.	22/6/17

