



## MINUTES OF THE OF MEETING OF THE HADLOW GROUP FINANCE COMMITTEE HELD 17 NOVEMBER 2017

Present:	Mr P Dubrow	-Chair
	Mr C Hearn	
	Mr J Dinnis	
	Mr P Hannan	
	Mr C Porter (Non governor co-opted member)	
In attendance	Mr J Allen	
	Mr M Lumsdon-Taylor	
	Mr D Ebdon	
	Dr L Pamphilon	
	Dr J Mowby	
	Ms P Powditch	
	Mr D Payne	
	Mr D Blythe	- RSM

The meeting commenced at 09.30

### WELCOME, APOLOGIES FOR ABSENCE & DECLARATION OF INTERESTS

1. The Chair welcomed everyone to the meeting and, in particular, Mr J Dinnis who was attending his first meeting. There were no apologies. The membership of the Hadlow Corporation and West Kent & Ashford Board was noted for all Committee members, with the exception of Mr C Porter who was attending in the capacity of a non-governor co-opted member of the Committee. There were no declared interests against any agenda items.

### MINUTES

2. It was **RESOLVED** that the minutes of the meeting of the Hadlow Group Finance Committee, held 22June 201, be approved as a correct record.

### MATTERS ARISING

3. The only action point from the last meeting was the need to refine further the presentation of the Group KPIs, and it was confirmed this is a later agenda item.

4. Although the minutes were an accurate record on the restructure of the College debt, there is a need to be more explicit on the risks associated with a restructure of debts.

5. The Principal informed the Committee on the 'Outstanding' judgment from Ofsted at the residential care inspection that took place this week. There were no recommendations arising from the inspection and this is the 4<sup>th</sup> 'outstanding' inspection outcome in twelve years. The Committee placed on record its thanks to Bev Cleaves and her team.

**FINANCIAL PERFORMANCE REPORTS HADLOW GROUP, HADLOW COLLEGE & WEST KENT & ASHFORD COLLEGE**

**(i) Group Performance Indicators**

6. The Committee noted the following KPIs.

	<b>Target Current Year 2016/2017 £</b>	<b>Projection Actual 2016/2017 (Pre Audit) £</b>	<b>Target Following Year 2017/2018 £</b>	<b>Projection Actuals 2017/2018 £</b>
<b>Turnover <sup>+</sup></b>	48,000,000	45,500,000	46,000,000	46,000,000
<b>~Cash Holdings - operating - reserves</b>	3,000,000 2,500,000	1,750,000 3,000,000**	2,000,000 2,500,000	2,000,000 2,500,000
<b>Bank Covenants (original)</b>	Compliant	Compliant	Compliant	Compliant
<b>Borrowing %</b>	14,000,000: 30%	14,600,000: 33%	14,600,000: 31%	14,600,000: 31%
<b>Profit</b>	834,000	5,452,000*	907,680	1,000,000
<b>Global Student Numbers</b>	<b>Apprentices</b>	<b>Numbers (count)</b>	<b>Numbers (count)</b>	<b>Numbers (count)</b>
	<b>19+FE</b>	750	545	750
	<b>19+HE</b>	3000	2500	3000
	<b>Core 16-18</b>	800 3500	700 2000	800 3750
<b>Staff Count</b>	1,150	1,040	1,020	1,020
<b>Capital -general Investment -major Committed projects***</b>	1,500,000 9,500,000	650,000 9,500,000	1,500,000 4,000,000	1,000,000 4,000,000
<b>**** Debtors (D) / Creditors (C)</b>	<b>Hadlow</b> D: 40 C: 35-40	<b>WKAC</b> D: 35 C: 35-38	D: 30 C: 28-32	D: 28-30 C: 27-30
	D: 35 C: 38-42	D: 30 C: 32-35	D: 30 C: 28-32	D: 28-30 C: 30-34

**(ii) Hadlow College**

7. The first major review of College operations in the new financial year showed that, whilst costs are within budget and appear well controlled, a number of income streams have been materially impacted. These were summarised as follows:

- Higher Education recruitment has been disappointing for the second year running and is the biggest area of poor financial performance (Higher Education positioning with the University of Greenwich impacting twice yearly).

- Other areas of concern centre on income from local authorities to support High Needs students, school links income and residential boarding fees. These are set out in more detail below.
- The commercial areas are, in general, seeing an improved performance with better trading conditions. Some opportunities to develop new revenue streams have emerged, including a new government initiative concerning work placements and an Innovation UK bid that is currently being worked up for submission. Alongside these, new initiatives will need to be developed to increase income from the current identified levels, and some savings in the cost base will need to be implemented.

8. The overall number of FE students at Hadlow has seen some growth and in year growth, through Dog Grooming courses, expanded short course provision, development of relationship with new schools and expanded out of term activity, will all be explored to ensure performance is met and enables growth for the following year.

9. The subsidiary companies are showing a mixed picture. Whilst the Dog Grooming activity at Hadlow is full and provision will be expanded to the Greenwich site in the new calendar year, Betteshanger Country Park, which saw a rise in visitor numbers last year, will struggle to meet its original budget before the opening of the new visitors centre. The pre-school has not yet attracted the numbers of children included in the plan following the move to the new premises.

10. The College has returned a surplus of £37k against a budgeted surplus for the period of £39k. After inclusion of the subsidiary companies, following dowry releases, this becomes £59k against a budgeted surplus of £68k, mainly due to a surplus in Dog Grooming and a smaller surplus in HRCS alongside a matched income against trading performance in Betteshanger Country Park and Betteshanger Sustainable Parks and a loss in the Pre School.

11. The College has maintained its forecast for the year at the budgeted level of a surplus of £202k for the College and £408k for the Group.

12. It was noted that in the performance monitoring report, a later agenda item, a 'Green' assessment is given against the specific KPI on the year-end financial forecast. It was agreed that, as there are still many risks associated with achieving the budget, the assessment on this KPI is to be changed to "Red".

### **(iii) West Kent & Ashford College**

13. The College has performed broadly in line with the budget for the first two periods. A review of the forecast for the remainder of the year has highlighted some areas of pressure but other new funding opportunities have been identified. The College has achieved a surplus of £64k against a budget of £68k. The budget envisaged that there would be a small loss against operational activities during the year but there would be a £1m contribution from the sale of capital assets. This is still the plan being worked towards but the capital receipt will not occur until the spring 2018. The forecast for the year has been maintained.

14. Recruitment in September has benefitted from the opening of the new Ashford College, however, whilst 16-18 numbers are above both the previous year and the funding contract, the College has not yet secured the level of growth necessary to remove the reliance on non-recurrent funding and return the college to a level of surplus that will allow sufficient cash generation and capital investment to

maintain long term financial sustainability. In year recruitment, growth of the part time and leisure offer and development of the commercial activities must be delivered and will be closely monitored.

15. Income for the first two periods at £3,292k is £167k below budget. The major area of variance relates to Tuition Fees. Student numbers in fee paying categories are down on the previous year whilst the budget assumed a 10% growth. Areas of major decline include Access to HE where bursaries have been removed for students applying to nursing and in creative arts courses. Funding grants are in line with budget and the funding body announcements are evenly profiled. The small variance is a timing difference and relates solely to deferred grant releases for the Elwick Road project. HE has recruited well and will exceed the original target. The number of full time school links students is significantly down against budget. Contracts were not achieved with a number of new schools which had been targeted. The target for apprenticeships incorporates growth and was set to be challenging. The programme is roll on roll off and so not as dependant on September recruitment as other income streams. However, recruitment in the first two months is sufficient to support the original forecast. Income for apprenticeships has, therefore, been calculated as 2/12 of the original budget. No special projects have yet been delivered.

16. It was **RESOLVED** to note the Financial Performance reports for the Hadlow Group, Hadlow College and West Kent & Ashford College.

#### **FINANCIAL STATEMENT AND YEAR END ACCOUNTS 31 JULY 2017**

##### **(I) HADLOW COLLEGE FINANCIAL STATEMENT AND YEAR END ACCOUNTS 31 JULY 2017**

17. The '*Financial Statements and Year End Accounts 31 July 2017*' were received. In attendance was Mr D Blythe (RSM) who presented the 'Post Audit Findings Report'. Attached to the accounts were the '*Audit Findings Report*' and '*Letters of Representation*' that will be considered by the Audit Committee when it meets on 23 November 2017. The Committee is asked to review the College's accounting policy as stated in the Financial Statements.

18. The College has achieved a surplus of £49,000 before pension adjustments.

19. Following review, it was **RESOLVED**

- (i) To recommend that the Hadlow Corporation, at its meeting on 07 December 2017, approve the College's '*Financial Statement and Year End Accounts 31 July 2017*';
- (ii) To note the '*Audit Findings Report*' from RSM; and
- (iii) To note the College's Accounting Policies

##### **(ii) WEST KENT & ASHFORD COLLEGE FINANCIAL STATEMENT AND YEAR END ACCOUNTS 31 JULY 2017**

20. The '*Financial Statements and Year End Accounts 31 July 2017*' were received. In attendance was Mr D Blythe (RSM). Attached to the accounts were the '*Audit Findings Report*' and '*Letters of Representation*' that will be considered by the Audit Committee when it meets on 23 November 2017. The Committee is asked to review the College's accounting policy as stated in the Financial Statements.

21. The College achieved a surplus of £1,292,000 before pension adjustments.
22. Following review, it was **RESOLVED**
- (i) To recommend that the Board, at its meeting on 06 December 2017, approve the College's '*Financial Statement and Year End Accounts 31 July 2017*';
  - (ii) To note the '*Audit Findings Report*' from RSM; and
  - (iii) To note the College's Accounting Policy.
23. The Committee noted the complex nature of the Hadlow Group and the work involved in preparing the various financial statements of the different components that make up the Group. The Committee thanked Paula Powditch and her team for their work in advance of the audits that ensured the audits went smoothly.

### **FINANCIAL REGULATIONS AND FINANCIAL APPROVALS**

24. The Clerk explained the background to the audit on Financial Regulations, undertaken by the internal audit service following a request from the Hadlow Group Board for the audit to be undertaken. The audit was requested to ensure key areas are adequately covered and that there are appropriate approval levels for key expenditure areas.
25. Following receipt of the audit report, it was confirmed the Financial Regulations had been revised and updated to incorporate the recommendations arising from the audit, with a separate appendix section added on Financial Approvals.
26. As the Hadlow Group is a complex and diverse organisation, there is a greater risk to financial risk. Their recommendation was for consideration to be given to the degree to which the Board, and its committees, are involved in authorisation and approval and proposed that approvals should be along the lines of College B that had been outlined in the report.
27. It was confirmed the Group Audit Committee will consider and review the report, at its meeting on 23 November 2017, and any recommendations from this meeting would be put to the Group Audit Committee
28. Following review, it was **RESOLVED** to recommend that the Boards, at their December meetings, be asked to approve the revised Financial Regulations and Financial Approvals, with financial approvals being in line with College B, as outlined in the audit report.

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

29. A presentation was made available on the capital requirements over the next three years with an outline as to how it would be funded. A health warning was issued in so far as the Executive has yet to conduct a full review of capital programme requirements.
30. Made available was a short video entitled 'Vision 50' that had been shown at the recent Hadlow College 50<sup>th</sup> Dinner celebrations. The Chair made the observation that the video outlined a suggested travel of direction on strategic estate matters but the Corporation had yet to be engaged in any discussions on this.

In terms of a suggested way forward, it was **AGREED** to show the video at the December Corporation meeting, and to arrange a spring strategy meeting to discuss strategic issues arising from the video and the suggested direction of travel.

31. In terms of the '*Group Capital & Commercial Portfolio Report*', the Deputy CEO/Deputy Principal apologised for the oversight with regard the failure to include in the report the Vineyard Project. This would be addressed in the next report.

32. It was **AGREED** at this stage not to progress the COAPE proposals.

33. The report "*Disposals of Land Update*" informed the Committee on the progress made with the current disposals, financing and bank debt management and positioning. It was confirmed this was still very much work in progress and that an estates strategy and an estates plan has to be finalised. Once agreed by the Corporation, and once the receipt of monies from land disposals has been received, then the estates strategy can be implemented. It was confirmed the Corporation would be actively involved in setting the estates strategy.

## **HADLOW GROUP ANNUAL HUMAN RESOURCE REPORT**

*(Ms J Salzer, Group Director of HR, was in attendance for this agenda item)*

34. The Group report '*Annual HR Report 2016/17*' was received. The report provided a detailed commentary on:

- Context and changes in Human Resources delivery
- Staff turnover
- Staff profile – age, gender, ethnicity, disability and length of service
- Absence
- Formal Staff Procedures
- Other initiatives

35. There were no issues of concern being brought to the attention of the Committee in any of the three HR reports.

36. It was **RESOLVED** to note the Annual HR Report and the Committee thanked the Group Director of HR and her HR team for their excellent work.

*(Ms J Salzer left the meeting at this point)*

## **TENDERS**

37. The termly reports on '*Tenders*' for Hadlow College and West Kent & Ashford College were received. The Committee received details of all tender outcomes with confirmation that the Group's Financial Regulations were followed.

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

## **HADLOW GROUP HEALTH & SAFETY**

39. The Committee received and **NOTED** the Hadlow Group Health & Safety Termly Report.

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

40. 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:**

41. Against the 14 agreed performance indicators for the area of finance & estates, three 'Amber' assessments were recorded against forecast year-end outturn against budget, current assets to liabilities ratio, and debtor days. All other assessments were confirmed as 'Green'.

42. As there were some risks identified which 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.

43. It was **AGREED** to inform the Corporation of Hadlow College of a 'Green' assessment (No concern/No risk) against human resources

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

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

45. It was **AGREED** to inform the Board of West Kent & Ashford College of an '**Amber**' assessment (Some concern/Some risk) against human resources.

## **RISK REGISTER REVIEW**

46. The Audit Committee, at its meeting on 4 July 2017, agreed the following:

- (i) For each Committee of the Board to review, at each meeting, those risks from the Strategic Risk Register that fall within the scope of the Committee's terms of reference and to report the outcomes of this review to the Audit Committee;
- (ii) For each Committee of the Board to be asked as to whether any new risks had been identified during their meeting requiring to be reported to the Audit Committee.

47. Made available for the Committee to review, were those risks that fall within the terms of reference of the Committee taken from the Strategic Risk Register.

48. Following review, the Committee was assured that the mitigation plans to address the current risks were adequate and fit for purpose and no changes were proposed by the Committee.

49. In terms of any new risks identified during this meeting, for inclusion on the risk register, it was agreed that the risks around High Needs Funding need to cover both curriculum impact as well as financial impact.

## ANY OTHER BUSINESS

50. There was no other business.

## DATE OF NEXT MEETING

51. Thursday 22 February 2018 @ 13.15

The meeting closed at 11.50

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

## CURRENT SUMMARY ACTION LIST

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	REVIEW DATE
30	It was <b>AGREED</b> to show the video 'Vision 50' at the December Corporation meeting and to arrange a spring strategy meeting to discuss strategic issues arising from the video and the suggested direction of travel.	22/2/18
31	To include the Vineyard Project in the next 'Capital & Commercial Portfolio' report	22/2/18
32	It was <b>AGREED</b> at this stage not to progress the COAPE proposals.	22/2/18
33	An estates strategy and an estates plan have to be finalised. Once agreed by the Corporation, and once the receipt of monies from land disposals has been received, then the estates strategy can be implemented. It was confirmed the Corporation would be actively involved in setting the estates strategy	22/2/18