



MINUTES OF THE OF PART A MEETING OF THE HADLOW GROUP FINANCE COMMITTEE HELD 14 JUNE 2018

Present: Mr P Dubrow -Chair
Mr C Hearn
Mr J Dinnis
Mr P Hannan
Mr M Weed

In attendance Mr J Allen
Mr M Lumsdon-Taylor
Mr D Ebdon
Mr D Payne
Dr J Mowby

The meeting commenced at 09.30

WELCOME, APOLOGIES FOR ABSENCE & DECLARATIONS OF INTEREST

108. The Chair welcomed everyone to the meeting. On his arrival, Mike Week was introduced to Committee members.

109. There were no apologies. The meeting was quorate.

110. The membership of the Hadlow Corporation and West Kent & Ashford Board was noted for Mr P Dubrow and Mr P Hannan. Mr C Hearn declared an interest against agenda item 7, 'Bank Financing & Disposals' as his company provided remunerated professional advice to the College on its bank financing proposals.

MINUTES

111. It was **RESOLVED** that the minutes of the meeting of the Hadlow Group Finance Committee, held 22 February 2018, be approved as a correct record.

112. It was **RESOLVED** that the confidential minutes of the meeting of the Hadlow Group Finance Committee, held 22 February 2018, be approved as a correct record.

SUMMARY ACTION LIST & MATTERS ARISING

114. The '*Summary Action List*' was received and the following updates were made available against each outstanding action pointy from the last meeting.

MIN REF & DATE	DETAILS OF RESOLUTION/ACTION POINT	ACTION UPDATE REPORTED TO THE COMMITTEE
31	To include the Vineyard Project in the next 'Capital & Commercial Portfolio' report with a business plan to be presented for the Committee's review before seeking Board approval for the project.	Agenda item
53	Meeting Papers: It was AGREED that any 'history' in the reports that is no longer applicable should be removed. In terms of further improvements, it was AGREED more use could be made of graphs and KPIs supported with an analysis of trends from the previous year to in-year performance and, if the information is available, with a link to the following year's budget. When graphs are used, the Committee requested that the graphs be annotated with textual commentary, either on the coversheet or in the text of the report. It was also important to support any textual statement with numbers/facts.	The Chair and Committee again welcomed the new approach being used in making available, to the Committee, more summary information on the agenda coversheets, with a reduction in the volume of appendices to support the main agenda paper. However, as evidenced by some of the appendices, there was still room for further improvement in terms of reducing the number of appendices. It was noted that with the planned introduction of e-governance from September, appendices thought necessary could be stored in the 'library section' that will be available on the software application to be used for e-governance
57	At the last meeting, it was discussed, but not minuted, as to the need to try to ensure that the Management Accounts are in line with the year-end audited accounts with an explanation to be provided for any variances.	November 2018 meeting
65	Meeting with Actuaries. It was AGREED to keep the Committee informed of the outcomes of the meeting. It was further AGREED to inform the Audit Committee of the strategic impact of FRS 17 costs and to request for the Audit Committee to add this risk to the Strategic Risk Register.	This is being reported to the Audit Committee that meets on 21 June.
71	Ashford/Cummings House: The Committee AGREED that this must pay for itself through either leasing or purchase. It must be self-financing. The Committee AGREED and FULLY ENDORSED the proposed 'direction of travel'	To receive a progress update at the meeting

	outlined, on the understanding that the final proposal must be self-financed and be subject to further review from the Committee before Board approval is sought.	
80(i)	For the Executive to set a KPI covering gender pay gap and the KPI to be added to the current list of HR KPIs	Agenda item
92	<p>AGREED that the following risks should be added to the Strategic Risk Register and for the Clerk to report this to the Audit Committee when it meets on 01 March 2018:</p> <ul style="list-style-type: none"> • Risk of being in breach of banking covenants at year-end • Impact of FRS 17 pension accounts on year-end accounts 	Approved by the Audit Committee
97	<p>Pre-Budget Statement</p> <p>The CEO/Principal raised the need to inform and brief governors of the curriculum changes for Hadlow that are to be confirmed through the business planning cycle. Any change to the land-based curriculum offer will, no doubt, result in representations being made to governors from the land-based industry, staff and students. It was AGREED to inform governors as to the outcomes of the curriculum review that will form part of the business planning cycle.</p>	This was done at the Governors' June Strategy Meeting
98	<p>The Committee asked as to when would the process be completed? It was confirmed the process would be completed by the end of May, with outcomes being reported, either at the June Committee meeting, or the June Strategy meeting. It was confirmed there will be a comparison/reconciliation between what was presented at this meeting as against what will be confirmed in the College budget 2018/19.</p>	

99	It was agreed that the College must convey positive messages as to how the College is meeting the needs of the industry, students and key stakeholders, in order to offset any poor publicity or potential reputational damage arising from changes to the curriculum offer.	
106	<p>The professional advisers made two recommendations that are to be subject to further review and actioning.</p> <p>These being, (i) the Finance Team to be structured to reflect complexity and size of Group, through the recruitment of a Chief Financial Officer to support fiscal strategy and leadership; and (ii) for the Finance Committee to be strengthened by the recruitment of a chartered accountant to join the Committee.</p>	<p>Made available at the meeting was a finance department organisation chart.</p> <p>The JD for the Chief Financial Officer is in the process of being drafted.</p> <p>The Deputy CEO/Deputy Principal provided details of a chartered accountant who has expressed an interest and will make available to the Clerk his CV for taking this forward with the Group Search Committee</p>
107	It was RESOLVED to note the Strategic Debt Reduction Plan and to keep the Committee informed as to the progress of the negotiations with the bank.	Agenda item.

115. It was **RESOLVED** to note the 'Summary Action List'.

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

(i) Group Performance Indicators

116. The Committee noted the following KPIs:

	Target Current Year 2016/2017 £	Projection Actual 2016/2017 (Pre Audit) £	Target Following Year 2017/2018 £	Projection Actuals 2017/2018 £
Turnover +	48,000,000	45,500,000	46,000,000	46,000,000
~Cash Holdings -operating -reserves	3,000,000 2,500,000	1,750,000 3,000,000	2,000,000 2,500,000	2,750,000 2,273,000 *
Borrowing %	14,000,000:	14,600,000:	14,600,000:	14,600,000:

		30%	33%	31%	31%
Profit		834,000	350,000	907,680	2,087,000 (6,497,000) **
Global Student Numbers	Apprentices	<u>Numbers (count)</u>	<u>Numbers (count)</u>	<u>Numbers (count)</u>	<u>Numbers (count)</u>
	19+FE	750	545	750	750
	19+HE	3000	2500	3000	2900
	Core 16-18	800	700	800	700
Staff Count		3500	2000	3750	3450
Capital Investment Committed		1,150	1,040	1,020	980
-general		1,500,000	650,000	1,500,000	1,000,000
-major projects		9,500,000	9,500,000	4,000,000	4,000,000
Debtors (D) / Creditors (C)	Hadlow	D: 40 C: 35-40	D: 35 C: 35-38	D: 30 C: 28-32	D: 28-32 C: 34
	WKAC	D: 35 C: 38-42	D: 30 C: 32-35	D: 30 C: 28-32	D: 28-32 C: 36

* Surplus on disposal (£1.75m) of Jemmet Road included

** Including disposals and FRS 102 = £5,610m)

117. The following key points were noted:

- Group outturn projected at £2.087m before FRS 102 costs of £1.7m.
- Group turnover £46m.
- Borrowing, excluding mortgages, is at 31%. Including mortgages, borrowing is at 46%.
- Debt and credit has stabilised and this was welcomed by the Committee.

(ii) Hadlow College

118. The following key points were **NOTED**:

- Operating surplus before incorporated subsidiaries £152k. Total incorporated subsidiaries contributed £52k.
- Commercial portfolio has performed well with the exception of Farm Shop which has been repositioned and rebranded (Including acquisition wholesale business expansion). Commercial farms trading expected to break even at Year End.
- Underlying profit after FRS 102 and disposal £4.19m. (The treatment of associated costs relating to the disposals to be agreed with auditors).
- Debt book and credit book were at 30 days +/- 3 days at April 2018. Start of new calendar year had seen creditor days increase to 35 days whilst cash flow remained restricted. Cash at Year End projected £2.750m (Including disposals).
- Projected balance sheets are expected to be covenant compliant at year-end

(iii) West Kent & Ashford College

119. The following key points were **NOTED**:

- Operating surplus of £533k profit against budget of £362k includes provision release against poor performing tuition fees.
- Payroll remains under budget against student numbers whilst growth also remains under budget.
- Cash at May 2018 remains restricted. WKAC currently operating in temporary overdraft January through to March (before disposals). No overdraft facilities in place or required.
- Year End projections underlying surplus of £1.7m after disposals and FRS 102 operating position of £300k surplus
- Cash position at baseline Year End of £1.0m potentially rising to £1.6m+ after Group transition transfers.

120. It was **RESOLVED** to note the financial performance reports for the Hadlow Group, Hadlow College, and WKAC.

COLLEGE AND GROUP BUDGET 2018-19 AND TWO-YEAR FINANCIAL FORECAST

121. The Deputy CEO/Deputy Principal made available a presentation to support the Hadlow College & Group Budget 2018-19 and the West Kent & Ashford College Budget 2018-19

122. From the presentation, the following key points were noted.

Fiscal Rules

- To deliver a balanced portfolio of business across three distinct elements of Further Education, University Provision and commercial development (Including research)
- To ensure that all commercial development is delivered to exemplary business and financial principles to support Teaching, Learning and Student Experience

Global Headline

Segment	Forecast Turnover 2018/2019	Surplus	Cash Holdings: July 2018
Hadlow College Core Operations (Commercial & Educational)	£18,500,000	£750,000	£2,500,000
Hadlow College Betteshanger Developments Limited (Country park management & tenancy – Almond House)	£1,300,000	£0	£1,000,000*
Hadlow Rural Community School (Part of the Group – budget approved by HRCS Board), formally endorsed by the Hadlow board	£2,500,000	£100,000	£75,000
Grove Farm Park Limited (Commercial lettings group)	£350,000	£50,000	£50,000
Hadlow Pre School	£250,000	£10,000	£20,000
Hadlow Produced in Kent	£200,000	£30,000	£100,000
Hadlow/PIF Dog Grooming**	£350,000	£40,000	£25,000
Hadlow Total	£23,450,000	£980,000	£3,770,000
WKAC Total	£22,657,000	£450,000	£2,272,000
Total	£46,107,000	£1,430,000	£6,042,000 * **

Global Numbers & Ratios:

	<u>Hadlow College</u>	<u>West Kent & Ashford College</u>
<u>Further Education</u>	<u>950</u>	<u>2,650</u>
<u>University Provision</u>	<u>500</u>	<u>300</u>
<u>Part Time Education</u>	<u>1,500</u>	<u>2,000</u>
<u>Apprenticeships [16-19 and 19-24]</u>	<u>350</u>	<u>650</u> [Global 1,000]
<u>Visitor Numbers</u>	<u>350,000</u>	<u>10,000</u>
<u>Staff % of turnover</u>	<u>52%</u>	<u>59%</u>

Commercial Performance

-	<u>2017/2018 Budget</u>	<u>2018/2019 Budget (Prudent)</u>
<u>College Farms Group ***</u>	<u>(68,836)</u>	<u>(3,000)</u>

<u>Horticulture Retail Complex (HRC)</u> <u>(Including Florist)</u>	<u>25,431</u>	<u>50,000</u>
<u>Court Lane *</u>	<u>(22,809)</u>	<u>0</u>
<u>Grove Park Farm</u> <u>(Commerical lettings**)</u>	<u>(5,075)</u>	<u>50,000</u>
<u>Farm Shop</u>	<u>49,974</u>	<u>50,000</u>
<u>Commercial Estate (HC)</u>	<u>76,426</u>	<u>70,000</u>
<u>TOTAL</u>	<u>55,111</u>	<u>217,000</u>

Capital Budget

<u>Capital Total</u>	<u>Budget 2018/19</u>
<u>West Kent & Ashford College and Hadlow College</u>	<u>£700,000</u>

Financial Forecasts & ESFA Grades

	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>West Kent & Ashford College</u>	<u>Good</u>	<u>Satisfactory</u>	<u>Satisfactory</u>
<u>Hadlow College</u>	<u>Good</u>	<u>Good</u>	<u>Good</u>

Bank Covenants

	<u>2017/18</u>	<u>2018/19</u>
<u>West Kent & Ashford College</u>	<u>2✓✓ - Compliant</u>	<u>2✓✓ - Compliant</u>
<u>Hadlow College*</u>	<u>2✓✓ - Compliant</u>	<u>2✓✓ Compliant</u>

123. The budget and supporting commentary for both Colleges identified the key risks and the planned actions to be taken to mitigate against the risks. It was confirmed the key risk remains the same for both Colleges - student enrolment

numbers in September/October, and the retention of these students.

124. Following review, it was **RESOLVED**:

- (i) For the Hadlow Corporation to approve:
 - Hadlow College & Group Budget 2018-19
 - Hadlow College 2-Year Financial Forecast
- (ii) For the West Kent & Ashford Board to approve:
 - West Kent & Ashford College Budget 2018-19
 - West Kent & Ashford College 2-Year Financial Forecast

HADLOW CAPITAL PORTFOLIO UPDATE & COLLEGE PROPERTY STRATEGY

125. As the capital portfolio was subject to detailed discussion at the June strategy meeting, it was agreed to **NOTE** the papers for this agenda item. It was **AGREED** for the Deputy CEO/Deputy Principal to meet separately with Mike Weed in order to bring him 'up to speed' on capital matters.

126. It was confirmed that planning for the development of the farm is work in progress. Final outcomes from the development work to be made available to the November meeting of the Committee.

127. As previously discussed, the Ashford College has to vacate from the Jemmett Road site in August 2018. The original proposal was to relocate Jemmett Road provision to the new College site under Phase 1A (Technology Block including Construction and Engineering Departments) after the completion of Phase 1. However, although fully committed to proceeding with Phase 1, the funding gap has still to be fully met and, therefore, the timeframe for the opening of the new build for Phase 1A is now April 2020. The alternative proposal, discussed at the last meeting, was to relocate construction provision to Cummings House and motor vehicle provision to the Royal Electrical & Mechanical Engineers for two years.

128. Approval is now required for the proposal to rent Cummings House for a year and then to consider purchase in year 2. The Committee sought confirmation that the rent of Cummings House has been factored into the College budget 2018/19 which is being recommended to the Board for approval. It was confirmed that this has been included within the budget. Based on the assurance given, it was **RESOLVED** to approve the lease/rent of Cummings House for a year, and for consideration to be given later in the current year to purchase Cummings House. Any purchase proposal is to be put to the Committee for review before Board approval is sought. It was also agreed to move motor vehicle provision to the Royal Electrical & Mechanical Engineers for two years.

129. It was **RESOLVED** to note the Capital Reports.

BANK FINANCING AND DISPOSALS

130. As the agenda item covered commercially sensitive information, it was **RESOLVED** to declare this agenda item confidential and for the minutes to be recorded separately.

HADLOW GROUP TENDERS

131. 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.

132. The award of the Solar Project at WKAC to Greenman Solar was duly noted.

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

HADLOW GROUP HUMAN RESOURCES

(Jane Salzer attended this part of the meeting to present the reports for this agenda item)

134. The following reports were received:

- (i) Hadlow College HR Exception Report
- (ii) WKAC HR Exception Report

135. There were no issues of concern arising from the review of both reports.

136. The data contained in the reports made good reading, but it was **AGREED** to make available a trend analysis by comparing current HR data against data for the previous two years.

137. It was also **AGREED** to make available, in future HR reports, data on the use of agency staff. In terms of current data, Hadlow agency staff accounts for circa 1% of the teaching staff and for WKAC it is circa 6%, as against 25% when the College was acquired.

138. It was **RESOLVED** to note the reports and the Committee thanked Jane Salzer for attending to present this agenda item.

HADLOW GROUP HEALTH & SAFETY

(Paul Hayes attended this part of the meeting to present the reports for this agenda item)

139. There were no issues of concern arising from the review of the report.

140. The data contained in the report made good reading, but it was **AGREED** to make available a trend analysis by comparing current health & safety data against data, where available, for the previous two years.

141. It was **RESOLVED** to note the report and the Committee thanked Paul Hayes for attending to present this agenda item.

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

142. 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

(i) Hadlow College:

143. Against the 14 agreed performance indicators for the area of finance & estates, five 'Amber' assessments were recorded against cash days in hand, borrowing as a % of income, income diversity, creditor days, and debtor days. All other assessments were confirmed as 'Green'.

144. 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.

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

(ii) West Kent & Ashford College:

146. Against the 13 agreed performance indicators for the area of finance & estates, four 'Amber' assessments were recorded against cash generated, current assets to liabilities ratio, cash days in hand, and borrowing as a % of income. All other assessments were confirmed as 'Green'. There was one 'Red' assessment for employer engagement income, with income at period 9 at £0.8m against the target of £1.3m.

147. 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.

148. 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

149. The Chair made a proposal to start meetings at 9am with the first two hours to be focused on finance and estate matters. After a short break, the meeting to resume and to focus on strategic matters covering estates and commercial.

DATE OF NEXT MEETING

150. Thursday 22 November 2018 @ 09.00 at Hadlow

Signed: _____ Date: _____
(Chair)

SUMMARY ACTION LIST

Minute	Action	Next Review
125	Deputy CEO/Deputy Principal to meet separately with Mike Weed in order to bring him 'up to speed' on capital matters.	22/11/2018
126	It was confirmed that planning for the development of the farm is work in progress. Final outcomes from the development work to be made available to the November meeting of the Committee.	22/11/2018
128	Cummings House: Any purchase proposal to be put to the Committee for review before Board approval is sought	22/11/2018
136	To make available in HR reports a trend analysis by comparing current HR data against data, where available, for the previous two years.	22/11/2018
137	To make available, in future HR reports, data on the use of agency staff. In terms of current data, Hadlow agency staff accounts for circa 1% of the teaching staff and for WKAC it is circa 6%, as against 25% when the College was acquired.	22/11/2018
140	To make available, in H&S reports, a trend analysis by comparing current health & safety data against data, where available, for the previous two years.	22/11/2018
149	The Chair made a proposal to start meetings at 9am with the first two hours to be focused on finance and estate matters. After a short break, the meeting to resume and to focus on strategic matters covering estates and commercial.	22/11/2018