



MINUTES OF THE PART I MEETING OF THE HADLOW GROUP FINANCE COMMITTEE HELD 22 JUNE 2017

Present: Mr P Dubrow -Chair
 Mr P Hannan Group CEO/Principal
 Mr C Hearn
 Mr Porter

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
 Mr D Blythe - RSM

The meeting commenced at 09.30.

APOLOGIES FOR ABSENCE, DECLARATION OF INTERESTS & QUORACY

126. There were no apologies. The Clerk advised that the membership of the West Kent & Ashford `Board to be a standing declared interest at each meeting for Mr P Dubrow, Mr C Porter, and Mr P Hannan; and hat the membership of the Hadlow Group Board to be a standing declared interest at each meeting for Mr P Dubrow and Mr P Hannan. The Clerk confirmed the meeting was quorate,

MINUTES

127. It was **RESOLVED** that the minutes of the meeting of the Committee held 24 February 2017 be approved as a correct record and signed by the Chair.

SUMMARY ACTION LIST & MATTERS ARISING

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

MIN REF & DATE	DETAILS OF RESOLUTION/ACTION POINT	ACTION UPDATE TO BE PROVIDED AT MEETING ON 22 JUNE 2017
60	It was AGREED that membership of the Committee needs to be strengthened by having a qualified accountant with relevant strategic/sector experience.	Two independent co-opted members with appropriate accounting expertise have been approached and have confirmed their interest. Once CVs have been received interviews will be arranged.
73	It was noted that payments to some suppliers was below the target of 30 days with an average	Attached to the SAL. The report was noted.

	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 AGREED to make available to the Committee a full analysis on debtors and creditors.	
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.	Agenda item
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.	Agenda item
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.	Agenda item
86(iv)	To keep under review and scrutiny the challenging apprenticeship recruitment targets set for the Rosemary Shrager Cookery School.	A progress update was received.
123	To ensure that all governors were aware of the significance of this Pre-Budget Statement, it was AGREED to make the Statement available to the Audit Committee (so that they can assess the risk and mitigation actions to reduce the risk) and to the March Board meetings at Hadlow and WKAC	Completed
124	To enable governors to scrutinise and challenge in more detail the assumptions behind both growth and saving targets, to monitor performance against targets, and to manage the risks associated with 'R2', it was AGREED to set up a 'Task and Finish Group'	R2 process - 3 meetings scheduled, 2 have taken place with the third to take place mid-July once the process has been completed. Process has gone to plan according to timetable.

	consisting of a member from the Group Finance Committee, a member from the Group Audit Committee, the Group CEO/Principal; the Deputy Group CEO/Principal, and the Assistant Director of Finance, MIS & ICT	
125	The 'R2 Task & Finish Group' to meet monthly between now and the June meeting of the Hadlow Group Finance Committee, and for the Task Group to report on its work at the next finance meeting	Agenda item
126	The Deputy CEO/Principal to make arrangements to agree and circulate the monthly meeting dates for the Task Group.	Completed

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

130. Reference Minute 88, it was confirmed the two Court Lane Houses were sold for a combined £635K with receipts due in bank in the first week in July.

HADLOW GROUP FINANCIAL PERFORMANCE REPORT PERIODS 1 TO 6

131. The report summarising performance against Group financial performance indicators was received and the following key data was noted:

	Target Current Year 2016/17	Actual at Period 9	Projection 2016/17	
Turnover	48,000,000	28,000,000	47,500,000	
Cash Holdings - operating	3,000,000	1,000,000	1,750,000	
revenues	2,500,000	1,500,000	3,500,000**	
Borrowing %	14,000,000: 30%		14,600,000: 31%	
Profit	834,000	355,000	1,452,000*	
Global Student Numbers	Apprentices	700	625	
	19+FE	3375	2700	
	19+HE	766	575	
	Core 16-18	3936	3083	
Staff Count				
Capital Investment Committed	-general -major projects	1,300,000 9,000,000	1,500,000 14,000,000	1,300,000 9,500,000
Debtors / creditors	Hadlow	D30 days	D -	D -
		C30 days	C 40-42	C 35-40
	WKAC	D30 days	D -	D -

	C 30 days	C 45-50	C 38-42
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132. The Committee welcomed the presentation of the Group financial KPIs. However, to further refine the presentation, the following was requested:

- Operational holdings – to include the whole of Hadlow and WKAC and Betteshanger and School. Need to include Capital Cash Holdings.
- Line on Bank Covenants to be included.
- Staff count was left blank due to R2 but future reports will include the staff figures

133. The Committee requested that the name of the Hadlow College Group to be referred to from now on as the Hadlow Group Incorporated and for a Group diagram to be included with summary sheet for next meeting.

(i) Hadlow College & Hadlow Group

133. The College continues to experience a financially constrained year, returning a surplus of £207k against a budgeted surplus for the period of £167k. After inclusion of the subsidiary companies and dowry releases, this becomes a small surplus of £460k mainly due a surplus in HRCS alongside a matched income against trading performance in Betteshanger Country Park and Betteshanger Sustainable Parks.

134. The College has reduced its forecast for the year from the budgeted level of a surplus of £383k to £251k. 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. The sale of the two houses at Court Lane has been included in these figures. To achieve this forecast, and compensate for the shortfall in HE income, savings will need to make in both non-pay and in reductions in the establishment. Alongside of these, it has been necessary to make a number of releases from reserves.

135. In terms of performance to date against the budget, the College is showing a surplus of £207k for the first nine months. Before extraordinary releases from grants the loss was £1,200k

Loss on activities	£1,200k
Release from Betteshanger Dowry	£250k
Release from Coastal Communities Grant	£250k
Release from WKAC Transitional Funds	£200k
Release of Provisions	£200k
Profit on sale of houses	£600k

135. The major contributory factors to this are a significant reduction in HE income, loss in residential income, shortfall in fee income, and an overspend against salaries. To address this, R2 was agreed by the Board and is currently being implemented as per the agreed timetable.

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

(ii) West Kent & Ashford College

137. Overall, the College has performed broadly ahead of budget in financial terms over the first half of the year, returning a surplus of £305k before exceptional items and £1,805k after exceptional items, against a budgeted surplus for the period of £375k. The College forecast remains for 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.

138. In year growth planning is fundamental to long term sustainability. So far in year growth in 17/18 has been disappointing and further growth in student numbers before the final data returns is essential. To help achieve the growth it was reported that the College has engaged an external provider to supply dome programmes during this financial year.

139. It was **RESOLVED** to note the WKAC Performance Report.

R2 TASK GROUP

140. The Committee received for information purposes the minutes/notes of the R2 Task Group meetings held 29 March 2017 and 29 May 2017.

141. It was confirmed that the savings of £4.5M sought from the R2 process is on track to be achieved. The consultation process concludes 30 June.

142. It was confirmed the relationship with the Trade Unions remains positive and professional and there has to date been no risk of any industrial action. Staff communications are being managed at all levels to maintain good staff morale. The process though has been tough, particularly for Hadlow staff, who have not been through such a process before.

COLLEGE AND GROUP BUDGET 2017-18 AND TWO-YEAR FINANCIAL FORECAST

143. The Deputy CEO/Deputy Principal made available a presentation to support the Hadlow College & Group Budget 2017-18, and the West Kent & Ashford College Budget 2017-18.

Fiscal Rules

144. In light of the Group's continued development of its business portfolio, the budget continues to focus upon key fiscal drivers for Hadlow College and West Kent & Ashford College that underpin the budgetary process.

145. Hadlow College:

- All Curriculum divisions must return a baseline contribution of 50%
- All Curriculum divisions must return and show net 5% growth in either FE or HE student count
- Net contribution from core business must be equal to or greater than commercial net profits
- All College overhead, unless specifically targeted, cannot grow by more than 5%
- Any commercial loss positions must show improvement of baseline 25% for the forthcoming year (against in year budget)

146. West Kent & Ashford College:

- All Curriculum divisions must return a baseline contribution of 40% rising to 50% in 2018 (RULE) –All Curriculum divisions must return and show net 5% growth in either FE or HE student count rising to 10% for 2017
- Net contribution from core business must show an increase of 10% annually (RULE)
- All College overhead, unless specifically agreed cannot grow by more than 3% Any Commercial/Project loss positions must show improvement of baseline 25% for the forthcoming year (against in year budget)

147. 2016/17 Budgets:

- Group budgets for 16/17 have had to rely upon exceptional revenue and cost reductions to maintain surpluses.
- Hadlow in particular have required releases from balance sheet reserves.
- WKAC, has rebased as much as possible in year to forecast 17/18 student numbers
- Nonetheless, the business did not deliver in year growth, with 100 recruited against the target of 500.
- The year-end outcomes for both Hadlow and WKAC will deliver surpluses. The Group balance sheets will be strong in cash due to exceptional financial structuring and balanced positioning. This is the base to deliver a strong sustainable business in 2017/18.
- The overarching key is the September 2017 student count. The focus of the entire organisation must be and will be on this - directly over the next 10 weeks.

148. 2017/18 Budgets

- This is the 'corporate breakout year'.
- Processes have been overhauled in the core business of teaching and learning.
- Finances have been realigned.
- Staffing has been reduced requiring the business to think differently and react with smaller resources.
- Efficiencies are paramount to focus upon the student and their priorities.
- With growing commerciality comes greater exposure to the economy. As a business we are required to cut our coat according to our cloth that we have, with the rider that we can always chose to make smaller cloths and take the risk.
- WKAC budget is balanced with surplus. It's risk remains its ability to deliver 19+ allocation, it's apprenticeship targets and of course 16-18 2750 @ R04 (growth currently 20% ahead). Costs are controlled robustly centrally.
- Hadlow budget has greater risk and opportunity variables. HE growth is high risk. FE student core is high risk with Hadlow requiring 100+ increase in 1618 core. It's generation of commercial income is fundamental and has associated risk. Core subsidiaries, including BSP also have risk parameters dependant upon the economy.
- The group positions will deliver a core return of £750,000. In cash terms this is £1.6m before provisional capital spend of £850,000. R2 £3.5m has

delivered a reduction in core operating costs and £1m has been allocated to WKAC in exceptional support to redeliver 2750 core number 1618 baseline. Total R2 £4.5m.

- All budgets will be determined in total terms by the end of September. The presentation outlined the key risks for both Hadlow and West Kent & Ashford College.

149. Group Budget Position 2017/18:

	West Kent College	Hadlow College Incorporated (HCI)	Group Totals
Turnover	£21,000,000	£21,000,000	£42,000,000
Surplus	£500,000	£407,000	£907,000
16-18 Global count	2750	1100	3850
Cash holdings	£2,800,000	£3,400,000	£6,200,000
Payroll percentage	57%	50%	-
Capital investment	£300,000	£550,000	£850,000

150. The presentation and budgets 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.

151. The 2-year financial forecasts that are required by the EFSA for all colleges has been completed using the template issued by the EFSA. However, the template that the College used has since been replaced with a new template. This template was not issued until June and all Colleges are now having to re-do their two-year financial forecasts.

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

- (i) For the Hadlow Corporation to approve:
 - Hadlow College & Group Budget 2017-18
 - Hadlow College 2-Year Financial Forecast
- (ii) For the West Kent & Ashford Board to approve:
 - West Kent & Ashford College Budget 2017-18
 - West Kent & Ashford College 2-Year Financial Forecast

HADLOW GROUP CAPITAL PORTFOLIO UPDATE & COLLEGE PROPERTY STRATEGY

153. The following reports were received:

- Capital Summary Plan
- Group Capital & Commercial Portfolio
- Betteshanger Progress Report

154. It was **AGREED** to note the '*Capital Summary Plan*' as the plan will require further work once funds have been realised through the proposed programme of asset disposal.

155. The Committee received for review the '*Group Capital & Commercial Portfolio Report*'. Within the report were the latest Management Accounts for the Hadlow Rural Community School. It was noted and welcomed that a small surplus is forecast for the year-end (£2,766).

156. It was reported, and endorsed by the Committee, that HRCS has been tasked to increase their budgeted surplus for 2017-18 to £100k.

157. The Committee placed on record its thanks to the Headteacher, the Chair of HRCS, and the HRCS Finance Committee for their work in turning around the School's finances.

158. The Committee received and noted the '*Betteshanger Progress Report*'.

HADLOW GROUP TENDERS

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

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

HUMAN RESOURCE EXCEPTION REPORT

161. 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.

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

GROUP HEALTH & SAFETY

163. 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

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

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

165. 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:

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

167. 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.

168. Against eight of the nine 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:

169. Against the 14 agreed performance indicators for the area of finance & estates, seven 'Amber' assessments were recorded against cash generated, 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'.

170. 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.

171. 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.

172. 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

173. There was no other business.

DATE OF NEXT MEETING

174. Friday 17 November 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
132	<p>To further refine the presentation of the Group KPIs, the following was requested:</p> <ul style="list-style-type: none">• Operational holdings – to include the whole of Hadlow and WKAC and Betteshanger and School. Need to include Capital Cash Holdings.• Line on Bank Covenants to be included.• Staff count was left blank due to R2 but future reports will include the staff figures	17/11/17