

**MINUTES OF THE OF MEETING OF THE HADLOW GROUP FINANCE
COMMITTEE HELD 18 NOVEMBER 2016**

Present: Mr P Dubrow -Chair
Mr C Porter
Mr P Hannan

In attendance Mr J Allen
Mr M Lumsdon-Taylor
Ms P Powditch
Mr D Payne
Mr D Blythe

The meeting commenced at 09.30

WELCOME, APOLOGIES FOR ABSENCE & DECLARATION OF INTERESTS

1. The Chair welcomed everyone to the inaugural meeting of the Hadlow Group Finance Committee. Apologies were received from Mr C Hearn and Mr G Cutress. The membership of the Hadlow Corporation and West Kent & Ashford Board was noted for all Committee members. There were no declared interests against any agenda items.

MINUTES

2. It was **RESOLVED** that the minutes of the meeting of the Hadlow Finance Committee held 23 June 2016 be approved as a correct record.

3. It was **RESOLVED** that the minutes of the Part I meeting of the West Kent & Ashford Finance Committee held 23 June 2016 be approved as a correct record.

4. It was **RESOLVED** that the confidential minutes of the Part III meeting of the West Kent & Ashford Finance Committee held 23 June 2016 be approved as a correct record.

MATTERS ARISING

5. The only action point carried forward was, if required, to hold a special meeting of the Committee in late September/early October to review West Kent & Ashford College recruitment and resulting financial impact. An update on this is made available under agenda item 4.

FINANCIAL PERFORMANCE REPORTS HADLOW COLLEGE & WEST KENT & ASHFORD COLLEGE

(i) Hadlow College

6. The College has performed in line with budget in financial terms over the last two periods, returning a surplus of £56k against the budgeted surplus of £54k. However, the College has reduced its forecast year-end surplus from £383k to £250k. The forecast year-end decline is due to the failure to recruit HE numbers against the target and the significant variance in residential income, as 25 rooms remain empty on the Hadlow campus and 31 at Bower Terrace.

7. It was noted there are still significant risks to achieve the revised year-end outturn of a surplus of £250k. To achieve the forecast, and to compensate for the shortfall in HE income, savings will need to be made in both non-pay and in reductions in the establishment. The Director of Finance concluded that the College has a tough year ahead. There are, however, some positive indications for 2017-18 for progression from Level 3 programmes into HE.

8. Clarity was sought on the number of enrolments (EFA, SFA & HE) in table 2.3 and it was **AGREED** to circulate to Committee members a revised table.

(ii) West Kent & Ashford College

9. The College has performed in line with budget in financial terms over the first two periods, returning a surplus of £129k against the budgeted surplus of £85k. The College is also maintaining a forecast for the year at the budgeted level of a surplus of £500k. However, lower recruitment against both target and the previous year will put significant pressure on maintaining this outcome. In year growth planning is essential.

10. In term of student numbers, for EFA numbers for 16-18 year olds against the target of 2,941; 1,950 have been enrolled. In year growth totalling 500 16-18 year olds before 18/12/16 is fundamental. Growth is forecast to come from ESOL provision, provision for NEETS and taster programmes. Although planned, this growth has to be considered high risk. The other area of major risk to the budget is apprenticeship numbers and resulting income.

11. Areas of opportunity that are not yet included within the budget include recovery of the SFA clawback (£888k) and profit on the sale of Jemmett Road.

12. The Committee welcomed confirmation received of the College having secured the reinstatement of protection funding for 2016-17 as a result of the lobbying undertaken with Kent MPs. Lobbying is still continuing to recover the SFA clawback of £888k.

13. Due to the delays in the payment of funds for the Elwick Road development from Ashford Borough Council, in order to maintain the original timescale for the Ashford Campus, it is necessary to pay the contractor BAM Construction, in advance of the next tranche of funding. An overdraft facility of £1m has been negotiated with Barclays Bank for the period November 2016 to April 2017. It was confirmed by the Deputy CEO & Deputy Principal that the need for the overdraft facility is purely a cashflow timing issue, and is not a solvency or creditor issue.

14. Through the minutes, it was **RESOLVED** to recommend the West Kent & 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 December 2017.

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

FINANCIAL STATEMENT AND YEAR END ACCOUNTS 31 JULY 2016

16. The Deputy CEO and Deputy Principal provided the Committee with the following headline summary:

- The Hadlow Group achieved an operating surplus of £1,638m before the pension impact arising from Accounting Standard FRS 17, and remained in surplus post FRS17
- The pension impact is £1.450m
- Hadlow College achieved an operating surplus of £466k
- West Kent & Ashford College achieved an operating surplus of £297k
- There was a net reduction in cash of £3m (£1m from the Comprehensive Spending Review and £2m grants/capital projects
- Capital reserves remain intact
- No audit issues to report

(I) HADLOW COLLEGE FINANCIAL STATEMENT AND YEAR END ACCOUNTS 31 JULY 2016 & STUDENT UNION ACCOUNTS

17. The '*Financial Statements and Year End Accounts 31 July 2016*' were received. In attendance was Mr D Blythe (RSM). It was noted that there was no Audit Findings Report for the Committee to receive and review. It was explained that this was due to the demands placed on the Finance team arising from the data required for the forthcoming Area Review. It was confirmed the Audit Findings Report would be available for the Group Audit Committee that meets on 24 November.

18. Also received for review were the Hadlow College Student Union Accounts for the year-ended 31 July 2016.

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

- (i) To recommend that the Hadlow Corporation at its meeting on 08 December 2016 approve the College's '*Financial Statement and Year End Accounts 31 July 2016*';
- (ii) To note the College's Accounting Policy; and
- (iii) To note the year-end accounts for the Student Union.

(ii) WEST KENT & ASHFORD COLLEGE FINANCIAL STATEMENT AND YEAR END ACCOUNTS 31 JULY 2016

20. The '*Financial Statements and Year End Accounts 31 July 2016*' 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 24 November.

21. Following review, it was **RESOLVED**
- (i) To recommend that the Board at its meeting on 07 December 2016 approve the College's '*Financial Statement and Year End Accounts 31 July 2016*';
 - (ii) To note the '*Audit Findings Report*' from RSM; and
 - (iii) To note the College's Accounting Policy.

22. In conclusion, the external Auditor highlighted in his view two key areas of the financial statements that he would expect the Committee to focus on, and both relate to the balance sheet. These being: i) the net current position, and ii) the cash position. It was important to note that some of the cash related to 'ring fenced' funds, e.g., unspent HCA dowry re Betteshanger, and that this should be factored out when considering the underlying cash position. It was also noted that some of these funds were matched by long-term creditors and again care should be taken to factor these into consideration when reviewing the overall position.

23. The Committee welcomed this advice that was duly noted.

HADLOW CAPITAL PORTFOLIO UPDATE & COLLEGE PROPERTY STRATEGY

24. Under this agenda item, three reports were received:

- Capital Investment & Portfolio & Capital Projects Report
- Progress Reports: Betteshanger Sustainable Parks, Elwick Road, and Hadlow Rural Community School
- New Ventures & Outstanding Works

25. The following key points were noted from the various reports reviewed and considered.

26. The Group continues to develop its plans for the Hadlow Community Pre-School. The current site is not appropriate with additional space required. The options being considered include redeployment to Court Lane.

27. The acquisition of the Rosemary Shrager Cookery School has already been agreed in principle. The proposal is now to proceed with the acquisition and made available in the report was the business plan and curriculum offer to support the proposal. The initial investment to the College remains at £50k and Hadlow College would be allocated 51% of the shares so would be the dominant partner. The business plan forecasts a breakeven position within 2 years. A key deliverable for the project is apprenticeship numbers. Recruitment is under way for the first cohort of apprentices and three further cohorts will need to be recruited in year to ensure the maximum number of 40 apprenticeships in learning at any one time.

28. It was **RESOLVED** to formally approve the acquisition of Rosemary Shrager Cookery School at an investment cost of £50k and to approve the business plan presented to the Committee.

29. The September Management Accounts for the Hadlow Rural Community School record a surplus of £6,446 against the budget surplus of £6,513. It was reported and welcomed that student numbers have exceeded the original target. The financial position of the School is much improved with a small surplus now forecast as against the early forecast of a significant deficit. The Committee placed on record

its thanks to the Schools Headteacher, the School's finance team, the Chair of the School's Governors, and the Chair of the School's Finance Committee for their efforts in turning around the financial performance of the School.

30. Appendix 5 from the report outlined the Heads of Terms for the sale of Jemmett Road along with the detail of the contract and other associated legal documents. The agreed purchase price with Orbit was confirmed at £8m, as against the original sale price of £7.2m. In addition, the College has secured from KCC an additional sum of between £1m to £1.5m. The Committee welcomed the additional income arising from the sale price agreed with Orbit.

31. Following review of the documents relating to the sale of Jemmett Road, it was **RESOLVED**:

- (i) To make available to the WKAC Board and Hadlow 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
- (ii) For the WKAC Board at its meeting on 07 December 2016 and the Hadlow Corporation at its meeting on 08 December 2016 be asked to **APPROVE** the Heads of Terms and sale of Jemmett Road to Orbit at a sale price of £8,000,000.

32. In terms of new ventures, the report made available a business plan to enter into a partnership with Southern Events for the purchase of 'The Rose Revived'. A key attraction of the proposal would be to have frontage on the A26 to promote not just the new business venture but also the farm shop that has been moved its previous location on the A26 to opposite The Rose Revived.

33. The Committee **RESOLVED** 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.

34. The Committee was notified that current sales of the Farm Shop has shown no decline since the move, but it was noted that the new occupants of the farm shop on the A26 have yet to start trading. However, with there no longer a £60,000 lease to pay, the forecast is for no reduction in the overall surplus for the Farm Shop. The Committee asked to receive at the next meeting an analysis on Farm Shop takings compared against previous takings, with a year-end forecast.

35. It was **RESOLVED** to note the various capital reports presented under this agenda item.

HADLOW GROUP ANNUAL HUMAN RESOURCE REPORT

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

36. The Group report 'Annual HR Report 2015/16' 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

37. Also made available at the meeting were separate HR Annual Reports for Hadlow College and West Kent & Ashford College, with both annual reports following the same format as the Group Annual Report.

38. It was agreed to amend the reporting framework on annual HR reports as follows:

- Group Annual HR Report to be presented to the Group Board
- Hadlow College Annual HR Report and WKAC Annual HR Report to be presented to the Hadlow Group Finance Committee.

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

40. It was **RESOLVED** to note the reports 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

41. 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.

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

HADLOW GROUP HEALTH & SAFETY

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

44. The Deputy CEO made the Committee aware of two health & safety matters that are currently on going and yet to be fully resolved. One related to a visitor at the Betteshanger Park and the other related to a student who required the need of a 'helper' dog.

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

45. 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:

46. 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'.

47. 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.

48. 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:

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

50. 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 an '**Amber**' assessment (Some concern/Some risk) against finance and estates.

51. Against the 9 agreed performance indicators for the area of staff & human resources, two '**Amber**' assessments were recorded against current staff turnover and current staff vacancies. '**Green**' assessments were confirmed for the remaining performance indicators.

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

ANY OTHER BUSINESS

53. The Deputy CEO confirmed a proposal has been drafted for the financing of the variable debt. The variable debt for Grove Farm is due for renewal in December 2016. In line with this process, the College Executive is supporting the requirement to refinance and to release a further £1,650,000 for investment into the primary business. The following projects were identified for investment:

- Equestrian classrooms and laboratory facilities
- Estates improvement & completion of works
- Match funding requirement for countryside and environmental development
- Sports Hall Phase 1 development

54. The requirement is for release of funds into Hadlow accounts following Board approval for commencement of works in December/January 2017.

55. It was confirmed the College's bank fully supports the proposal and a paper outlining the proposal was intended to be made available for this meeting but the credit papers from the Bank have yet to arrive.

56. On receipt of the credit papers, it was **RESOLVED** 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.

57. There was no other business.

DATE OF NEXT MEETING

58. Thursday 23 February 2017 @ 13.15

The meeting closed at 11.50

Signed: _____ Date: _____
(Chair)

CURRENT SUMMARY ACTION LIST

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	REVIEW DATE
8	Clarity was sought on the number of enrolments (EFA, SFA & HE) in table 2.3 and it was AGREED to circulate to Committee members a revised table.	23/2/17
14	Through the minutes, it was RESOLVED to recommend the West Kent & 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 December 2017.	23/2/17
31	Sale of Jemmett Road: (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 (ii) For the Corporation at its meeting on 08 December 2016 be asked to APPROVE the Heads of Terms and sale of Jemmett Roar to Orbit at a sale price of £8,000,000.	23/2/17
33	Rose Revived: 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.	23/2/17

34	To receive at the next meeting an analysis on Farm Shop takings compared against previous takings, with a year-end forecast.	23/2/17
38	<p>It was agreed to amend the reporting framework on annual HR reports as follows:</p> <ul style="list-style-type: none"> • Group Annual HR Report to be presented to the Group Board • Hadlow College Annual HR Report and WKAC Annual HR Report to be presented to the Hadlow Group Finance Committee. 	23/2/17
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>	23/2/17