



MINUTES OF THE MEETING OF THE FINANCE COMMITTEE HELD 10 JUNE 2015

Present: Mr C Porter - Chair
Mr P Dubrow

In attendance:

Mr J Allen	- Clerk to the Governors
Ms L Brown	- Group Vice Principal
Mr M Lumsdon-Taylor	- Group Director of
Ms P Powditch	- Assistant Director of Finance, MIS & ICT

The meeting started at. 09.30

WELCOME, APOLOGIES & DECLARATION OF INTERESTS

76. The Chair welcomed everyone to the meeting of the Finance & Resources Committee of West Kent & Ashford College.

77. Apologies were received from Mr N Coffin and Mr P Hannan who were attending an important meeting with the Chief Executive of the Education Funding Agency. The Clerk confirmed the meeting was quorate with two from the four members of the Committee being in attendance (quoracy of the Committee is 40% of membership).

78. The Clerk advised that the membership of the Hadlow Corporation and the Hadlow Group Board would be a standing declared interest at each meeting for Mr C Porter, Mr N Coffin, Mr P Dubrow and Mr P Hannan.

MINUTES

79. Minutes of the Finance & Resources Committee meeting held 25 February 2015 were **APPROVED** and the Chair was authorised to sign as an accurate record of the meeting.

SUMMARY ACTION LIST & MATTERS ARISING

80. The '*Summary Action List*' was received for review. All three outstanding action points from the previous meeting relate to capital works at Jemmett Road and these are all covered through agenda item 6 – Capital Portfolio

81. There were no other matters arising from the minutes and it was **RESOLVED** to note the '*Summary Action List*'.

FINANCIAL PERFORMANCE REPORT

82. The College '*Performance Report*' for up to Period 9 (30/04/15) was received. The report covered the following:

- College Operations to date (30/04/15)
 - Income & Expenditure Account & balance Sheet

- Cash flow actual to date
- Capital expenditure to date
- Projections to 31 July 2015
 - Income and Expenditure projection to 31 July 2015
 - Capital budget projections to 31 July 2015
 - Cash flow projections to 31 July 2015
- Performance Indicators and Risk Assessment
- Appendices
 - Headline management accounts to 30 April 2015
 - Detailed cash flows including projections to 31 July 2015
 - Headline capital reports including projections to 31 July 2015
 - Detailed I&E projections to 31 July 2015

83. The following key points were noted:

- (i) The College position at the end of period 9 shows £184,000 operating profit.
- (ii) The College is still forecasting a full year true operating loss of £1.1m and is releasing contingencies to maintain its year-end position of a forecast £248k operating surplus.
- (iii) This as a direct result of forecast income being below original budget in a number of areas including Higher Education Funding, Tuition Fees, Apprenticeships and Business Development Projects.
- (iv) Costs have been carefully controlled and savings of £1.2m across the Group have been identified to offset the shortfall
- (v) If core SFA and EFA grants were not protected, the forecast operating loss would be projected at £4m.
- (vi) It is essential that the college recruit more students next year as well as re-examine its cost base
- (vii) As part of the 2015/16 budget setting process the College has started with identifying student number targets against each main learning aim. The forecast income in each area will then be compared to the cost of delivery, whilst at the same time applications will be carefully monitored.
- (viii) Extensive marketing campaigns will be run to support recruitment.
- (ix) Cost savings will be sought across all areas of both the curriculum and support services and targeted savings e.g. through the closure of the Henwood campus will be implemented.
- (x) Year-end cash position is expected to deteriorate further than previously forecast against budget as a result of reductions in student related income being offset by releases of provisions.
- (xi) The College campus capital projects programme is likely to underspend by at least £300,000.
- (xii) At 30 April 2015, the College borrowing totalled £11,215,431. As a percentage of projected College turnover this equates to 45% on a projected turnover of £25,905,000. SFA / EFA standard recommendation for borrowing within a capital project is 40%.
- (xiii) The forecast College year-end surplus remains in line with the budget surplus of £248,000

84. It was noted that should agreement be given for a restructured loan facility of £12,500,000 (a later agenda item) with no payments during the year, the % of borrowing against turnover would increase to 50%.

85. The main risks identified against achieving the budget for 2014/15 were reviewed. As student recruitment is critical, it was **AGREED** to provide via email a

monthly update to Committee members on student recruitment against the targets. Members asked what was the bottom line in terms of minimum student numbers. The Group Director of Finance confirmed that at a minimum, 2,200 full time students need to be recruited, with retention improved by at least 50% during the first 6 weeks as funding only counts if the student is still on programme at the end of the first 6 weeks of their course.

86. The other risks were around the need to further develop and maximise commercial income opportunities and it was **AGREED** to receive at the November Committee meeting the commercial framework that is currently being drafted.

87. It was **RESOLVED** to note the '*Performance Management Report*'.

BANK LOAN REFINANCING PROPOSAL

88. The received paper outlined the rationale for the proposal, the key points of the proposal, the recommendation, and the debt restructure proposal. The proposal takes into account the significant higher break costs that are currently in place due to the markets. The proposal is to break a % of the fixed loans rather than the entire loan. This will both reduce the cost of borrowing and enable the College to retain its liquidity. Breaking 40% of the £10m term loan would be at a cost of £1.44m as against interest savings over the life of the loan of circa £3.5m to £4m.

89. The Group Director of Finance is still in negotiation with the Bank and any agreement reached would need to be approved by the Bank's Pricing Committee and Credit. The Group Director of Finance confirmed a positive response was being received from the Bank and this was due in main to the improvements they have seen in the fiscal management of the College's finances.

90. The Committee **AGREED** to endorse the proposed direction of travel and authorised Senior Officers to negotiate within the parameters outlined at the meeting, with any final proposal being put to the July Corporation meeting for approval. If the final proposals have still to be confirmed at the time of the Board meeting, the Board to be asked to delegate approval authority to the Chair of the Board and the Chair of the Finance Committee.

COLLEGE BUDGET 2015/16 & 2 YEAR FINANCIAL FORECASTS

91. The draft of the College Budget 2015/16 and 2 Year Financial Forecasts were received and the Group Director of Finance made available a presentation outlining the key points for Committee members to consider when reviewing the draft budget.

92. It was noted that as this is the second budget to be drafted by Senior Officers for West Kent & Ashford College and as such there is little if any trend analysis. A decision was made not to rely on or use any financial data and trends relating to 'K' College.

93. The second year of protected funding from the SFA and EFA (out of a possible 3 years) gives the College a period in which it can review its curriculum offer to ensure that it meets the needs of the local community, existing and potential learners, employers, and key stakeholders; and fulfils the improvement in quality required to ensure the College is re-aligned.

94. The budget takes into account continued control of staffing positions and costs.

95. The budget outlines a clear vision for the College with appropriate risks identified, mitigated and monitored with sufficient contingency to ensure all targets are adhered to.

96. The presentation and budget papers provided a summary against each of the following:

- Agreed Financial Objectives
- Agreed Fiscal Rules & Drivers
- Agreed Financial Indicators

97. The proposed budget is profiling a £350,000 profit and a group cash movement of £1,077,000.

98. It was confirmed the £880,000 clawback from the SFA which is subject to dispute has been included in the financial forecasts.

99. In conclusion, the Group Director of Finance confirmed student numbers must be met. The College profitability is geared on achievement of student enrolment targets. Internal targets have been set – 2,500 16-18 FE; 350 HE; 2,000 Part-time; and 1,500 apprenticeships.

100. The Committee welcomed the detail of the presentation and it was **AGREED** to make the presentation available to all Board members at the July Board meeting.

101. It was **RESOLVED** to recommend that the Board at its meeting on 08 July 2015 be asked to approve the College Budget 2015/16 and 2-Year Financial Forecasts.

CAPITAL PORTFOLIO AND ESTATES UPDATE

101. The College paper '*Capital Portfolio and Estates Update*' was received. The report provided the Committee with progress updates on:

- Ashford works: Elwick Road
- Ashford works; Jemmett Road
- Capital 2014/15 covering capital planning Tonbridge & Tunbridge Wells, Henwood Campus, rental & tenants.

102. An update was made available on the Phase 1 tendering process for Elwick Road and it was **AGREED** to email the outcome of the tender process to Committee members.

103. An update was made available on negotiations with KCC on Jemmett Road to reach a legal agreement acceptable to both parties. The College has made a fair and value for money offer to KCC and the College is awaiting their response and has set a deadline date of 30 June. It was **AGREED** to delegate authority to the Group Director of Finance to negotiate on the parameters outlined in the paper and for the Group Director of Finance to inform Committee of the outcomes of the negotiations.

TENDERS

104. The College termly report '*Tenders*' was received. Under College regulations, any quotes over £50,000 require sign off and approval from the Chair of the Board. The report provided the Committee with a summary of actual tenders, anticipated

tenders and tenders in progress, and Ashford Capital Project tenders. No new tenders over the threshold have been submitted since the last tender report to the Committee.

105. Anticipated tenders includes insurance, catering at Tonbridge, and internal and external audit tenders that are being evaluated by the Audit Committee in June.

106. A progress update was made available on Ashford Capital Project tenders with no approvals required from the Committee.

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

HUMAN RESOURCES REPORT

108. Jane Spicer, the Group Director for HR, joined the meeting for this agenda item only to present the HR termly report. The report provided updates on:

- Current structure
- Staff turnover
- Exit data
- Establishment
- Workforce profile
- Sickness absence
- Performance Management
- Recruitment & Selection
- Employee relations
- Pay & Benefits
- Safeguarding
- HR Priorities May – November 2015

109. The following key points were noted:

- Reported sickness in the last quarter was 1,048 days lost opportunity compared to 961.5 days for the previous reporting period. There is still underreporting with staff still not compliant with required procedures for reporting absence.
- A higher percentage of Academic Staff (62%) reported sickness and this had an impact on the learner experience, staff utilisation, and temporary staffing costs.
- Tonbridge and Tunbridge Wells sites account for approximately 70% of sickness absence.
- There were 123 episodes of uncertified sickness and each line manager will be written to remind them of the importance of conducting a return to work interview.
- Two disciplinary hearings were held during the 3 month period and 6 staff have entered into capability as a result of failure to effectively improve via the Stepping Up Programme

110. It was **RESOLVED** to note the report. The Committee thanked the Group Director of HR for the update who left the meeting at the conclusion of the agenda item.

HEALTH & SAFETY

111. The following reports were received:

- Health & Safety May 2015 Report that reported on operational matters, Health & Safety management; data reporting; and strategic developments
- Minutes of the Health & Safety Committee meeting held 26 February 2015

112. Members sought clarification of what was meant by the reporting category 'Not College Related' and it was agreed to provide a response to this at the next meeting.

113. No issues of concern were reported to the Committee. It was **RESOLVED** to note the termly report on Health & Safety. It was **AGREED** to invite the Group Head of Health & safety to attend future meetings to present the H&S Report.

ANY OTHER BUSINESS

114. There was no other business.

DATE OF NEXT MEETING

115. Wednesday 20 November 2015 @ 08.30 at **TONBRIDGE**

The meeting closed at 12.00

Signed: _____ Date: _____

SUMMARY ACTION LIST

Min	Action Point	Who	Review Date
85	To provide via email a monthly update to Committee members on student recruitment against the targets	DoF	20/11/15
86	To receive at the November Committee meeting the commercial framework that is currently being drafted	DoF	20/11/15
90	Bank Loan Restructuring: The Committee AGREED to endorse the proposed direction of travel and authorised Senior Officers to negotiate within the parameters outlined at the meeting, with any final proposal being put to the July Corporation meeting for approval. If the final proposals have still to be confirmed at the time of the Board meeting, the Board to be asked to delegate approval authority to the Chair of the Board and the Chair of the Finance Committee.	DoF	20/11/15
102	An update was made available on the Phase 1 tendering process for Elwick Road and it was AGREED to email the outcome of the tender process to Committee members,	DoF	20/11/15

103	Jemmett Road & KCC: It was AGREED to delegate authority to the Group Director of Finance to negotiate on the parameters outlined in the paper and for the Group Director of Finance to inform Committee of the outcomes of the negotiations	Dof	20/11/15
112	Members sought clarification of what was meant by the reporting category 'Not College Related' and it was agreed to provide a response to this at the next meeting.	DoF	20/11/15
113	To invite the Group Head of Health & safety to attend future meetings to present the H&S Report	DoF	20/11/15