



**UNCONFIRMED MINUTES OF THE PART I MEETING OF THE FINANCE  
COMMITTEE HELD 23 JUNE 2016**

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

**In attendance:**

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

The meeting started at. 08.30

**WELCOME, APOLOGIES & DECLARATION OF INTERESTS**

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

78. There were no apologies The Clerk confirmed the meeting was quorate.

79. 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 P Dubrow and Mr P Hannan.

**MINUTES**

80. Minutes of the Part I Finance & Resources Committee meeting held 25 February 2016 were **APPROVED** and the Chair was authorised to sign as an accurate record of the meeting.

81. The confidential minutes of the Part III Finance & Resources Committee meeting held 25 February 2016 were **APPROVED** and the Chair was authorised to sign as an accurate record of the meeting

**SUMMARY ACTION LIST & MATTERS ARISING**

82. The '*Summary Action List*' was received for review and the following updates were received:

<b>MIN REF &amp; DATE</b>	<b>DETAILS OF RESOLUTION/ACTION POINT</b>	<b>ACTION UPDATE TO BE PROVIDED AT MEETING ON 23/06/2016</b>
86	To receive the commercial framework when available that is currently being drafted	Report available under agenda item 6
15	A review of the finance function within the Hadlow Group to be conducted and the outcomes of the	Structure chart was made available with confirmation given of the changes and new

	review to be made available at the next meeting of the Committee.	appointments. Caroline Buckley appointed Group Head of Finance and Caroline starts on 18 June.
64	The outcomes of the Employment Tribunal to be reported to the Committee.	The Committee received a final update on this point.

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

## FINANCIAL PERFORMANCE REPORT

84. The College '*Performance Report*' for up to Period 9 (30/04/16) was received. The report covered the following:

- College Operations to date (30/04/16)
  - Income & Expenditure Account & balance Sheet
  - Cash flow actual to date
  - Capital expenditure to date
- Projections to 31 July 2016
  - Income and Expenditure projection to 31 July 2016
  - Capital budget projections to 31 July 2016
  - Cash flow projections to 31 July 2016
- Performance Indicators and Risk Assessment
- Appendices
  - Headline management accounts to 30 April 2016
  - Detailed cash flows including projections to 31 July 2016
  - Headline capital reports including projections to 31 July 2016
  - Detailed I&E projections to 31 July 2016

85. The following key points were noted:

- (i) The College position at the end of period 9 shows a £223k operating profit.
- (ii) The College is forecasting a full year operating loss of £354k in line with the original budget.
- (iii) Income has been forecast to fall significantly below original budget in a number of areas including Higher Education Funding, Tuition Fees, Apprenticeships and Business Development Projects.
- (iv) Forecast expenditure on pay has risen sharply in light of additional posts to improve quality of delivery and high agency costs resulting from difficulties in recruitment.
- (v) To maintain the budgeted surplus in year savings across pay and non-pay have been delivered and provisions released.
- (vi) The surplus is only achieved as a result of protected funding. With current student numbers the income from the EFA would fall by £3,493m and income from the SFA would fall by £1,51m.
- (vii) If core SFA and EFA grants were not protected, the forecast operating loss would be projected at £4,649m
- (viii) It is essential that recruitment in September is increased with recruitment targets met.

86. In summary, the budget is under stress due to income falls and cost increases. Significant in year savings will need to be delivered to maintain the surplus. The

College is still heavily dependent on protected funding which is now in its second year. The Group Director of Finance was able to confirm the agreement from the EFA to offer protection funding for a third year on 16-18 student numbers of 2,941. The Committee welcomed this development. However, the SFA have yet to make any decision on extending their protection funding into a third year. Therefore, there is a risk of £1.2m to the budget for next year. It was confirmed the budget 2016/17 assumes receipt of SFA projection funding for a third year, but not the £800k that the SFA claw backed from the College which is still subject to dispute.

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

## **COLLEGE BUDGET 2016/17 & 2 YEAR FINANCIAL FORECASTS**

88. The draft of the College Budget 2016/17 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.

89. It was noted that as this is the third budget to be drafted by Senior Officers for West Kent & Ashford College and as such there is little if any trend analysis.

90. The budget takes into account the reduction in staffing positions through both course closures and realignment of staffing structures proposed in CSR3.

91. 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.

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

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

93. The proposed budget is profiling a £500k profit and a group cash movement of £86k.

94. Student numbers for 2016/17 must be met. The College's profitability is geared on the achievement of student numbers. The Committee noted EFA protected funding is based on 2,941 16-18 year olds. At a minimum, 2,500 must be enrolled and retained within the first 42 days. The HE target is 350. Other recruitment targets are 2,000 part time students and 1,500 apprenticeships.

95. As recruitment was a critical risk, it was **AGREED**, if required, to hold a special meeting of the Committee in late September/early October to review recruitment and resulting financial impact.

96. The risk and sensitivity analysis confirmed the following 'High' risks:

- HE income is not met
- Budgeted levels of tuition fee income are not achieved
- Work based income is not achieved
- Pay expenditure is exceeded

97. The risk and sensitivity analysis confirmed the following 'Medium' risks:
- 16-18 Student numbers are not achieved to close the gap towards funded numbers
  - Funding methodology effects core growth and reductions in 19+ funding
  - Quality improvements in curriculum and support services require significant additional expenditures
98. The budget paper outlined the actions to be taken to mitigate against each of the 'High' and 'Medium' risks.
99. The College Capital Programme 2016/17 is divided into two segments:
- WKAC Core Investment of £150,000 to be funded by College resources
  - New Ashford Development £21,2m to be funded by LEP grant of £15,5m and site sale proceeds of £6m
100. It was also noted that the proposed capital budget expenditures are still dependent on a number of quotations yet to be received so there may be a change to the overall total. Any cost changes required to the Capital Programme would be brought to the Committee's attention.
101. The College is forecast to show a £2,635m bank balance as at 31 July 2016 rising to £2,721m by 31 July 2017.
102. The forecasts in the '2 Year Financial Forecasts' were completed in the template prescribed by the Skills Funding Agency. The forecasts for the College confirm a financial health assessment of 'Satisfactory' for year ended 31 July 2016, and 'Satisfactory' for each of the following 2 years (2016/17 and 2017/18).
103. It was **RESOLVED** to recommend that the Board, at its meeting on 13 July 2016, approves:
- (i) WKAC College Budget 2016/17; and
  - (ii) WKAC College Commentary & 2 Year Financial Forecast 2016/17 and 2017/18

## **CAPITAL PORTFOLIO AND ESTATES UPDATE**

104. The College paper '*Capital Portfolio and Estates Update*' was received.
105. The Committee reviewed in detail the draft Heads of Terms between Ashford Borough Council and Hadlow College that aimed to provide gap funding for the construction of Phase 1 and Phase 1a of the Ashford College campus on Elwick Road and enable the provision of HE/FE courses on the Site. The funding to be capped at 3m.
106. The Heads of Terms states that on or before the 31 December 2017, the Loan will be converted into a grant upon the successful completion, full opening of Phase 1 and 1a of the new campus, and the completion of one academic term providing FE and HE courses following opening.

107. Following review, it was **RESOLVED** to approve the Heads of Terms and to note the agreement in the Heads of Terms to convert the Loan into a grant on or before 31 December 2017 upon successful completion of the conditions laid out in the Heads of Terms.

108. The draft of the '*WKAC Commercial Plan*' was received and noted. The plan outlined an initial framework to act as a focal point for the development of a three--year commercial plan for WKAC.

109. It was **RESOLVED** to note College paper '*Capital Portfolio and Estates Update*'

## **TENDERS**

110. 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.

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

## **HUMAN RESOURCE EXCEPTIONAL REPORT**

112. The Committee received the termly '*HR Exceptional Report*'. The report informed the Committee on the number of leavers and starters, provided an update on staff absence, pay and benefits, and other HR matters.

113. No issues of concern were reported to the Committee and it was **RESOLVED** to note the report.

## **HEALTH & SAFETY**

114. The following reports were received:

- Health & Safety June 2016 Report that reported on operational matters, Health & Safety management; data reporting; and strategic developments
- Minutes of the last meeting of the Health & Safety Committee
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115. No issues of concern were reported to the Committee. It was **RESOLVED** to note the termly report on Health & Safety.

## **MONITORING OF COLLEGE PERFORMANCE**

116. The College 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.

117. Against the 14 agreed performance indicators for the area of finance & estates, three 'Amber' assessments were recorded against current assets to current liabilities ratio, pay expenditure as a % of income, and SFA financial health assessment that has to be inadequate if a College is in receipt of protection funding. All other assessments were confirmed as 'Green'. It was **AGREED** to inform the Board of an 'Amber' assessment (Some concern/some risk) against finance and estates as the financial outturn is still heavily dependent on protected funding.

118. Against the 9 agreed performance indicators of the area of staff & human resources, two 'Amber' assessments were recorded against current staff vacancies and current staff absence rates. It was **AGREED** to inform the Board of an 'Amber' assessment (Some concern/Some risk) against staff and human resources. The Committee would continue to monitor these two risks.

119. It was **RESOLVED** to inform the Board of the following assessments:

Finance & Estates	<b>Some Risk/Some Concern</b>
Staff & Human resources	<b>Some Risk/Some Concern</b>

**ANY OTHER BUSINESS**

120. There was no other business.

**DATE OF NEXT MEETING**

121. Friday 18 November 2016.

The meeting closed at 13.00

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

**SUMMARY ACTION LIST**

<b>Min</b>	<b>Action Point</b>	<b>Who</b>	<b>Review Date</b>
95	If required, to hold a special meeting of the Committee in late September/early October to review recruitment and resulting financial impact	G DoF	18/11/16