

**SPARSHOLT COLLEGE HAMPSHIRE**  
**MINUTES OF THE MEETING OF THE**  
**RESOURCES COMMITTEE**  
**held on 27 September 2017 at 9.30 am**

**<sup>1</sup>PRESENT** Mrs E Bolton (S); Mr M Coombes (E); Mr T Floyd (E); Mr A Hoad (E);  
Mr N Hopkins (E); Mr T Jackson (P); Mr P Lloyd (C)

In attendance: Mrs S Evans, Finance Manager (minutes 149 to 187)  
Mr S Horrobin, Director of Finance  
Mrs S Grant, Vice Principal, Corporate (minutes 191-201)  
S Willson, Clerk to the Corporation

**APOLOGIES AND MEMBERSHIP**

149. Apologies were received from S Shaw.

150. The Chairman welcomed T Floyd to his first meeting as a member of the Resources Committee.

**DECLARATION OF INTERESTS**

151. In relation to the proposed Memorandum of Understanding with Fawley Waterside Limited, T Floyd reported that the founder of Fawley Waterside Ltd (Aldred Drummond) was known to a member of his family and M Coombes reported that he had an acquaintance who worked for the Cadland Estate. Neither Member had any direct or indirect financial interest in the Fawley Waterside project and the Committee was content that neither had a conflict of interest in this item of business.

152. In relation to the item on Westley Enterprises Limited (“Westley”), T Jackson noted that he was a director of Westley Enterprises Limited (“Westley”) and P Lloyd noted that he was due to be appointed as a director of Westley. All directorships of Westley were unremunerated and neither individual benefited financially from the activities of Westley.

**MINUTES**

153. **Resolved** – that the minutes of the meeting held on 15 June 2017 (Parts 1 and 2) be confirmed, with the clarification that minute 95/17 referred to Westley Cottages numbers 1 and 2, and signed as a correct record.

Countryside Day (Min 93/17)

154. Responding to a Member’s question about future plans for Countryside Day, the Principal reported that attendance had been very good, with a broader cross-section of the local community attending than had historically been the case for the now disbanded lambing days. The cancellation of lambing days had also freed up the Marketing team to do more promotion activities with schools and potential future students.

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<sup>1</sup> (E) = External; (S) = Staff; (C) = Co-opted Committee Member

### Property Sales (Min 131/17)

155. The Director of Finance & Facilities provided an update on the marketing of Nos 3 and 4 Westley Cottages, noting that No 4 was likely to be remarketed in 2018 and that College management was currently considering an offer for No 3. Management continued to seek advice on the marketing of the properties and to test the market in order to achieve the best value for the College. The Westley Bungalow sale was due to complete shortly.
156. A Member asked about the strategy for property sales and the existence of other assets and the Principal provided a brief summary of the approach to date and future considerations.

### **FINANCE**

157. The Committee had received the report of the Director of Finance & Facilities on the College's bank loan covenants, including a proposal to change the Barclays Bank loan covenant, and a funding proposal for introducing energy efficient lighting to Andover College.

### Barclays Covenants

158. The Director of Finance & Facilities introduced the report, explaining that Barclays had insisted that the College agreed to new covenants for the statutory accounts ended 31 July 2017 to allow for the FRS 102 accounting standard. Having assessed the two new covenants, the Director of Finance & Facilities had concluded that they did not present any additional risk in relation to compliance than the current covenants and noted that the new covenants would be less complex to monitor.
159. The Director of Finance & Facilities reported that the new covenants would be included in the external audit of the statutory accounts and, ideally, confirmation sought from the auditors to ensure that the new covenants were not breached before the Agreement Letter was signed.
160. Reviewing the cashflow for one of the proposed new covenants, Members sought and received satisfactory clarification regarding the figures included in the cashflow. Members emphasised that changes to student enrolments and/or funding were common year on year and that it was necessary to take the resulting potential variations in cashflow into account. The Director of Finance & Facilities also responded to detailed questions in relation to the financial performance requirements of each new covenant, explaining the approach to testing the criteria, the amount of contingency that existed in each case and the key variables. The Director of Finance & Facilities noted that the calculations were based on the 2016/17 information submitted to the ESFA and that the testing would now be updated with the 2016/17 end of year figures.
161. Considering the proposed Amendment Letter, Members queried the definition of "Borrowings" at 3(iii), to ensure this did not include pension liabilities, and the requirements in relation to "Costs and Expenses", seeking confirmation that the costs of the changes incurred by Barclays would not be unlimited. The Director of Finance confirmed that a separate letter set the costs at £800 plus VAT.
162. The Committee asked that the Director of Finance & Facilities check and report to the Board assurance on the limiting of Costs and Expenses and that pension liabilities were not taken defined as "Borrowings" in respect of the Agreement.

163. Members discussed the “model” minutes which Barclays had provided for the Board of Governors to agree as the record of its consideration of the Amendment Letter. Members pointed out that the proposed requirement by Barclays that the resolution be unanimous was unnecessary, in that a majority resolution of the Board was legally binding, and that it was potentially unhelpful and counter-cultural for the Board to approach any business with a requirement for a unanimous decision. The Finance Manager confirmed that she had already asked Barclays to change this wording and that the bank had declined to do so.
164. The Chairman asked College management to contact Barclays again to explain the constitutional position of Board decisions and to ask that the requirement for a “unanimous” resolution be removed.
165. The Committee asked that the original Agreement Letter be attached to the report to the Board for comparison.
166. **Resolved** – that the Board of Governors be recommended to approve the Amendment Letter and other relevant documents with Barclays Bank PLC in respect of the £4m loan facility originally dated 8 July 2010, including the amended financial covenants, and that both the Chairman of Governors and the Principal be approved as the authorised signatories to sign the Amendment Letter on behalf of the College.

#### Review of Bank Covenants

167. The Director of Finance & Facilities summarised the key points of the detailed report of all the covenants for the College’s bank loans. Questioned about the requirement of the Lloyds covenant in relation to year end surpluses, the Director of Finance & Facilities confirmed that there was a surplus at the 2016/17 year end.
168. The Committee noted that, whilst the College continued to generate both small surpluses and underlying cash, the overall position in relating to all of the bank loan covenants remained complex and challenging, with 15 different covenants now in place. The Director of Finance & Facilities reported that the majority were considered to be low risk and four were deemed to be between low and medium risk.
169. The Committee commended the Finance team on the ongoing management, monitoring and reporting of the bank loan covenants.
170. College management was asked to consider the alternative reporting format of providing the Committee and the Board with a single sided “dashboard” summary of the covenants at the appropriate point of the year, providing this was not overly onerous and that the visibility of the detailed reporting was not lost.

#### New Lighting Funding

171. The Committee discussed the proposal to replace current lighting in an area of the Andover College campus in order to achieve material savings in electricity costs and to improve lighting quality at the College. The Committee noted the two stage tender process which had been undertaken, the estimated annual savings and the financial commitments.
172. Asked about how College management was ensuring the new systems would work effectively in the College environment, the Director of Finance & Facilities confirmed the management had obtained references from four other organisations, including two colleges. Members sought and received more information about how the forecast savings had been calculated and the cash flow, including depreciation of the lighting investment, over 10 years. Members were also reassured in relation to College management not having

- plans to significantly alter the buildings involved during the 10 year period and to there being no change in relation to how the College was lit overnight and building security.
173. The Committee welcomed the environmental benefits of the new lighting, in the form of significantly reduced electricity usage, as well as the forecast cost savings.
174. Asked about whether similar benefits could be achieved on the Sparsholt College campus, College management explained that this would be assessed, although many areas already had motion sensors and newer areas had LED lighting.
175. The Committee discussed potential financial risks. The Director of Finance & Facilities reported that Salix had confirmed via email the (almost) total project value, including VAT, could be funded via the loan. If the project were to become delayed, the Director of Finance & Facilities explained that in theory the College could be asked to repay the loan, although the experience of other organisations had been that Salix had extended the loan period. Salix is a not-for-profit organisation funded by Business, Energy and Industrial Strategy, the Department for Education, the Welsh Government, the Scottish Government and Higher Education Funding Council for England and therefore considered to be a reliable source of loan funding.
176. The Committee asked the Director of Finance & Facilities to assess the position regarding delay to the start of the project in terms of the contract with Energys and report to the Board.
177. **Resolved** – that the Board of Governors be recommended to approve the College entering into an interest-free loan with Salix Finance Limited for the sum of £199,718 and to commissioning Energys (a trading company of Energy Conservation Solutions Ltd) to undertake a fixed price capital project costing £200,505 to commence in December 2017 and finish in June 2018.

#### **COMMERCIAL ACTIVITIES**

178. The Committee had received the report of the Director of Finance & Facilities on financial governance and accounting of both Westley Enterprises Limited (“Westley”) and the College.
179. This summarised the outcomes of a review led by the Director of Finance & Facilities into the contracting, accounting and invoicing of various activities which had historically come under the remit of either Westley or the College and which took into account professional advice in relation to contracting, VAT, corporation tax and accounting matters.
180. The proposals were designed to lead to a more consistent allocation of activities between Westley and the College in order that activities which might otherwise require the calculation of Corporation Tax by the College were carried out by Westley. The proposals also sought to ensure that all activities included in the Westley accounts were correctly invoiced by Westley. The Committee discussed the proposals, seeking clarification of some of the information provided.
181. It was noted that the College was able to carry out a range of “commercial” services providing that these were undertaken to generate funds to support the College with its mainstream educational activities and the Committee accepted the reasoning behind the proposed handling of the international language school business. The Director of Finance & Facilities reported that the auditors had confirmed that there was no requirement to restate previous Westley accounts.

182. A Member asked what agreements were in place between the College and Westley to support Westley’s trading activities and whether a new agreement was required. The Director of Finance & Facilities undertook to check and to report to the Board of Governors and to the Westley Board of Directors. The Director of Finance & Facilities confirmed that the College’s subsidiary companies were covered by the College’s main insurance policies.
183. The Committee discussed the caution given by the Director of Finance & Facilities that the statutory accounts for the year ended 31 July 2017 might be delayed by the extra work involved in implementing the changes and whether there were ways of phasing the changes to avoid a delay or bringing in additional resources. The Director of Finance & Facilities confirmed that he had considered ways of expediting the production of the statutory accounts but that any additional resources would need training in some complex areas which would be counter-productive.
184. **Resolved** – that the Board of Governors be recommended to agree the proposed changes to the financial governance and accounting of the activities set out in the report, subject to confirmation of the necessary agreements between the College and Westley being in place, and to note that some changes would also require the approval of the Westley Board of Directors.
185. The Committee noted that College management would bring forward to a future meeting proposals in relation to tax liabilities in the event of any future sale of the Little Park Farm overage.

#### **FAWLEY WATERSIDE PROJECT**

186. The Committee had received the report of the Principal on a proposed Memorandum of Understanding with Fawley Waterside Limited in relation to the Fawley Waterside project, a major redevelopment of the Fawley Power Station site with the ambition to create an “Intelligent Merchant City”, with the potential involvement of universities and colleges.
187. The proposed Memorandum of Understanding covered the approach under which the developers would discuss the project with the College, including in relation to confidentiality, and did not commit the College to any involvement with, or financial expenditure towards, the project. Public bodies, including local authorities and the LEP, were engaged with working with the developers to support the needs of the area.
188. Asked what level of management time might be involved in discussions about the project, the Principal confirmed that he was the contact point and that he did not expect for any time that was needed to be onerous.
189. **Resolved** – that the Board be recommended to agree that the College enter into the Memorandum of Understanding with Fawley Waterside Limited.
190. The meeting ended at 12.40 pm. Confidential items were discussed and are recorded separately.