PRIVATE SECTOR IDEAS GIVE COLLEGE FRESH FIELDS TO CONQUER

An ailing agricultural college is transformed by an infusion of private sector culture underpinned by principles of sustainability and sound finance.

THE BUSINESS

Hadlow College Group is a specialist further and higher education college based in Kent delivering courses for the land-based and rural sector. The college has adopted an innovative way of financing which has enabled it to significantly reduce its reliance on public funds. As a result it has become more commercially driven through the development and expansion of a range of enterprises which has seen its growth in commercial activity increase 85% since 2008. This has been achieved with a clear focus on ensuring all students receive commercial exposure to support their employability. This balanced and sustainable funding model has been championed by the Board, Group Director of Finance and Resources, Principal and Vice-Principal with full staff engagement. This has resulted in a clear cultural change within the organisation, improving life chances and sustainable business performance.

THE IDEA

Hadlow College, in Kent, was a traditional land-based college, one of only fifteen left in the UK. Traditionally it was simply there to provide education in the field of agriculture and other land-based subjects. It was heavily dependent on state funding and it needed to diversify. In reality it had not made a profit for many years. Student numbers were falling. There was no investment. The government body responsible for overseeing colleges threatened to merge or close Hadlow. A new Group Director of Finance and Resources, Mark Lumsdon-Taylor, who had a private sector background, was hired. He decided that the answer was to adopt private sector principles of commercial sustainability while also ensuring that they were underpinned by a public-sector ethos of responsibility.

THE INNOVATION

The idea was to create a balanced portfolio of interests. These would be balanced in three distinctive streams. A third of the business would be the original vocation of further education and that would be entirely state-funded. A third would be related to higher education and research, both graduate and post-graduate. The final third would be commercial operations. These three sectors would be balanced strictly to ‘a fiscal rule’ of developing all three in equal segments. The result was to be a balanced portfolio of revenue streams. This would ensure effective risk management of the revenue streams while also generating cash for reinvestment. ‘It was to be a long-term plan with the objectives and strategies strictly adhered to’, said Mark Lumsdon-Taylor.

FINANCE FUNCTION LEADERSHIP

The finance function decided that two principles had to be created and adhered to: it had to be a long-term plan and it should be simple enough to create widespread and effective buy-in. This would enable a change in culture. Instead of being in a position of substantial losses and a large amount of debt resulting in a precarious relationship with the state, the college would, through diversified and sustainable activities, become profitable and able to control its own destiny.
The Group Finance Director created the strategy. The Governors of the college endorsed it. It was shared with all the staff and teams within the college. The finance function consulted and listened. Staff at every level bought into the plan because it was perceived as simple enabling commercial activities to support education and the aspirations of students. In particular, budget holders got broad control of their funds. This was felt to contrast with the traditional public sector attitude of: ‘Anything over £500 has to be agreed with the finance director’. At the same time the finance function emphasised that the objective was not to turn the college and its activities into a ruthless organisation but instead to emphasise efficiency. ‘The private sector principles were to be introduced, but in a sustainable way’, said Lumsdon-Taylor. They had to be seen to bring benefits to the students, to the core business, and to bring in a commercial return. It had to demonstrate that there was a duty of care to the students, a duty of care to the public purse, and to the businesses the college was to run.

A partnership was formed with Kent County Council to operate a membership organisation which promotes Kent food, drink and crafts. Membership has subsequently tripled. It has diversified and now provides business incubation encouraging social and business investment. In 2005, it opened a ‘Fresh Start Academy’, the second of a government programme to encourage people to return to the farming industry and redress skill shortages. And the college created a dairy cooperative representing 25 local farms, amongst other initiatives.

POSITIVE LONG-TERM IMPACT
The fundamental long-term impact has been a reduction in dependence on the state – from 70% state-dependent to only 46% state-dependent. Turnover has risen from £4.5m to £17m in eight years. Whereas in 2007 the college languished in the bottom 5% of colleges ranked for lowest dependency on education funding, it now has the lowest dependency in the country. By embedding the three different sectors equally, the staff have grown to understand the mutual relationship between the financial aims of the business and the aims of educational excellence.

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Staff members are encouraged to create innovative ideas for development and expansion which are assessed by the finance directorate and implemented where approval is gained. A £400,000 commercial fishing complex was one result of this process.

One of the tenets of the strategy was that institutions should not underestimate the impact they have on the local community. The college was very careful to build its success in parallel with them – at local, national and county levels. And while accepting that the college, with less reliance on the public purse, is probably a ‘quasi-public’ organisation, there remains an emphasis on having a strong ‘duty of care’.

LESSONS FROM THE CASE STUDY
‘Businesses over-complicate’, said Lumsdon-Taylor. ‘The plan has to be really simple. Staff will then understand the plan and it will provide the joined-up thinking with which the staff can engage. What made the difference was that the staff bought into it at every level’.

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‘The Finance for the Future Awards are all about sustainable finance, and not just about being green’, said Lumsdon-Taylor. ‘And that makes a difference. It is all about looking at finance as a way of cascading policy and strategy throughout the business in a long-term way rather than a short-term way. And you can then build on it in a long-term way’.

The consistency of leadership has been absolutely crucial and was fundamental to achieving the goals of the team which sought to bring about change.