MINUTES OF THE MEETING OF THE FINANCE AND GENERAL PURPOSES COMMITTEE MEETING
HELD: 17.00 hours via Microsoft Teams on Thursday 18 March 2021

Present	In Attendance
Paul Ashton (Chair)	Chris Malish (Deputy CEO)
Cath Orange	Craig Tupling (Vice Principal Quality & Student Experience)
Neil Ward (Vice Chair)	Dawn Leak (Vice Principal Curriculum & Development)
Chris Webb (CEO/Accounting Officer)	Jo Wright (Turnaround Director)
Lendy Ho	Sarah Cooper (Director of People Services)
Cuthbert Pazvakavambwa	Zohayb Mohammed (Director of Finance & Procurement)
	Sarah McKenzie (Clerk to the Corporation)
	Allison McEvoy (Assistant Clerk to the Corporation)

The quorum was 3 committee members.

L/J *Denotes the time a Governor left/joined the meeting.*

Item		Action
Housekeeping		
1.	**Introductions, Apologies and Declarations of Interest**	
1.1	The Chair welcomed everyone to the meeting.	
1.2	There were no apologies.	
1.3	There were no declarations of interest.	
2.	**Chair's Actions**	
2.1	There has been no use of Chair's actions.	
3.	**Minutes of the meeting of 21 January 2021 and Matters Arising**	
3.1	The Committee reviewed the draft minutes of 21 January 2021 and agreed that 5.1 be updated to expand of the rationale for the continued engagement of the Turnaround Director.	
3.2	**ACTION**: Clerk to amend the minutes of 21 January 2021.	**Clerk**
3.3	**RESOLVED:** With the agreed amendment, the minutes of 21 January 2021 were approved as an accurate record and can be signed by the Chair.	
3.4	The Matters Arising report was reviewed.	

Strategic Plan Implementation		
4.	**F&GP Data Dashboard**	
4.1	The DCEO presented the F&GP Data Dashboard noting that: • It now includes a forward look to the end of the current year • Overall most items are green with the exception of o Borrowing as a percentage of income – below target o Reduction of income (c.£0.6m) – predominantly from HE • Most of the other financial metrics are being met • Debt at a percentage of income is not being met – the DCEO is exploring the option of paying down debt early	
4.2	Since writing the papers the DCEO has had communication with the bank regarding the resetting of the bank covenants, it is proposed that this exercise is carried out in September 2021 to allow for greater clarity around income to be achieved from both the internal business planning process and government policy. The DCEO and the Turnaround Director confirmed that the bank had agreed that in the meantime the debt to income covenant be reset from 40% to 45% in recognition of the difficulties encountered with the sale of buildings and therefore the constant need to seek covenant waivers. It was noted that the timing of the exercise will allow for the new DCEO to be part of the discussions. The DCEO highlighted concerns around the AEB income due to the complexities involved with devolution and the Skills Guarantee. In conclusion the DCEO noted that the financial position at Q2 was positive and that in anticipation for a difficult 2021/22 business areas were being encouraged to invest to improve the student experience.	
4.3	**Q. Can we spend the cash?** A. We do have a cap on capital but we are able to spend the revenue where we continue to meet the bank covenants and financial metrics. Due to a COVID exception and therefore a change in the threshold set, we are not anticipating any AEB clawback but this is yet to be confirmed. Likely towards the end of the year. The Committee sought assurance that the relationship with the bank remains good and that they are onboard with all plans. The DCEO confirmed that there is a good transparent relationship with the bank. The Turnaround Director noted that in terms of the College's profile within the bank, it was still high and that any ask would remain heavily scrutinised. It was noted that paying debt down earlier would be looked on favourably by the bank.	

	The Turnaround Director commented on the holistic view of the college that was being communicated with the bank, the investments being made to improve quality etc so that they have a good understanding of the interdependencies. In terms of exploring the proposition to pay the debt down, the DCEO will be looking at the impact on the Covenants and the cash flow.	
4.4	**Q. If we pay the debt down, are there any early redemption charges? What is the composition of the debt, can we pay the higher interest rate first?** A. Of £20m debt £2m is on a variable rate and was to be paid sooner with funds from building sales. The remaining £18m is £12m fixed rate and £6m variable rate. It was structed this was to allow the College to pay the debt down sooner if it was to over perform.	
4.5	**Q. What is stopping us paying down the debt?** A. The terms of the RF agreement state that we can`t pay the debt down early (other than with ESFA consent) because the ESFA would see it as potentially to their detriment. The nature of the RF grant monies under the deal and the debt forgiveness from the Bank was such that both stakeholders were to be regarded as on equal footing and should be equally treated going forwards. We would be challenged if we were to favour repayment to the Bank (as this goes against the deed of priority which is in place). The Turnaround Director noted that the deed of priority with the ESFA and the Bank regulates the equal treatment, and also serves to safeguard the reputation of the ESFA's investment. The Turnaround Director noted that the deed of priority with the ESFA was to safeguard the reputation of the investment.	
4.6	**Q. How much interest would we save by repaying £2m?** A. Savings would be in the region of c.£90k.	
Finance		
5.	**DCEO report to the committee**	
5.1	The DCEO highlighted the importance for members to give attention to: • Management Accounts – in regards to the cash position of the College • Treasury Management report – particularly approval to explore repaying debt early • Budget Planning and Financial Objectives – to consider the approach taken to setting next year's financial objective measures • Estates Strategy – particularly regards to approving facilities management contract and reallocation of capital budget to bring	

	forward the development of the Victoria Building as per the strategic plan agreed in January 21 • HR report – specifically the working being undertaken to reduce absence levels and the activity on recruiting, developing and retaining staff. Plus, the HR team progress.	
5.2	It had previously been reported that the intention of the College was to close down the dormant subsidiary companies, however, formal approval was never provided, therefore it is requested that this is now given. The Dormant Companies are: • Bradford College Education Trust • Yorkshire Shared Services Limited • Bradford Business school • Bradford Law school • Bradford School of Business & Law	
5.3	**RECOMMENDATION**: That the Corporation gives approval to close the dormant subsidiary companies.	
6.	**Student Recruitment Update**	
6.1	The VPCD provided an update on Student Recruitment, providing a verbal update subsequent to the paper that had been circulated. • 16-18 recruitment has resulted in a reduction of students from 3400 in 19/20 to 3061 (R06 Jan 21) in 20/21. This will result in an estimated income drop of £2.6m in 21/22. • Adult AEB income is expected to deliver around 91% of the contract. The rules around clawback are still unclarified but are expected to be no clawback if 80% has been met. • HE recruitment has resulted in a reduction of students from 1430 in 19/20 to 1370 in 20/21. This will result in an estimated income drop from a targeted income of £9.8m to £9.2m accounting for any students that drop out in-year. • Apprenticeships has performed strongly in the first quarter and has a healthy pipeline and is expected to meet the income target of £2.75m. The risk to achieving the target is still the impact of COVID on furlough, redundancies and learning breaks and inability to carry out EPA, although a delayed assessment plan in being undertaken. • In terms of recruitment for 21/22 16-18 applications are strong and an improvement on last year. HE is not yet at the levels of last year.	
6.2	**Q. What have we been doing to drive up the applications?** A. There has been a focus on marketing and recruitment for 16-18, particularly with the Bradford College guarantee for new entrants and those transferring in from schools. The application process has also been streamlined and there is a focus on conversion to	

	enrolment. As the COVID measures ease there will be onsite activities to engage with applicants.	
6.3	**Q. HE applications are low compared to previous years. Can we have a Bradford College guarantee for HE?** A. We have 1362 applications. We are moving to more unconditional offers, 2 plus 1, part time courses. We are carrying out a range of actions to increase numbers.	
6.4	The CEO commented on the validation process required via Bolton University to provide part time degrees. The process is easier via Pearson. It was noted that validation will be due in two years' time and that there is a need to horizon scan.	
6.5	It was agreed that the VPCD will report on 2021/22 recruitment from the next Student Recruitment Report at the May meeting.	
7.	**Management Accounts**	
7.1	The DCEO provided an update on the Management Accounts to 31 January 2021: • Overall the position is looking favourable. • Income is down but is being negated by pay and non-pay savings. • Apprenticeships is now looking like it will be ahead of budget by the year-end. • There have been some restructuring costs in year. • Debt as a percentage of income is adverse. The bank is happy to increase our covenant to 45%. • Overall the cash position is good and forecast to remain so. • To clarify- the accounts do not include paying debt down or any building sales.	
7.2	**Q. Have the defined benefit obligations on the balance sheet dropped?** A. No, went on to the risk register at the last meeting, they increased by £20m. We need to monitor the position as they change in relation to any economic shock, we don`t have direct control over this.	
7.3	**Q. The cash position in forecast to remain good. Are we able to look at rewarding staff in year, in some way?** A. I (DCEO) am quite prudent in my view of income. We are working though the position with the HoDs and will be in a better position to advise on this after that exercise.	
7.4	The CEO noted that the College is significantly under the pay budget and income is not as significantly under this year. The Committee was cognisant of the fact that staff had worked tirelessly hard and that there was desire to create a rewards culture for staff as part of the strategic priority for the College to be an employer of choice.	

7.5	**ACTION**: The CEO and DCEO to look at how staff could be awarded in year on a non-consolidated basis.	**CEO/ DCEO**
8. 8.1 8.2 8.3	**Treasury Management report** The DCEO summarised the report: Interest rates have fallen during the last 12 months and the medium-term prospect is they will continue to do so. The impact being during this academic year the College's current account no longer earns any interest. The College does have a deposit account with Lloyds and the current the rate of interest is 0.01%, therefore given the College's cash position this could be to utilised. Loan repayments commence in the 3rd quarter of 2020/21, with £2m of the £20m college loan portfolio due to be repaid on the sale of buildings, or failing this will be due for repayment at the end of March 2023. Therefore, one other option given the College's cash position is to pay the £2m debt down early as currently this incurs approximately £60k of interest per annum. Loan interest in the year to July 2020 amounted to £691k, with interest rates being between 2.4% to 3.8% in the year. The Committee were clear that they would like to see the results of any exploratory work, including the impact on bank covenants and cashflow. **RECOMMENDATION**: The Committee recommends to the Corporation that the DCEO is given the mandate to begin discussions with the ESFA and the bank around the option to make an early repayment of the £2m loan.	
9. 9.1 9.2	**Budget Planning and Financial Objectives** The DCEO updated the Committee on business planning, noting that the College is currently moving through its' business planning cycle and has just completed business planning round one, there are two further rounds to be completed (round two starts the week commencing the 12 of April) with the resultant plan to be presented to the Committee for recommendation in July and subsequent approval by Corporation, also in July. In terms of the financial objectives, the proposal is to keep them in line with the recovery plan, measuring the following: • EBITDA as a % of Income • Adjusted Staff costs as a % of Income	

	• Borrowing as a % of Income • Adjusted current ratio (takes out the holiday pay accrual) However, given the continued emerging changes in funding such as devolution of AEB, Skills guarantee fund and the extension of the 16-19 tuition fund there is potential for extensive changes to the plans currently being formulated. These areas will be under continual review as we move through the planning cycle, with updates being provided at all relevant committee meetings. At this moment in time it is proposed that the measures used to monitor financial sustainability remain as is but the level they are set at may change as the funding position become clearer.	
9.2	The financial objectives included are in line with the key deliverables as discussed at the strategic seminar, which was to maintain the financial performance forecasted at Q1 for 2020/21, which is a deviation from the original restructuring facility application. The overarching aims continue to be; • Improve Cash Generation • Maintain and control costs • Strengthen the College's liquidity position to support capital investment and meet debt servicing costs (or reduce debt where possible)	
9.3	The DCEO noted that these objectives provide a clear intent of the College to improve its finances and are relatively straight forward KPIs that are common across the sector.	
9.4	The Committee noted that the position with the ESFA and the lack of an OfSted visit, resulting in the inability to bid for certain funding is crippling the Colleges' ability to inventive.	
9.5	The CEO referred to the FE Commissioner's new metrics that had been recently announced, there was a move towards serviceability of debt rather than debt to income.	
9.6	**ACTION:** Clerk to recirculate FE Commissioner communication around new metrics.	**Clerk**
9.7	**APPROVED**: That the measures used to monitor financial sustainability remain as is but the level they are set at may change as the funding position become clearer.	
Resources		
10.	**Estates Strategy update**	
10.1	The DCEO provided an update on the Estates Strategy.	

10.2 10.3 10.4 10.5 10.6 10.7 10.8	It was noted that there has been some movement with regards to the sale of the Old building, as the buyer has now secured parking for the development and this information has been submitted to the planning department and we are now awaiting their feedback. The lease of Old Building to the NHS is still being progressed with anticipation that the vaccination centre will be in operation from Monday the 15 March. The tenders for the facilities management contracts have been completed with the recommendation from SLT being to elect CBRE for the Facilities Management contract for three years at an annual cost of £1.5m and insource security saving circa £1.2m over the three-year period. It also needs to be noted that as a result of the delay with the tender process that the existing contracts were extended to the 25 April at a cost of £127k which is within budget. Following a review of capital spend to date, a number of projects have either come under budget or have not progressed, thereby allowing the College to propose bringing forward the renovation of the Victoria Building to house the delivery of 14-16 provision. The proposed budget is £0.55m with the project being completed ahead of students returning next academic year. Approval was sought to re-allocate the Capital funds to the Victoria Building, which was given. All other major estates capital projects are now complete, these being the Lister Boilers and the Garden Mills roof. The Committee noted the current position regarding capital projects. **Q. How much money are we receiving for leasing out the Old Building to the NHS?** A. Nothing, it sits very well with our strategic objective to be a college at the heart of the community. **APPROVED:** The reallocation of capital budget to the development of Victoria Building as per the Estates strategy. **APPROVED:** The Committee approved the award of the facilities management contract to CBRE.	
11. 11.1	**People strategy update** The DPS gave an update on the people strategy, noting the position was very good: • Consultations are ongoing for the Phase 5 re-opening of the college. Staff and students that are already back on-site have provided really positive feedback.	

	• The report on the staff survey carried out recently, shows that the college engagement score has improved significantly from 75.0% in 2019 to 92.2% in 2020. • In FY2019/20 the College achieved its best ever attendance at work levels with sickness absence reducing to 3.8% ahead of the RF targets. • The impact of lockdown 3 on staff mental health and wellbeing has been recognised and a number of on-line activities for staff and their families have been organised this term. These have been well received with overwhelmingly positive feedback from staff. SLT have considered how to continue to the Health & Wellbeing initiatives, considering a dedicated space for staff within the building and on-site counselling. The College is now rewarding, recognising and prioritising staff in a more cost effective and proactive way. • The lateral flow testing has been ongoing since January. Figures remain low compared to the rest of the Bradford district which is a testament to our hard work, particularly the Heath and Safety team. • There is now going to be a real focus on Learning and development activity. • The HR Team as restructured, this has been very beneficial and the new recruits in the team have started to have a significant impact. There has been an increased focus on service delivery, right first-time resolution of issues and improved support to all internal stakeholders, both staff and students. • The number of grievances being raised had reduced to best ever levels. • The ITrent HR system has been reconfigured to allow for better reporting. The contract is up for renewal in October and the tender planning process has commenced in January 2021.	
11.2	**Q. Is the Employee Self Service (L&D) a system that governors could tap in to?** A. Yes, we are liaising with the Clerk on that.	
11.3	The F&GP Chair noted that there has been huge progress in HR over the past year that the data Governors now have access to is really beneficial.	
11.4	The CEO highlighted that the enrichment activities provided for staff during the pandemic have significantly helped staff through this really difficult period. It was noted that to become an employer of choice you have to look after your staff to be outstanding. The positive impact of our staff on the student experience is remarkable.	

11.5	The Committee commented that team have done a fabulous job and this was reflected in governors seeing more engagement; lower sickness levels and lower grievance figures.	
Governance and Risk Management		
12. 12.1	**Strategic Risk Monitoring** The Committee reviewed the strategic risks for which it is responsible. The DCEO talked the Committee through the annotations that he had made against each of the risks. There were no suggested changes to the ratings. The Committee concluded that the they agreed with the risk register as is.	
Policies		
13.	**None**	
For Information Only		
14.	**Subsidiary Company Reports*** There were no subsidiary company reports.	
Any Other Business		
15.	**Items to Report to the Corporation** • Minutes (as amended) -21 January 2021 • Draft minutes - 18 March 2021 • Closure of dormant companies – for approval • Student recruitment update • Management accounts • Treasury management – for approval • Budget planning & Financial objectives • People strategy update • Staff survey results	
16. 16.1	**Any other business** The Turnaround Director suggest the DCEO clarified the position on the projected cashflow covenant for April. The DCEO explained that in terms of projected cashflow cover, the College will probably fail this covenant and a waiver is likely to be sought. This is not because the College doesn't have enough cash but because next year the College might not generate enough cash to meet the covenant around interest payments and capital re-payments. The DCEO assured the Committee that the bank was comfortable when it was discussed.	

16.2	The Turnaround Director also flagged the position regarding the cash sweep calculations. Calculations for FY20 were submitted to the EFSA in December as required. A query has now come back around the calculation, as there is no cash sweep calculation The DCEO is working on this and it will be resubmitted to the ESFA to provide more detail. The DCEO noted that it is a terminology issue and that the EFSA now require finance to produce a line by line calculation which uses the terminology that is in the RF agreement.	
16.3	The Chair closed the meeting at 18.55.	
16.4	Governors reflected on the excellent progress made and thanked the Executive team for all of their efforts.	
17.	**Meeting Evaluation**	**Assistant Clerk**
17.1	To be circulated by the Assistant Clerk.	

Approved by the Committee: P. Ashton 19.05.2021

Signed by the Chair Date

No	Minute	Item	Action	Who?
1.	3.2	Minutes	Clerk to amend the minutes of 21 January 2021.	Clerk
2.	7.5	Management accounts	The CEO and DCEO to look at how staff could be awarded in year on a non-consolidated basis.	CEO/ DCEO
3.	9.6	Treasury Management	Clerk to recirculate FE Commissioner communication around new metrics.	Clerk