Bradford College

MINUTES OF THE MEETING OF THE FINANCE & GENERAL PURPOSES COMMITTEE
HELD: on 20 January 2022 at 17:00 in 4F07- DHB Boardroom

Present	**In Attendance**
Neil Ward (Chair)	Chris Malish (Vice Principal Finance & Corporate Services)
Chris Webb (CEO/Accounting Officer)	Asa Gordon (Vice Principal Curriculum)
Lendy Ho (via MS Teams)	Jo Wright (Turnaround Director)
David Fearnley	Sarah Cooper (Director of People Services)
Cuthbert Pazvakavambwa	Sarah McKenzie (Clerk to the Corporation)
	Allison McEvoy (Assistant Clerk to the Corporation)
Apologies	
Sarah Towan	
Craig Tupling	

Item		**Action**
Housekeeping		
1.	**Introductions, Apologies for Absence and Disclosures of Interest**	
1.1	The Chair welcomed everyone to the meeting.	
1.2	Apologies were noted for Sarah Towan and Craig Tupling.	
1.3	There were no declarations of interest.	
2.	**Chair's action**	
2.1	There had been no use of Chair's actions since the last meeting.	
3.	**Minutes of the meeting of 9 December 2021**	
3.1	**RESOLVED:** The minutes of 9 December 2021 were approved to be signed by the Chair as an accurate record of the meeting.	
4.	**Matters Arising**	
4.1	The Matters Arising Report was reviewed.	
4.2	The Clerk advised that an email will be sent out to all Governors regarding how they can support the HE Deep Dive.	
4.3	All other items were complete.	
4.4	The Chair explained that this was his first meeting as Chair and that there was a need to elect a Vice Chair.	

4.5	**RESOLVED:** That Cuthbert Pazvakavambwa is appointed Vice-Chair of F&GP Committee.	
Strategic plan Implementation		
5.	**Letter of Concern**	
5.1	The VPF&CS advised that on the 17 December 2022, the College received a letter from Lloyds bank titled letter of concern. The letter articulates Lloyd's frustration at the College holding cash balances that are much higher than the original financial forecast, whilst continuing to breach the loan covenants in place. This is exacerbated by the AEB business case that was put forward to keep £0.6m of the £0.8m clawback was rejected on two points, with one being the current level of cash the College holds. Therefore, the request is that the College addresses this through a material reduction in debt through using some of these cash balances, plus a plan to align with the covenants as they have no desire beyond January 2022 to offer covenant waivers or consider alteration to the covenants. They have also requested that the College keep within the capital limit of £1.3m for this academic year, whilst previously it had been agreed that where cash balances are higher than the original plan, these could be utilised for additional capital spend. The VPF&CS explained that the main factor of the breach relates to the re-payment of £2m not occurring in July 2021 coupled with the impact of Covid upon the College's income position. Members were reminded that the non-payment was a result of the ESFA being cautious about the recruitment position and their view that sufficient cash reserves are required to be held and generated to enable a match contribution to any DfE capital funding bids. The Committee were advised that a meeting was scheduled for the 21 of January between all parties (College, ESFA & Bank) to identify a pragmatic solution, so that the College can return its focus to the best interests of its students. The Chair noted that the later paper on the agenda on Treasury management makes a recommendation about addressing the levels of debt. There was an in-depth discussion regarding the College's position and the potential scenarios that may play out. Governors sought the opinion of the CEO, VPF&CS and the Turnaround Director on the temperature of the current position. The VPF&CS noted that since the papers for the meeting had been circulated, the ESFA had written	

	to the bank to set out its position without the knowledge of the college ahead of the meeting on 21 January between all parties.	
5.1	**Q. Were we expecting this letter to come in?** A. The bank has been hardening its position. We should not underestimate the seriousness of receiving a letter of concern from the bank.	
5.2	**Q. Is there a minimum repayment that the bank will accept?** A. This is something we can explore at the meeting on 21 January. The Committee requested that the VPF&CS feeds back from the meeting on 21 January.	
5.3	**ACTION**: The VPF&CS to update F&GP Committee members following the 21 January via the Clerk.	**VPF&CS/ Clerk**
6. 6.1	**Post Intervention Monitoring Support** In order for the College to come out of formal financial intervention an agreed **Post Intervention Monitoring Support** (PIMS) plan is required. The VPF&CS explained that the College was working with the ESFA to formulate the plan and that a draft was provided in December to the ESFA, with feedback being received in late December. A revised plan and response to their comments was submitted in early January for which the college was awaiting feedback. The CEO stressed that an agreed PIMs plan is required in order to exit financial intervention and that if the College does not exit intervention limitations on bidding for funding will continue. The Committee noted the current position regarding the PIMS plan.	
7. 7.1	**F&GP Data dashboard** The VPF&CS presented the F&GP Data Dashboard highlighting: • Borrowing as a % of Income- Q1 Forecast is 37.1%. Mainly a result of the £2m repayment not occurring. • The College is awaiting the outcome of stage 2 of the Transformation fund, expected in March 2022. • HE Fee Income- Q1 Forecast is 7,588. HE enrolments are below budget and forecast income as a result is lower. • 14-16 Learner Fees- Q1 Forecast is 850. Due to a lower than expected recruitment in the autumn term.	

	• As the College is in breach of 1 out of 5 of its banking covenants, it is suggested that the position on the covenants is added to the Data Dashboard for future monitoring.	
7.2	**ACTION**: The VPF&CS to add the Banking Covenants position on to the Data Dashboard.	**VPF&CS**
7.3	**Q. In the areas of provision that are overperforming financially, how are we assuring ourselves that we are meeting the student's needs within the current budget from a quality perspective?** A. The Performance Review process we go through every quarter looks at the metrics in terms of quality and finance. Where these figures are up, we are asking if they are providing the correct levels of quality in their business areas and any business cases made are then built in to the Q1 Forecast.	
Finance 2021-22		
8.	**Management Accounts (November 2021)**	
8.1	Members considered the period 4 management accounts to 31 November 2021. It was noted that there had been a slight delay in the production of the period 5 management accounts to 31 December and that these would be circulated to all Governors As soon as available.	
8.2	The VPF&CS advised that as at period 4, College EBITDA was as per budget, following an in-month £0.4m favourable movement. This was primarily due to a backlog of apprenticeship enrolments from July, for which funding has now been backdated during November. Enrolment system delays meant that apprenticeship income was showing adverse to plan, despite recruitment being ahead of target. With the backlog of enrolments now processed, the income is more reflective of the improved recruitment. Year to date EBITDA as a percentage of Income has therefore yielded a favourable 0.5% variance against plan. The VPF&CS explained that the recent Q1 forecast will be reviewing this and other targets going forward for the remainder of the year. Year to date staff costs (including restructuring) is 62%, which is favourable to plan due to ongoing vacancies and the subsequent lower costs against an income level that is currently consistent with plan. The College is currently on target in achieving its plan of 64.4%.	

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9.1</td><td>Q1 Financial forecast

The VPF&CS provided an update on the Q1 Financial Forecast highlighting:

• Income position is slightly better with an increase of £400k
• Staffing is relatively in line with plan and including for the 1% pay award
• An increase of £400k in non-pay costs, £100k related to an increase in utilities
• EBITDA is in line with plan
• Staff costs as a % of income is inline with plan
• Staff costs excluding outsourcing as a % of income is lower
• Borrowing as a % of income is higher
• Adjusted Current Ratio is at 37.1%
• Bank covenant compliance is at 80%
• ESFA financial health score remains good

The VPF&CS commented that despite on the activity with the bank and ESFA, it is still a positive picture.

In terms of risks to plan, the VPF&CS flagged that:

• the forecast assumes a £0.6m in year increase in ESFA funding due to the growth in student numbers, however the outcome of this will not be known until April.

• the forecast also assumes an increased allocation in AEB income of £0.35m from the WYCA (West Yorkshire Combined Authority of £0.35m), following provision exceeding the College’s profiled delivery and the assumption this will continue. Again, this in increase in allocation is not likely to be confirmed until late February.

• additional withdrawals of the HE cohort than those already mitigated for poses risk and that this will be further assessed at Q2 forecast in February 2022.

• given the wider economic impact of Covid-19 and there is still a risk the sale of the Old Building may not go ahead.

• given the position on the bank covenants, there is a risk the bank doesn’t approve a waiver for the breaches that are currently forecasted.</td><td></td></tr>
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10.	**Q1 ESFA College Financial Forecasting Return (CFFR)**	
10.1	The College is required to submit a CFFR three times a year, with the next return due at the end of January. The Corporation approved a CFFR in July as part of the approval of the College budget and further two-year forecast. The VPF&CS explained that the January return is an update to the one provided in July, which would include actuals to the end of November and any future revision based on new information. Previously the approach has been to update the CFFR in line with the Q1 forecast paper (item 9 on this agenda), November Management accounts (item 8 on this agenda) and has kept future years in line with the previous submission. Albeit the flow through of changes as a result of changes in actuals to the November period. However, given the position of the bank (as per the letter of concern paper), it is recommended that subject to approval it includes the accelerated debt reduction of £2.5m (proposed in the treasury management paper), the assumption that the transformation fund capital bids are successful in March 2022 and the position on key income lines is reviewed and amended as the Executive feel necessary. In terms of approval of the submission, in the absence of a meeting, the Committee gave approval for any material changes to be reviewed and agreed by the F&GP Chair and Chair of Corporation, enabling submission to the ESFA by the 31st of January deadline.	
10.2	**Q. Is the £9m reduction in HE because we over budgeted?** A. No, the budget is £9.2m, this year it has come in at £7.5m so we are taking a more pragmatic view on our expectations on recruitment, rather than overestimating.	
10.3	**RESOLVED:** In line with the proposal, the CFFR is to be approved by the Chair of F&GP and Chair of Corporation prior to submission.	
11.	**Treasury management Annual Report**	
11.1	The VPF&CS presented the Annual Treasury Management Report. Interest rates during the last 12 months have remained low, though there was an increase of 0.15% in December, with the Bank of England reviewing their base rate on the 3rd of February. However, with the continued levels of inflation being significantly above the Bank of England's target of 2% it is likely that there will be increased	

	appetite for further increases in the short term. The annual impact of the increase on the Colleges variable loan is circa. £12k on the current levels of debt. Loan repayments commenced in the 3rd quarter of 2020/21 and occur quarterly at a value of £0.23m (£0.9m per annum), with £1.4m of the £19.7m college loan portfolio due to be repaid on the sale of the Old building, with the remaining element of the short-term loan of £0.6m scheduled to be paid in March 2023. Previously, governors had explored a £2.0m early payment of debt, however this was not approved by the ESFA. The VPF&CS recommended that this request is pursued again plus a further £0.5m which would be the remaining element of the short-term loan once the Old building is sold. It was noted that loan interest in the year to July 2021 amounted to £624k, with interest rates being between 2.4% to 3.8% in the year. It was highlighted that a reduction of debt by £2.5m would offset interest costs and is greater than any interest receivable that could be obtained through the use of the deposit accounts. In addition, it should address the concerns raised by the bank as per their letter of concern. Governors were supportive of the proposal and clarified that no payments will be made to the bank or the ESFA until they have been fully approved by the Corporation.	
11.2	**ACTION:** that the College progresses discussions with the bank and ESFA around the reduction of debt to the sum of £2.5m.	**VPF&CS**
Resources		
12.	**Health & Safety update**	
12.1	The DPS advised that since the paper report had been circulated to the Committee, the government had announced multiple changes to the Covid rules, some coming into force from the date of the meeting and some the following week. The DPS reported that to simplify the message to everyone in the college and to continue to protect the community, as Bradford is still a high -risk area for transmission, Bradford College will not change its current policy on masks. meaning that masks must still be worn by all staff and students across all areas of the college campus unless the individual is exempt. This had been communicated to all students and staff.	

12.2 12.3	**Q. How many staff are absent due to Covid?** There are currently 13 staff that have tested positive and 14 staff are isolating. **Q. How many students are absent due to Covid at the moment?** A. Since the return to college on 4 January, the average daily number of students that have reported as being absent due to Covid is 50.	
Policies		
13. 13.1 13.2	**None** The Chair welcomed comment from the DPS relating to the HR Policy updates arising from the HR Internal Audit recommendations. The DPS advised that she was working with the JCC but the Chairs of both unions had not had the time to engage with her and that she will continue to work with them. **ACTION:** The DPS to provide an update on HR Policies at the next F&GP Committee meeting.	 **DPS**
Governance and Risk		
14. 14.1 14.2	**Strategic Risk Monitoring** The VPF&CS suggested a change to SR1 due to declining head room between actual performance and loan covenants and the letter received from the bank. It was suggested that the grading is amended resulting in the overall risk rating moving to red. **ACTION:** To review the risks again at the next meeting ahead of making recommendation to the Corporation for any changes.	 **Committee**
15. 15.1	**Items for report to the Corporation** The F&GP Committee will meet again on the 17 March where it will consider items for report to the Corporation, ahead of the next Corporation meeting scheduled to take place on 31 March.	
Any other business		
16. 16.1 16.2 16.3	**Any other business** The CEO invited Governors to observe the Q2 Business Planning meetings due to commence on 28 February 2022. **ACTION**: to circulate the Business Planning Schedule to Governors. The Chair closed the meeting at 18.09.	 **Clerk**

17.	**Meeting Evaluation**	
17.1	To be circulated by the Assistant Clerk.	**Assistant Clerk**

Approved by the Committee:

N. Ward
Signed by the Chair

18.03.2022
Date

Agreed actions

No	Minute	Action	Who?
1	5.3	The VPF&CS to update F&GP Committee members following the 21 January via the Clerk.	VPF&CS/ Clerk
2	7.2	The VPF&CS to add the Banking Covenants position on to the Data Dashboard.	VPF&CS
3	11.2	That the College progresses discussions with the bank and ESFA around the reduction of debt to the sum of £2.5m.	VPF&CS
4	13.2	The DPS to provide an update on HR Policies at the next F&GP Committee meeting.	DPS
5	14.2	To review the risks again at the next meeting ahead of making recommendation to the Corporation for any changes.	Committee
6	16.2	To circulate the Business Planning Schedule to Governors.	Clerk
7	17.1	Meeting Evaluation to be circulated by the Assistant Clerk.	Assistant Clerk