Bradford College

MINUTES OF THE MEETING OF THE FINANCE & GENERAL PURPOSES COMMITTEE
HELD: on 12 May 2022 at 17:00 in Room 101D Trinity Green.

Present	**In Attendance**
Cuthbert Pazvakavambwa (Vice Chair)	Chris Malish (Vice Principal Finance & Corporate Services)
Chris Webb (CEO/Accounting Officer)	Asa Gordon (Vice Principal Curriculum)
Lendy Ho	Jo Wright (Turnaround Director)
David Fearnley	Sarah Towan (Director Student Recruitment & External Affairs)
	Marc Gillham (VPD&I)
Apologies	Sarah Cooper (Director of People Services)
Neil Ward (Chair)	Sarah McKenzie (Clerk to the Corporation)
Alina Khan (VPED&I)	Allison McEvoy (Assistant Clerk to the Corporation)

Item		**Action**
1.	**Introductions, Apologies for Absence and Disclosures of Interest**	
1.1	In the absence of the Chair, the Vice-Chair stepped in to conduct the meeting.	
1.2	The Chair welcomed everyone to the meeting.	
1.3	Apologies were noted for Neil Ward and Alina Khan.	
1.4	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 17 March 2022**	
3.1	The Turnaround Director suggested the following changes to the minutes;	
3.2	8.1- *"on top of already planned £1.5m of capital expenditure built into the original plan"* to replace *"on top of already planned £1.5m of match"*. 8.2- *"ESFA's Funding Committee"* to replace *"Bank's Funding Committee"*	
3.3	**ACTION**: Clerk to amend the minutes of 17 March with the suggested changes.	**Clerk**

3.4	**RESOLVED: S**ubject to the changes identified, the minutes of 17 March 2022 were approved to be signed by the Chair as an accurate record of the meeting.	
4.	**Matters Arising**	
4.1	Regarding 7.3- *Student Recruitment update- the DSR&EA to liaise with the Clerk regarding granting access for governors to access the Power BI system.* Governors were advised they could make an appointment via the Clerk to view Power BI.	
4.2	The Matters Arising Report was reviewed and noted that all remaining items were now complete.	
Strategic plan Implementation		
5.	**F&GP Data dashboard**	
5.1	The VPF&CS presented the F&GP Data Dashboard and advised that the items for highlight (below) would be documented in more detail later in the agenda. • Staff absences had increased during the quarter from 3.3% to 4.7%, driven by return to college working and increased numbers of staff and students on site and the removal of Covid control measures. • EBITDA as a % of Income has seen a reduction from HE and AEB, whilst cost pressures as a result of none budgeted items such as the NI increase, increase in national minimum wage and energy prices continue to impact. • Borrowing % of Income has moved from 37.1% in Q1 to 37.4% in Q2. Mainly as a result of the £2m repayment authorised for July 21 did not occur. • AEB Income- Was 9,231 in Q1 and is 7,745 in Q2- The expected enrolments for the second half of the year are no longer forecast to come through, also the restrictions on the national skills fund have resulted in much lower than budgeted take up. This aligns with what has been experienced nationally. • Capital Programme (External Resources)- Outcome of stage 2 of the Transformation fund were released in early April, but with an increased match funding requirement. The College is working with the ESFA and bank to resolve.	

	• Covenant Compliance- Based on the draft Q2 forecast and initial response to the debt reduction proposal to Lloyds, it is likely that waivers will be provided till July 22. • HE Fee Income- The enrolments are below budget and forecast income as a result is lower. • 14-16 Learner Fees (Schools)- Moves from 850 in Q1 to 808 in Q2 due to lower than expected recruitment in the autumn term.	
5.2	**Q. What are the impacts of Covid on sickness and is that still an issue?** A. The staff absence due to Covid is reducing, personal stress and mental health conditions remain the main cause of absence.	
5.3	**Q. Are staff costs going up or is it just a consequence of the forecasting?** A. It is a consequence of forecasting that is affecting the figures.	
5.4	**Q. So this has had an impact on the EBITDA?** A. Yes, mainly due to a reduction in income and an increase in non-pay caused as a result of some of the outsourcing contracts and the additional energy costs following the renegotiation of our energy suppliers.	
5.5	**Q. Bank covenant compliance has dropped to 40% and in the red, when are we likely to see that return to green?** A. We won`t be looking at full covenant compliance until July 2024.	
5.6	**Q. On delivery of planned income, at the last meeting you advised that AEB would come in at £9.2m and it is significantly lower at £7.7m, can you explain why this is?** A. The last ILR submitted was based on the expected enrolments for the second half of the year and these are no longer forecast to come through, also the restrictions on the national skills fund have resulted in much lower than budgeted take up. This aligns with what has been experienced nationally. The bounce back we expected didn’t happen.	
5.7	**Q. Do we know the reason why it hasn’t bounced back?** A. It isn’t a Bradford issue, it is a national issue whereby the adults are not returning in the numbers to a pre-covid level. Given the workforce vacancies, a lot of people are choosing to go into work instead.	
5.8	**Q. What assurance can you offer that your AEB forecast for Q2 is robust and accurate? And has it been reflected on the risk register?**	

   5.9 5.10	A. We now run ILR reports on a weekly basis. The data is cleaner and more accurate. We are identifying which funding returns are not coming through and why. **ACTION:** The AEB forecast will be added to the risk register ahead of Corporation. **Q. There are too many red items on the dashboard, at what point do we start to see some of them falling off?** A. We can't see any improvement occurring this financial year. There is no ability to influence change by the end of the year. The only point they become green is upon delivering our budget next year. The Chair thanked the executive for the hard work they were doing in a very difficult situation and advised that the F&GP Committee would continue to monitor the data dashboard closely.	 **VPF&CS**
6. 6.1 6.2 6.3	**Student recruitment & External Relations Update** The DSR&ER provided the forecast on the provisional recruitment position for 2022-23; • 16-19 – applications currently like for like YoY @ 2,085 new, we have also identified 1,938 internal progressors in FE. Target 3,650 at day 42 • HE continuation forecast 568 (£3.8M), new business applications flat vs live applications last year. We are predicting £6.6M total if similar performance to prior year trends happen as best case • Adult applications for 22-23 are returning to pre Covid levels of performance, YoY +60% with strong performance in ESOL and Access • Apprenticeships picture ongoing – for 21-22 budget year £4.365M (529 starts), pipeline looking positive for Q1 in 22-23 **Q. When will we see more information on the new products for the 16-19 area and how they have been received?** A. We are seeing different trends in the different courses on offer through the applications, we will have a much clearer position as we move into July 2022. **Q. What are the biggest areas of risk to our income in student recruitment?** A. HE, we have been conducting deep dives and are having a separate meeting to discuss the findings. *A separate confidential minute was taken- see Annex 1*	

7.	**Post Intervention Monitoring – update**	
7.1	The VPF&CS provided an update on the latest position with the PIMS plan. A final PIMS plan had not been agreed, as this was caught up with the debt proposal put to the bank in March, which was accepted but the ESFA wanted to await the outcomes of the Transformation fund and how this would fit with the debt reduction proposal. The outcomes of the Transformation fund were received on the 1st of April, however the required match has increased from 3% (£0.5m) to 25% (£3.7m). This would have a significant impact upon the College's finances and the Bank covenants. The VPF&CS reported that the feedback from the information provided to the ESFA and the request to reduce the match funding was expected soon after the F&GP Committee meeting.	
7.2	The Turnaround Director advised that the bank was mindful of the history behind the debt that occurred 2018/19. The David Hockney Building was agreed with a view to student growth funding it. The bank has concerns about the College embarking on other large capital projects and history repeating itself. They are not comfortable with the level of risk.	
7.3	It was noted that there was also risk of the College not embarking on any of the capital projects as this would impact the delivery of some of the College's strategic objectives.	
7.4	**Q. Was it proposed that all 3 capital projects would run concurrently?** A. Yes, originally it would have only required an investment of £500k but now due to a variety of issues and inflation costs this figure has increased significantly.	
7.5	**Q. The match funding has now increased do we have anything in the plans for this?** A. We do not have enough to fund all of the additional requirements. The project time pressures and delays have also caused issues.	
7.6	**Q. How was the 25% match funding figure arrived at?** A. We could put forward whatever match we felt was appropriate as part of the bid, we put forward 3%. The ESFA has deemed 25% as affordable for the College.	

7.7	**ACTION:** The Committee noted the current position on the PIMS plan and asked for an update as more information becomes available, between meetings.	**VPF&CS**
Finance		
8.	**Management Accounts and Q2 Forecast**	
8.1	The VPF&CS reported that the Q2 forecast outturn for 2021-22 showed an EBITDA surplus of £1.4m against the original EBITDA surplus of £3.0m. The main changes versus the 2021-22 budget outturn is a net reduction in income of £1.1m, a reduction in staff costs of £0.1m and an increased operational cost of £0.5m. The income reduction of £1.4m attributed to a reduction in Adult Education Budget funding of £1.2m and a reduction in HE fee income of £1.6m, partially offset by £1.4m combined increase in apprenticeships, FE Fees, 14-16 Fees, Local Authority, and Project Income.	
8.2	**Q. Are we able to clawback from any areas that require improvement in the forecast?** A. We are holding some vacancies and only replacing vacancies that are business critical. Every new purchase order over £1k is now being reviewed by the VPF&CS.	
8.3	The Turnaround director observed that from a stakeholder perspective, the forecast was now quite different from the original plan. The College was below performance but there was confidence that the College would reach a sensible place with the bank. The Committee were reminded that there was still a notice of concern in place and that the bank were aware that the College has taken steps to try to identify an alternative bank.	
8.4	It was acknowledged that the College could not move any further forward until an agreement was reached with the ESFA.	
8.5	**Q. What is the EBITDA return forecast for the end of the year?** A. It is forecast to deliver at £1.7m.	
8.6	The CEO gave a potted history of the recent interactions with the ESFA relating to the college's financial position. Including the college being turned down for the AEB clawback wavier and it`s 16-18 exceptional growth claim. The CEO reiterated his position on the risk posed to the College if it were to finance the level of Capital Transformation match funding put forward by the ESFA.	

8.7	The Committee noted the current position and await further information and feedback from the ESFA.	
9. 9.1 9.2 9.3 9.4 9.5	**Capital transformation Fund** The College was successful in its three transformation fund bids, though the required match has increased from 3% (£0.5m) to 25% (£3.7m). In addition, having undertaken a review of the costs since the original application, costs have risen by £1.1m. Financial forecasting has been done on a basis of accepting all three projects including the additional capital repayments and additional inflationary costs. The result being further Bank covenant breaches and levels of cash significantly below the £3m minimum, which poses significant risk to the College. Therefore, the College is currently exploring with the Bank and ESFA a number of proposals to mitigate the risk, such as reduction in match funding and lower levels of additional debt capital repayments). Initial feedback from the bank is that in its current form (excluding the proposals put forward) the Bank would not approve the additional capital spend, without movement from the ESFA on reduction of require match funding. ESFA feedback was expected shortly after the F&GP Committee meeting, if the feedback was not favourable, it may mean that the College will need to decline. The Committee awaits further feedback from the ESFA. **ACTION:** The Committee noted the current position on the Capital Transformation Fund and asked for an update between meetings.	 **VPF&CS**
10. 10.1 10.2	**ESFA College finance assessment letter and governors' dashboards** The College had received the ESFA College finance assessment letter regarding the Bradford College Financial Statements Review 2020 to 2021, this stated that the Colleges financial health outturn for 2021 was GOOD. The Committee reviewed the accompanying Governing Body Finance Dashboard and were able to look at the benchmarks and trends in the sector. The VPF&CS highlighted that the financial health grade for 2017/18-2021 had moved from inadequate to good but that overall the issue remains that the College still has too much debt.	
Resources		

11.	**College Insurance**	
11.1	The VPF&CS advised that the College was engaging in an independent review, to review the market and the adequacy of the current insurance held. This exercise will cost around £3k and be completed in May and includes for the retendering process.	
11.2	**ACTION:** The VPF&CS to provide a recommendation at the July 2022 F&GP meeting following the insurance tender exercise.	**VPF&CS**
12.	**People Strategy Update**	
12.1	The DPS provided an overview on the People Strategy Report.	
12.2	The RF annual absence target was 4% and we target 3% for all Heads of Department. In Q2, the average absence had increased to 4.7%. The absence level was 5% in February 2022 and had reduced to 3% in March. Of this, 30% was attributed to short-term sickness absence and 70% long term sickness absence.	
12.3	Employer relations cases remain low, although the number of grievances has increased slightly. In March 2022, there were two disciplinary cases and four grievances.	
12.4	The HR team have been focussed on the ongoing implementation of the new HR and Payroll system (called 'MyHR'), the first phase had gone well.	
12.5	**Q. Is there an update on the UCU pay claim?** A. There has been a two-part pay claim submitted by UCU. Part 1 is for a 10% pay rise and Part 2 is around working conditions, including reducing the teaching workload and capping class sizes. The first negotiation meeting has been rescheduled for May.	
12.6	**Q. Do we still have many HR policies outstanding?** A. Yes, there are many still outstanding. Consultation with the trade unions on policies has started again. The priority is to agree on the grievance and disciplinary policies, then absence and performance. UCU Region are now involved and believe that it is negotiation, not consultation, for these policies.	
12.7	**Q. Do you have a time frame for when the outstanding policies will be delivered?** A. We are hoping to complete them in the Summer term.	
13.	**Estates Strategy Update**	

13.1	The VPF&CS reminded the Committee that the high-level Estates strategy is to reduce satellite campus sites (Little Germany formerly site of CTS, Bowling back lane, which houses Motor vehicle provision) through better utilisation of the city centre campus and the redevelopment of the empty buildings the college owns on the city centre campus (Junction Mills and Garden Mills). In addition to this the Old building will be disposed of.	
13.2	To enable the redevelopment of the empty buildings Transformation Bids were submitted, the outcomes were announced on the 1 April, with all three bids being successful, though one was in principle and requiring additional information, which had been submitted. Whilst the completion date of the projects is 2024, there is a risk around timescales and costs dues to inflation for the refurbishment of Garden Mills and the Future technology centre. The delay in announcing the outcome of the bids means that the strategic goal and timescales to move the apprenticeships from Little Germany to Garden Mills and Motor vehicle provision to the Future Technology centre (on the site of Junction Mills), will not occur as per the strategic plan set in July 2021, the sustainability strategic plan will be updated to reflect this.	
13.3	The VPF&CS gave an update on the sale of the Old Building, the original completion date was 15 April 2022, however the week before a meeting was held with the buyers in which they expressed a delay in some of their work and that completion on that date would not go ahead. An extension was requested and this was granted on the provision of a further non-refundable deposit of 5%, which was received. The revised completion date was the 13 May but this will not go ahead as there is an issue with the funders and they have asked for an extension of 3 weeks.	
13.4	The VPF&CS reminded the Committee that if the sale does not go through, the College will be required to pay down £1.87m worth of debt in March 2023 to satisfy the short- term loan that was put in place and due to be funded by the sale of the Old Building.	
13.5	Following the ‘Good’ Ofsted inspection, the College was able to bid for T-level capital funds to enable to College to prepare for the delivery of T-levels. A bid was submitted in March amounting £4m, including a proposal of 10% match funding. The outcomes of the bid is due to be announced in July 22, with the deadline of completion of the projects by September 2023.	
13.6	**ACTION**: The potential risk to the sale of the Old Building to be added to the risk register.	**VPF&CS**
Policies and Statements		

14. 14.1	**(a) <u>FE Fees Policy 22/23</u>** The VPC advised that as part of the annual review, the policy had been updated to reflect any updated guidance, fee eligibility and fee increases.	
14.2	**ACTION**: Page 4, Appendix 1- *Tuition fees are fees for enrolment and tuition and do not included registration and examination costs* tobe changed to *Tuition fees are fees for enrolment and tuition and do not <u>include</u> registration and examination costs.*	**VPC**
14.3	**RECOMMENDATION:** That subject to the suggested change, the FE Fees Policy 22/23 be recommended to the Corporation for approval.	
14.4	**(b) <u>Procedure for Retention of Financial Documents and Records</u>** The VPF&CS advised that the procedure had been reviewed to ensure it was in line with statutory requirements and the latest job titles within the College.	
14.5	**ACTION:** That the document owner is changed from VPF&CS to VPD&I.	**VPD&I**
14.6	**RESOLVED:** That subject to the suggested change, the Procedure for Retention of Financial Documents and Records is approved.	
Governance and Risk		
15.	**Strategic Risk Monitoring**	
15.1	The Committee reviewed the Strategic Risks for which it has oversight.	
15.2	**ACTION:** That the risk register be updated to reflect the position with both the AEB funding and the Old Building be added to the Risk Register**.**	**VPF&CS**
15.3	**RECOMMENDATION:** That with the changes made the updated risk register be recommended to the Corporation.	
Any Other Business		
16.	**Items for report to the Corporation**	
16.1	• Minutes of meeting – 12 May 2022- for information • Management Accounts and Q2 Forecast • ESFA College finance assessment letter and governors' dashboards	

	• People Strategy Update • FE Fees Policy 22/23- for approval • Strategic Risk Monitoring • A verbal update from the VPF&CS on the position with the Bank and the ESFA	
17. 17.1 17.2	**Any other business** There was no other business. The Chair closed the meeting at 18.48.	
18. 18.1	**Meeting Evaluation** **ACTION:** To be circulated by the Assistant Clerk.	**Assistant Clerk**

Approved by the Committee:

N. Ward — Signed by the Chair

08.07.2022 — Date

Agreed actions

No	Minute	Action	Who?
1	3.3	Clerk to amend the minutes of 17 March with the suggested changes.	Clerk
2	7.7	The Committee noted the current position on the PIMS plan and asked for an update as more information becomes available, between meetings.	VPF&CS
3	9.5	The Committee noted the current position on the Capital Transformation Fund and asked for an update between meetings.	VPF&CS
4	11.2	The VPF&CS to provide a recommendation at the July 2022 F&GP meeting following the insurance tender exercise.	VPF&CS
5	14.2	Page 4, Appendix 1- *Tuition fees are fees for enrolment and tuition and do not included registration and examination costs* to be changed to *Tuition fees are fees for enrolment and tuition and do not <u>include</u> registration and examination costs.*	VPC
6	14.5	That the document owner is changed from VPF&CS to VPD&I.	VPD&I
7	15.2	That the risk register be updated to reflect the position with both the AEB funding and the Old Building be added to the Risk Register.	VPF&CS

8	18.1	To be circulated by the Assistant Clerk.	Assistant Clerk