MINUTES OF THE MEETING OF THE FINANCE & GENERAL PURPOSES COMMITTEE
HELD: on Thursday 8 December 2022 at 17:00 in 4F07- DHB Boardroom

Present	**In Attendance**
Cath Orange (Chair)	Chris Malish (Vice Principal Finance & Corporate Services) (Via MS Teams)
Cuthbert Pazvakavambwa (Vice Chair)	Marc Gillham (Vice Principal Data &Funding)
Chris Webb (CEO/Accounting Officer)	Asa Gordon (Vice Principal Curriculum)
David Fearnley	Sarah Cooper (Director of People Services)
Lendy Ho	Sarah McKenzie (Clerk to the Corporation)
Bulbul Barrett	Allison McEvoy (Assistant Clerk to the Corporation)
Observing	
John Williams	
Emmanuel Osei Boateng	
Umar Rafique	
Apologies	
Neil Ward	
Sarah Towan (Director Student Recruitment & External Affairs)	
Alina Khan (Vice Principal EDI & Student Voice)	

Item		**Action**
This session was a joint meeting with members of the Audit Committee and was chaired by the Audit Chair		
1.	**Annual Report and Financial Statements/Audit Management Letters/Letters of Representation**	
1.1	Richard Lewis of RSM gave members of F&GP Committee and Audit Committee a tour of Financial Statements. Members were advised that there will be some changes to the Draft Annual Report and Financial Statements as issued with the meeting papers, although not material, the changes include some outstanding audit work and inclusion of commentary around the recent ONS announcement that Colleges are classified as public sector.	
1.2	Key items highlighted by RSM were: • The governors report - relating to public benefit and how this has been delivered. • Governance and internal control – information relating to the work of the Audit Committee and the assurance they offer the Corporation • Statement of regularity – one matter of non-compliance relating to procurement of IT and equipment amounting to £426,557, internal policy for approvals was not followed. Management have responded and the amount is below the	

	level of materiality and therefore does not alter the audit opinion.
	• Budget and Cash flow forecasts have been examined by the Corporation and its conclusion that that the College is a going concern. RMS agrees with this conclusion.
	• The audit opinion - In our opinion the financial statements:
	  o give a true and fair view of the state of the College's affairs as at 31 July 2022 and of the College's deficit of income over expenditure for the year then ended;
	  o have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
	  o have been prepared in accordance with the Accounts Direction 2021 to 2022 issued by the Education and Skills Funding Agency.
	• Highlighting of a material uncertainty related to going concern arising from the forecasted bank covenant breaches. The Auditors opinion is not modified in respect of this matter.
	• Pension liability was reconsidered by the actuary to take account updated CPI levels.
	• The College invested £1.3m in fixed asset additions during the year 21/22
	• Reported year end reserves are £58.3m. The college held £9.3m in cash and bank balances at that date.
	• The audit opinion is expected to be unqualified.
	• The regularity opinion is expected to be unmodified.	

1.3	**Q. How can you offer an unqualified opinion if the audit is not yet complete?** A. We know what is left to complete the audit and the amounts in question are within the materiality threshold and therefore won`t impact on the opinion.	
1.4	RSM gave an overview of the draft Audit findings report, explaining that there were a few outstanding issues to resolve with management but that these were not material and the report would be updated accordingly prior to the Corporation meeting on 15 December 2022.	
1.5	**Q. There seems be a significant number of audit actions in the report?** A. There are no actions relating to significant control issues. In terms of the number of actions, it is not dissimilar to what is seen across the sector.	
1.6	The draft letters of representation were reviewed by the Committees.	

1.7	**RECOMMENDATION:** That the Annual Report and Financial Statements 2021-22 be approved by the Corporation for signing by the Chair and Accounting Officer, along with the letters of representation.	
2.	**Introductions, Apologies for Absence and Disclosures of Interest**	
2.1	The Chair welcomed everyone to the meeting.	
2.2	Apologies were noted for Neil Ward, Sarah Towan and Alina Khan.	
2.3	There were no declarations of interest.	
3.	**Chair's action**	
3.1	There had been no use of Chair's actions since the last meeting.	
4.	**Minutes of the meeting of 13 October 2022.**	
4.1	**RESOLVED:** The minutes of 13 October 2022 were approved to be signed by the Chair as an accurate record of the meeting.	
5.	**Matters Arising**	
5.1	The Matters Arising Report was reviewed.	
Strategic plan Implementation		
6.	**F&GP Data dashboard**	
6.1	The VPF&CS presented the F&GP Data Dashboard and advised that the items for highlight were: • Absence- stands at 3.0% in Q1 which is on target. • Levy funding usage is 22%, the college has struggled to recruit to a number of roles that were advertised as apprenticeships. A number of existing staff are starting ILM apprenticeships (Level 3 and 5). Use of our levy pot and how we measure usage needs to be kept under review. • PERFORMANCE: EBITDA % of Income is 10.6%, this is mainly a result of the lower than expected non-pay spend to date and the savings as a result of staff vacancies and the time it is taking the recruit as all roles are budgeted to be filled throughout the year. • BORROWING: Borrowing % of Income is 32.6%, This is expected to be below the target set by the year end as a result of the ongoing capital repayments.	

	• Staff Costs % of Income (incl. Outsourcing) is 61.0%, related to the number of vacant posts and the length of time it is taking to recruit to posts. • Capital Programme (External Resources) is £17k in Q1, Given the acceptance of the OfS capital grant this will need to be reviewed and this will form part of the next CFFR produced. • Capital Programme (Internal Resources) is £913k in Q1, it is expected to be inline with budget, however to date there have been some delays with the capital programme and some payments of equipment ordered bit not yet paid • Covenant Compliance stands at 60%, the college is in breach of covenants but waivers have been agreed with the Bank to July 2023. • HE Fee Income is 2,075, HE enrolments have been strong with indications that HE fees for the full year will be greater than budget. • AEB Income (inc. Skill Guarantee and Multiply)- is 2,003. Enrolments on these courses is lower than expected, however there are opportunities to address this through the rest of the academic year • Total Income is £12,268k, predominantly driven by apprenticeship income and an early review of the Q1 forecasts suggests overall income will be in line.	
6.2	**Q. What can we do to get the Levy Funding towards the target for the year?** A. We have challenged the HoDs on recruiting apprenticeships roles. We are considering how we can use apprenticeships to upscale our current workforce. We are looking at creating an apprenticeship programme to tie in with school leavers in the Summer. We would like to create placements in various areas of the College with a view to moving them in to permanent roles. The next CMT planning day will focus on this situation and will be looking at developing sessions on this.	
6.3	**Q. Is it worth engaging with the schools in the area?** A. As part of Strategic Objective 6 we are reviewing our relationship with schools and looking to develop it further, the DSR&EA has plans in place. ***J/CP***	
Finance 2022-23		
7.	**Management Accounts (October 2022)**	

7.1	The VPF&CS gave an overview of the Management Accounts highlighting that: • Income is behind on AEB and Apprenticeships, the reduction in income is being mitigated by the savings on non- pay. • Overall the financial position of the College remains strong. • The cashflow going forward is lower and that is because the College didn't have any of the Capital Programmes in as they were awaiting approval from the bank. • The College will be spending approx. £2m of its own funds over the next 2 years due to match funding. • The bank has agreed waivers on all of the covenants breaches up until July 2023. • The bank is awaiting feedback on the detail and impact of the reclassification. • The banks overview on the Colleges cash flow and expense management is exceptional.	
7.2	**Q. Should we continue with Inprint & Design in view of the late invoicing for work that should have been completed and invoiced last year but fell in to this year?** A. The overspend is not the fault of Inprint & Design, it is due to budget holders failing to carry out their role properly in the transaction.	
7.3	**Q. If our bank covenants are based on our current cashflow forecast will we start to breach any covenants as it comes down due to the reprofiling?** A. Yes, as apart of agreeing the capital projects we changed the covenant to be within £1m of what we forecast. We have already flagged this as a risk with the bank and they are comfortable.	
7.4	**ACTION:** The VPF&CS to provide an update on any potential impacts/ breaches of covenants as they are identified.	
7.5	**Q. Will the reclassification of colleges affect how we present the financial accounts?** A. Not at the moment, we await further guidance.	
8.	**ESFA Finance dashboard**	
8.1	The VPF&CS highlighted the following key points:	

	• Over the period of 2018/19 to 2023/24 the College has an improving financial performance with an improving EBITDA. • Staff costs as a percentage of income have dropped within the FEC benchmark which doesn't include outsourced services. • Borrowing is due to fall as the College continues to pay off debt which is usually £900k in capital a year. • Debt Service costs and total borrowing starts to fall, overall it shows an improving picture. • Forecasting has improved since 2019. • The College has slightly over delivered.	
8.2	**Q. Does the reclassification of colleges into the public sector reduce the Colleges risk profile?** A. There could be a risk to the organisation itself in terms of control as we will be more permission seeking but from a financial point of view we would become more stable as our loans will be guaranteed to be funded. However, the Insolvency Regime for FE Colleges does still prevail.	
8.3	**Q. Does the risk of fulfilling our loans come down?** A. Yes but that risk will transfer over to the ESFA, they will manage the loan book and the college will be answerable to them. Future debt could be accessed at a lower service cost however, the speed and agility in which we can move may slow down.	
8.4	**Q. In terms of the £2m deficit why is there a difference in the reporting figures on the ESFA Financial Dashboard and the Financial Accounts?** A. This was the forecast of what we provided for the budget, it is not an actual.	
8.5	**Q. How confident are we that the student numbers will increase and why?** A. Since 2018/19 we have always had greater numbers than we forecast for. Bradford is one of the youngest cities in Europe with demographic growth over the next 3-4 years. There is supporting evidence that we will achieve these growth targets.	
8.6	**Q. We are not 'good' for 2021/22, are we at risk of re-entering financial intervention?** A. No because the PIMS plan stated we would be 'good' from 2022/23, not 2021/22. We made it clear we would be a requires improvement before the financial notice to improve was removed. As long as we don't fall in to financial inadequacy we will be fine.	
9.	**Student Recruitment**	

9.1	The VPD&F provided the highlights on Student recruitment: • Strong 16-19 recruitment of 3,788 vs an allocation of 3,440. • Adult enrolment is down in Q1, particularly in for Advanced Learner Loans and Free Courses for Jobs. • Continuing increase in High Needs demand in 2022/23. • Apprenticeship Income is down in the first Quarter. • HE Recruitment is strong and we are currently forecasting a better than budget performance. The College will look to pursue a growth case with the ESFA post the February R06 funding return. The College has assumed through Business Planning that we will receive £550k in year growth. Applying the previous year's growth formula to our current numbers, we would receive £1.02m of in year growth. While the ESFA are aware of our growth assumptions, there are no guarantees that the rules from the previous year will be applied.	
9.2	**Q. How is the R04 looking and did we maintain the numbers after the cut- off date?** A. It is looking good at 3,754.	
9.3	**Q. What is driving the growth in recruitment figures?** A. The demographic growth, the curriculum offer, our ability to ensure our learners progress onto another course with us.	
9.4	**Q. Are we looking at the market share and are we competing in the right areas?** A. The market share has seen an improvement but further analysis is needed.	
9.5	**Q. Why are struggling to recruit on the free courses?** A. They are not at the right level for people, particularly level 3 courses, the length of a level 3 course when you are looking for employment is too much of a commitment. We need to look at bridging programmes.	
Resources		
10.	**People Strategy Update**	
10.1	The DPS provided an overview on the People Strategy Update, highlighting:	

	• Long term sick had increased to a record high across the U.K but had significantly decreased at the College over the past few months. • The UCU branch have declared a 'Failure to Agree' on pay, which has been directed to the Corporation to hear, given that the college cannot meet their 10% pay claim. It is likely that this will lead to future strike action.	
10.2	**Q. Who sees the People Services monthly report?** A. It is sent to the SLT and then on to the CMT and gives us a better understanding of what is going on in the organisation.	
10.3	**Q. Has it been spelt out to the unions that a 10% increase is just not achievable?** A. Yes, we have presented them with a raft of financial information and explained it but there is currently a large appetite for strike ballots across the U.K economy and the education sector is no exception.	
10.4	**Q. In the employee engagement survey under 'health and well-being is a top priority for the College' is rated in red at 63% in Curriculum what could that be linked to?** A. Some of that relates to workload, some of it is about the pay claim and some staff aren't engaging to tell us what they want.	
10.5	The committee commented on the low participation rate for the staff survey – 57%. ***L/LH***	
11.	**Estates update**	
11.1	The VPF&CS reminded the Committee that the high- level Estates plan strategy is to reduce satellite campus sites (Little Germany, 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). That the College currently has three capital projects in train: • T-levels Capital – Budget £1,293k (no match), £52k spent to date – on track • Future Technology Centre – Budget £10,200k (Inc. £1,296k match), £135k spent to date – on track • Garden Mills – Budget £5,800k (no match), £53k spend to date – on track	

11.2 11.3 11.4 11.5 11.6	It was explained that each project has regular update meetings to track progress, including finances, risks and timescales. (details within the main body of the report). The main risks being inflation of costs. A contingency for this is being held within the budgeted costs and will be reported in more detail at the Capital Transformation Funds Specialist Interest Group in January 2023. In terms of day to day maintenance, a number of boilers within the Trinity Green building have had to be decommissioned, therefore mitigating action is underway and it is expected that new boilers will be required, which will utilise the contingency amount within the capital budget set for 2022/23. An update will be given at the next F&GP Committee meeting. The College has recently been advised that they will receive approx. £350k in capital funding for energy efficiency projects. This will be looked at in more detail at the Capital Transformation Funds Specialist Interest Group in January 2023. The Committee asked that their thanks be passed on to the bid writers.	
Policies and Statements		
12. 12.1 12.2	**Modern Slavery Act Statement** The College is required to publish a Modern Slavery Act Statement on an annual basis. The VPF&CS presented the statement for 2021-22 noting the activity that the College had undertook to assure itself that modern slavery was not evident in the supply chain. **RECOMMENDATION:** That the Modern Slavery Act Statement 2021-22 is recommended to the Corporation for approval and then publication on the College website.	
13. 13.1 13.2 13.3	**FE Fees Policy** The VPC advised that the FE Fees Policy had been updated to reflect the linked to devolution of adult funding, updated funding bands and a change to job titles. This policy had also been considered by the Quality and Standards Committee. Governors felt that the Equality Impact Assessment was transparent about the rise in costs and that the impact on students was minimal. **Q. If lecturers go out on strike can students refuse to pay their fees?**	

13.4	A. No, the students should not refuse to pay because any missed hours of their Programme of Study will be made up for during the remaining period of the year as per our contract with the student. **RECOMMENDATION:** That the FE Fees Policy is recommended to the Corporation for approval.	
14. 14.1 14.2	**Financial Regulations** The Financial Regulations had been updated, incorporating: • Alignment of revenue and capital delegation limits • Changes in purchasing limits for work not requiring 3 quotes now up to £2.5k following sector benchmarking • Reference now made to MPM (Managing Public Money rules following ONS reclassification) • Revision of severance payments based on the MPM **RECOMMENDATION:** That the Financial Regulations be recommended to the Corporation for approval.	
Governance and Risk		
15. 15.1 15.2 15.3 15.4	**Strategic Risk Monitoring** The Committee reviewed the strategic risks for which it has oversight. The VPF&CS advised that: **SR12**- Risk increased to red following UCU submission of a Failure to Agree over pay. **RECOMMENDATION:** That the updated risk register be proposed to the Corporation for approval. **ACTION:** The DPS to produce a strike action contingency plan.	 **DPS**
Any Other Business		
16. 16.1	**Items for report to the Corporation** • Minutes of meetings – 8 December 2022 • Annual Report and Financial Statements (presented by RSM) - for approval • Modern Slavery Act Statement – for approval • Financial Regulations – for approval • FE Fees Policy – for approval • Student recruitment • ESFA Finance dashboard	

17.	**Any other business**	
17.1	There was no other business.	
17.2	The Chair closed the meeting at 19.05.	
18.	**Meeting Evaluation**	
18.1	**ACTION:** To be circulated by the Assistant Clerk.	**Asst Clerk**

Approved by the Committee:

C. Orange
Signed by the Chair

02.02.2023
Date

Agreed actions

No	Minute	Action	Who?
1	7.4	The VPF&CS to provide an update on any potential impacts/ breaches of covenants as they are identified.	VPF&CS
2	15.4	The DPS to produce a strike action contingency plan.	DPS
3	18.1	Meeting evaluation to be circulated.	Assistant Clerk