Bradford College

MINUTES OF THE MEETING OF THE FINANCE & GENERAL PURPOSES COMMITTEE
HELD: on Thursday 01 February 2024 at 17:00 in 4F34 DHB

Present	**In Attendance**
John Williams (Chair)	Chris Malish (Vice Principal Finance & Corporate Services)
Chris Webb (CEO/Accounting Officer) (via MS Teams)	Sarah Cooper (Director of People Services)
Bulbul Barrett (via MS Teams)	Marc Gillham (Chief Information Officer)
Lendy Ho	Allison Booth (Clerk)
	Rachel Henry (Assistant Clerk)
Apologies	
David Fearnley	
Cuthbert Pazvakavambwa (Vice Chair)	

L/J Denotes the time any individual left/ re-joined the meeting.

Item		Action
1.	**Introductions, Apologies for Absence and Disclosures of Interest**	
1.1	The Chair welcomed everyone to the meeting.	
1.2	Apologies were noted for David Fearnley and Cuthbert Pazvakavambwa.	
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 7 December 2023**	
3.1	**RESOLVED:** The minutes of 7 December 2023 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: **10.2 –** *The VPF&CS to update the report to reflect performance against sustainable goals.* The VPF&CS advised that the Environmental Sustainability Report would be finalised within the week and then published on the College Website.	

	4.4 – *The VPF&CS to obtain valuations for the College's high value/collectable items* – these were provided in the papers under item 4a.	
4.2	**ACTION:** The VPF&CS to notify Wentworth Woodhouse, which is now in charitable ownership that the College holds two works by Charles Broughton.	**VPF&CS**
	14.6 – *The Clerk to look into training for Governors on cyber security.* The CIO and Clerk were due to meet with JISC on 2 February 2024 to discuss.	
Strategic plan Implementation		
5.	**<u>F&GP Data Dashboard</u>**	
5.1	The VPF&CS presented the F&GP Data Dashboard which reflected the final Q1 position and advised that there had been little change since December 2023; • The Q1 position showed outstanding financial health, driven by a change in accounting as a result of the capital grant income recognition. • Advanced learner loans- 467 at Q1, driven by better access to AEB funding. • The Adjusted Current Ratio stood at 2.6. • The Externally Funded and Internally Funded Capital Programmes were rated amber due to the required additional funding. • HE Fee Income – £7,022k; no change to report. • Apprenticeship Income – £4,440k.	
5.2	**Q. Levy Funding usage is rated amber, are we hoping to achieve this target?** A. We are still struggling to recruit apprentices and we are experiencing challenges due to the suitability and capability of some candidates. More mentoring and peer support training will be put in place for staff and employers that work with apprentices. Clarification was established on the difference between room usage and room utilisation. It was noted that the College uses the ESFA model to assess classroom usage and utilisation. This would be reviewed by the DfE if the College were to apply for any additional funding. Members were advised that the current method of reviewing classroom usage and utilisation needed refining and a correction to the reporting would be made to the data dashboard.	
5.3	**ACTION:** The VPF&CS to make the required correction to the reporting in the data dashboard.	**VPF&CS**

6.	**<u>VPF&CS Report</u>**	
6.1	The VPF&CS introduced his report, which served to highlight a number of areas within the other reports on the agenda.	
6.2	Key things to note were: Item 5. F&GP Data Dashboard, noting the overall positive position on the finance metrics labelled under Q1 Forecast position and how all financial metrics as previously provided are being met with the exception of bank covenants. Item 8. Q1 financial forecast and that overall, the College is on track to deliver its financial plan for the year (noting the additional expected in year growth income of approximately £1.6m is not included). Item 9. Annual Treasury Management report, the key element is the impact of the higher interest rates on the College in terms of the variable rate loan and cash balances currently held. Though the additional costs are mainly being mitigated by the increase interest income. Item 10. Estates plan update, noting the position on projects, specifically the potential delay to Garden Mills as a result of a collapsed drain and the requirement of an additional £512k of funding to provide an electric substation to support the commissioning of both Garden Mills and FTC. This is also requesting delegated authority to the VPF&CS to approved the work required given the timescales required, all subject to procurement rules being met. Items 13. Strategic Risk monitoring, noting the impact upon relevant risks informed by the papers about, these have been highlighted for ease of identification.	
Finance 2023-24		
7.	**Management Accounts (November 2023)**	
7.1	Members considered the period 4 management accounts to November 2023: • The underlying EBITDA (excl. capital grant income £0.3m) to the end of November was £1.6m, which was £0.1m favourable to budget. The adjusted EBITDA percentage of Income was 8.4% compared to the budgeted figure of 7.8% to this period of the year.	

	• Income (excl. capital income) was adverse to budget by £0.2m predominantly due to AEB and Apprenticeship income, staff costs were £0.1m adverse to budget, driven by the higher than budgeted pay rise, though additional funding is being received to cover this. Non-pay costs were £0.4m favourable to budget, mainly related to timing of spend. • Staff costs as a percentage of income (excl. capital income) were 63.2% vs budget of 62.0% to this period of the year. • The Cash position was £4.5m higher than budget due to a higher opening balance and timing of income and project expenditure. • As per the latest forecast for 2023-24, there are breaches predicted in the CFADS: Debt service covenant in July 2024, and the Projected Cash Flow covenant breaches for the whole of 2023-24. The College is in the process of obtaining waivers in respect of the Cashflow Cover and Projected Cashflow Cover covenants from Lloyds Bank, with permission having been received from the ESFA to do this. • All other covenants are met in the test periods in 2023-24.	
7.2	**Q. What was the budgeting error on subscriptions and are you happy with the processes?** A. The total amount is actually correct. It is an error in profiling which is the biggest challenge in this area, we are providing training to the Finance team and Heads of Department in relation to the process on accruals.	
7.3	**Q. Why is there a £5,461k variance to budget for Capital Grants?** A. The budget was positioned before we had the judgement and was based on our status at the time. We just need adjust the management accounts to clarify that the full amount is being recognised at the point of allocation.	
8. 8.1	**Q1 Financial forecast** The VPF&CS provided an update on the Q1 Financial Forecast highlighting**:** • Following the first performance review process and Q1 financial forecast, the College had produced a revised financial forecast for 2023/24 and provided analysis of the variances to the plan signed off in July 2023. • Staff Costs % of Total Income remained relatively static at 63.7% (66.6% including outsourced costs). • The borrowing ratio has decreased slightly due to higher than budgeted income projected for 2023/24. The current ratio has increased due to the slower start of projects, resulting in a higher	

	than anticipated cash balance at year end. The higher current ratio has changed the year end prediction of Financial Health from Good to Outstanding. • The College is in the process of obtaining waivers in respect of the Cashflow Cover and Projected Cashflow Cover covenants from Lloyds Bank which are breached in 2023-24, and seeking permission from EFSA to have them waived (a new requirement under the MPM regulations).	
8.2	**Q. Is the Outstanding Financial Health rating a result of the Current Ratio of 2.6?** A. Yes, it is however, that current ratio figure will decrease and we are expecting the financial health rating to return to 'good'.	
9. 9.1	**Annual Treasury Management Report** The VPF&CS presented the Annual Treasury Management Report, highlighting that: • Interest rates rose eight times from 0.25% to 3.5% in 2022 and a further five times in 2023 to reach 5.25% in August 2023. The Bank of England (BoE) had been raising interest rates to try to bring inflation down towards its 2% target. Inflation had fallen from 9.2% in December 2022 to 4.2% in December 2023, which signalled the potential impact of the base rate change and potentially could result in future rate reductions. • The 5% increase in BoE base rates over the last two years had increased the College interest costs by £315k, as the College had £6.3m of variable rate loans with Lloyds Bank. • Early in 2023, the College negotiated with Lloyds Bank to receive interest on cash balances in the current account at a rate of 3.9%, whereas previously no interest was being paid on current account balances. This would result in additional bank interest income of £300k during 2023-24, which offsets the majority of the additional interest costs of the variable loan. The current forecast around the BoE's interest bases rates suggests this will continue at least for the next twelve months. • It was anticipated that annual interest costs would start falling 2024-25 onwards. • Cashflow and the financial performance of the College were constantly monitored as one of the bank covenants was cash flow for debt servicing, being 1.25 the debt service costs.	
Resources		

10.	**Estates Plan Update**	
10.1	The VPF&CS advised that the College currently has the following Estates Capital projects in train: • T-levels Wave 4 Capital Building works had been completed – Budget £1,293k (no match), with final spend being £1,217k and an underspend of £76k. • T-Levels Wave 4 Specialist Equipment Budget – awarded £979k, with £954k being spent and an underspend of £25k, as previously expected. • Future Technology Centre (FTC) – Revised Budget £17,200k (Inc. £1,296k original match), £597k spent to date. The PCSA and enabling works contracts had been completed with Morgan Sindall. In additional the lease agreement for the adjacent car park was in place. • Garden Mills – Revised Budget £6,900k (Inc. £1,000 revised match from original no match), £453k spend to date – with an expected June 2024 completion date. However, as a result of a collapsed drain outside the building there could be a delay to the programme if a plan was not in place by 5 February. In addition, it had been identified that the current electric supply to the building was not sufficient to support the commissioning of the building. Therefore, a further substation was required, though this would also remove the requirement for a substation to support the FTC. It would also provide future proofing of capacity as the transition from gas heating the electrical is imposed by the government. The current estimated cost for this was £800k, though within the Garden Mills and FTC there was a budget of £288k to support this. Therefore, an additional £512k of internal funding was required. It was therefore requested that delegated authority was provided to the VPF&CS to approved the necessary works to complete this, given the timescales, to ensure Garden Mills building is commissioned ready for the start of next academic year. Updates on progress would be reported through the Capital Special Interest Group (CSIG) and subsequently onto the Finance and General Purposes committee.	
10.2	**RESOLVED:** That the additional £512k of internal funding to provide the substation to support both Garden Mills and FTC buildings and the delegated authority to approve the work required (subject to countersignature from the CEO and with adherence to the financial regulations with regards to the procurement of the services required) is approved.	

	• Energy Efficiency Grant (no match) – Allocation £356k must be spent by 31 March 2025 as part of the three-year plan. £300k had been spend to date on replacement of all Trinity Green boilers. • FE reclassification capital (no match) – Allocation £892k must be spent by 31 March 2025 as part of the three-year plan. £239k spent to date on the DHB Chillers, which had been installed, though commissioning was ongoing. • Skills injection fund (no match) – Allocation £289k must be spent by 31 March 2024. £206k spent to date, currently reviewing the position given student recruitment and clawback position changing recently. • T levels Wave 5 – Building Project - Budget £3,252k, with £361k match, £116k spent to date, with the initial cost plan being received and now needing reviewing.	
10.3	The T-level Wave 5, T-level Wave 4, Garden Mills and FTS projects were being overseen by the Special Interest Group, which had met once since the last F&GP committee.	
10.4	All additional capital funds that had either been won through bids or allocated would be in addition to the annual £1.5m capital limit for internally funded capital (covenant as part of the Restructuring Funding (RF) deal and loan agreement) agreement. The VPF&CS was currently working with the Bank to agree a covenant waiver for academic year 2023/24 to cover additional capital spend that was fully funded and additional match needed.	
10.5	The sale of the Appleton Building appeared to have stalled and unless feedback was received in the next couple of weeks, the College position will be reconsidered.	
10.6	With regards to Little Germany, it was considered unlikely that the Council will exercise their option to buy by 31 March 2024, therefore, as previously agreed, the site would be placed on the open market in April 2024.	
10.7	**Q. When is the end of the lease for the Little Germany building?** A. The lease with the Council is until August 2024.	
10.8	Members discussed the level of risk the College can manage in regards to issues that can arise due to unforeseen circumstances associated with the Capital Projects and how best to determine and monitor that level of risk. The VPF&CS advised that he would look at the capacity in headroom and cashflow to determine contingency availability.	

	The Chair informed members that a training session on Risk Appetite was being considered for the Corporation and Executive later in the year. ***L/MG***	
11. 11.1 11.2	**CSIG Update** The Chair of the Capital Special Interests Group provided an overview on: <u>11a. Minutes of the meetings 7 November and 5 December 2023</u> These were included in the pack for information and background <u>11b. Review of the CSIG Committee existence</u> The Committee had reviewed its existence in accordance with the CSIG Terms of Reference. A Capital Special Interest Group Report had been provided which included projects to date and the CSIG TOR for reference. The Special Interest Group Report is recommended to the F&GP Committee for approval. **RESOLVED:** The Special Interest Group Report is approved. <u>11c. Revised Terms of Reference</u> Local Skills Improvement Funding (LSIF) and to the Capital Projects listed on the TOR. <u>11d. Clawback- T-level wave 4 Capital funding</u> As requested by the CSIG Committee, the VPF&CS presented a paper on the clawback risk on T-level wave 4 funding. The main conditions were all were met on the T-level wave 4 funding for the Buildings and Facilities Improvement Grant (BFIG). However, in addition to the BFIG, the College also received funding for Specialist Equipment Allocation (SEA). The Department for Education reserve the right to recover SEA funds that are not used primarily to support the delivery of T Levels funds if (along with other conditions) student recruitment numbers decrease significantly. This has been identified as a potential risk, however currently no definitive guidance has been provided to quantify the term ‘significant’ or how the quantum of clawback would be calculated. Therefore, the final reports have been submitted and the outcome is awaited.	

Policies		
12.	None	
Governance and Risk		
13. 13.1	**Strategic Risk Monitoring** The Committee reviewed the strategic risks for which it has oversight. The VPF&CS advised that nothing had materially changed since the Risk Register had been presented in December: SR1 – The risk of inability to maintain financial sustainability had been reduced from amber to green to reflect the Q1 position of outstanding financial health, but was likely to return to amber in due course. Escalating capital project costs and inability to generate additional funds for these, had been added to the risk register under SR1. SR3 – Commentary had been added to acknowledge the risk of 'unknown unknowns' associated with Capital Projects; the impact being reduced funds for other estates upgrades/maintenance.	
14. 14.1	**Items for report to the Corporation** It was noted that there was another meeting of the F&GP Committee on 14 March ahead of the next Corporation meeting on 21 March 2024. Items from this meeting for reporting to Corporation include: • Minutes of meeting – 01 February 2024 • Q1 Financial forecast • Annual Treasury Management Report • Estates Plan Update	
Any Other Business		
15. 15.1 15.2	**Any other business** The VPF&CS advised that the Salix bid had been submitted and the College had been put through to the assessments stage. Work was being undertaken by Finance and Estates to look in to the affordability of joining the network. Members acknowledged that this would be good progression on the College's commitment to carbon reduction and sustainability. The Chair closed the meeting at 18.26.	
16. 16.1	**Meeting Evaluation** **ACTION:** To be circulated by the Assistant Clerk.	**Assistant Clerk**

Approved by the Committee:

J. Williams **14.03.24**
Signed by the Chair Date

Agreed actions

No	Minute	Action	Who?
1	4.2	The VPF&CS to notify Wentworth Woodhouse, which is now in charitable ownership that the College holds two works by Charles Broughton.	VPF&CS
2	5.3	The VPF&CS to make the required correction to the reporting in the data dashboard.	VPF&CS
3	16.1	Meeting Evaluation to be circulated by the Assistant Clerk.	Assistant Clerk