Bradford College

MINUTES OF THE MEETING OF THE FINANCE AND GENERAL PURPOSES COMMITTEE MEETING
HELD: 17.00 hours via Microsoft Teams on Thursday 21 January 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 Malish (Vice Principal Development & Growth)
Chris Webb (CEO/Accounting Officer)	Jo Wright (Turnaround Director)
Lendy Ho	Sarah Cooper (Director of People Services)
	Zohayb Mohammed (Director of Finance & Procurement)
	Sarah McKenzie (Clerk to the Corporation)
	Allison McEvoy (Assistant Clerk to the Corporation)

The quorum was two 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	Apologies were noted for Zohayb Mohammed and Allison McEvoy.	
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 10 December 2020 and Matters Arising**	
3.1	**RESOLVED:** The minutes of 10 December 2020 were approved as an accurate record and can be signed by the Chair.	
3.2	The Matters Arising report was considered.	
3.3	**Q. In relation to the action to send a letter of complaint to PwC concerning the audit issues which had led to the delay in signing off the Annual report and Financial Statements. Is there any update?** **A.** A letter has been sent but most of the people working on our audit have left the organisation. An update will be provided if and when we receive a response.	

Strategic Plan Implementation		

4.
4.1
	J – Lendy Ho
	
	Finance & General Purposes Data Dashboard
	
	The DCEO provided an overview of the Data Dashboard against the strategic priorities, highlighting that:
	• To be an employer of Choice is green
	• To maintain a sustainable income:
	  ○ EBITDA as a % of income - Q1 forecast relatively inline with budget, though there are some risks such as AEB income and impact of third lockdown upon Apprenticeships income
	  ○ Borrowing as a % of income - Being driven by the lower income levels
	  ○ HE Fee income - Recruitment target missed and expected to be £9.2m which is £0.6m lower than budget
	  ○ AEB income - Forecast to be delivered as budget £8.1m, expecting performance rules to be relaxed, official view to be provided by the end of Jan
	  ○ Apprenticeship income - Timing as actual numbers ahead of plan but forecasting to deliver £2.75m budget. However
	  ○ third lockdown impact unknown at this time
	  ○ Total income - Currently lower than budget predominantly due to HE fees
	  ○ 16-18 income will be an issue in future years due to lagged funding
	
	ACTION: DCEO to incorporate a forward look onto the dashboard, particularly around income.
		
		DCEO

Finance 2019-20		
5. 5.1	**DCEO report to the committee** The DCEO highlighted the importance for members to give attention to: • Q1 - Integrated Financial Model for Colleges / Finance Return - particularly the outturn versus financial objectives and bank covenants • 3 year-plan – particularly the impact of recruitment and future years • Staff survey results • Estates Strategy – particularly regards to the facilities management tender	

	It was also note that the College is providing a space in the Old Building for a vaccine centre, noting this is likely to cause delays to the sale of the building. The DCEO updated members on the position with regards to the Turnaround Director. The contract was for a 12-month period and this was extended initially to October 2020. It is written within the loan agreement, that the involvement with the College must be agreed with the bank. Given the uncertainty as a result of COVID as well as the decline in income and the resultant covenant impact, the bank felt this should be extended further. The agreement made was to reduce the Turnaround Director's involvement to attendance at F&GP Committee, meetings with the Bank and the occasional catch up meeting with the DCEO. There has been one meeting with the bank since the last F&GP Committee meeting. The relationship is progressing well and there was much discussion around the Q1 forecast and the upcoming bank covenant review. Discussions were positive regards the College putting forward proposed covenants and the plan is to provide this information by the end of February 2021.	
6. 6.1 6.2 6.3	**Student Recruitment 2020/21** The VPDG provided an update on Student Recruitment, providing a verbal update subsequent to the paper that had been circulated. **16-18** Overall numbers have seen a reduction in year from 3,402 to an expected R06 (January 21 return) of 3,025. This will impact the financial plan in 2021/22. There were a number of cohorts planned to start in January 2021 which will increase the numbers but will not be sufficient to avoid next year's reduction. There were 32 students planned to start in January but only 16 have started due to the impact of the third national lockdown. **Adults** The adult AEB continues to be a high risk as again due to lockdown the potential enrolments throughout the year has reduced with many students staying at home and choosing not to take up the online offer. There is an additional risk of a further reduction of around £0.3m, increasing the risk to £1.2m The risk to Adult AEB is the reduction in community learning, due to devolution of the AEB funding to the West Yorkshire Combined Authority.	

6.4 6.5 6.6	**Higher Education** HE delivery has performed well as HE learners have been able to switch to on line delivery more easily and the number of direct entrants continues to grow. The income is nearing its final payment stage and should outturn around £9.2m. **Apprenticeships** • Whilst Apprenticeships have performed particularly well in quarter 1 with employers returning to activity at the end of the summer this has now been further impacted on by lockdown number 3. Though as at quarter one the budgeted income of £2.75 was expected to be delivered. • There are now 100 apprentices that have been unable to complete the EPA assessment due to lockdown restrictions and are now out of funding. Recent DfE approval to carry out assessment whilst in lockdown should help to recover some lost income in-year. • Starting to see the impact of the lockdown and furlough **Q. How much do you think we will get out of the FE White paper (published today)?** **A.** It is likely we will develop a business centre and employment hub. There are no timelines for the funding set out in the White Paper but we will begin to develop them anyway. The CEO drew attention to a new Capital Scheme focused on the regeneration of poor estate, the deadline being 15 March 2021, requiring 50% match funding and governor approval. A detailed proposal will come to governors. The Turnaround Director reflected on the big picture economic recovery. It has been delayed until the summer but expected to bounce back quite quick. There is a red flag around risk on apprenticeship in-year income. The CEO noted his concern about income but expressed his concern about the delayed assessments that are not currently happening. Students need to be ready for when the market opens back up.	
7. 7.1	**Management Accounts – to 31st November 2021** The DCEO provided an update on the Management Accounts to 31 November 2021: • Additional Local Authority funding and favourable Pharmacy income to profile has brought income to £0.1m adverse to plan. • Staff and operating expenditure remain favourable to plan due to staffing vacancies, timing/profiling issues in operating expenditure plans, which have been closely reviewed in the recent Q1 forecast process.	

	• Cash is strong due to a timing of income. • In terms of covenants, the Gross Debt: Revenue is expected to continue in breach as at the next target date of 31 January 2021. A waiver letter has been provided by the bank for the October breach. In addition, the Projected Cash Flow cover has recovered from the October breach, due to the continued improved cash position going forward. This is due to delays in spending capital and in areas such 16-19 Tuition Fund income. Due to Covid-19 and the falling through of the proposed building sales, which would have reduced Gross Debt with a cash payment upon sale completions, further breaches involving Gross Debt are expected to become more pronounced. Discussions are due to begin with the bank with a view to renegotiating the covenants to better reflect the Covid-19 environment in which the College now operates.	
8. 8.1	**Q1 - Integrated Financial Model for Colleges / Finance Return** The DCEO summarised the quarter one financial forecast: • The income reduction of £0.4m, due to a reduction in HE, lower FE in-year recruitment and a reduction in SKE Funding relating to paused activity. This is offset by additional High Need Learner Fund trading, bring the catering function in-house and projected income relating to the 16-19 Tuition Fund. • The Q1 forecast year-end cash balance is £11.4m compared to £8.7m plan balance submitted in July 2020; the forecast cash in hand days are 104 for 2020/21 • The Q1 forecast for 2020/21 shows a maintained financial health rating of 'Requires Improvement'. The rating is planned to improve to 'Good' in 2021/22 due to the planned improvement in EBITDA as a percentage of Income to 9.4% against 6.4% for the Q1 forecast. • Performance against the covenant forecasts has been reviewed due to the Q1 changes in income, EBITDA and cash in particular. The quarterly forecast show breaches in three of the five covenants. • The breach in Gross Debt: Income is a continuation of the breach first reported in April 2020, and for which the College has received a bank waiver in October and has one in place for January 2021. The is no breach forecast at the end of this financial year, as the debt begins to reduce following the first capital repayment in June 2021. • The breach in Cashflow Cover in April relates to a combination of projected large volumes of purchase ledger outgoings in the	

	remainder of this financial year and increased debt servicing as capital repayments begin in June 2021. This will be scrutinised during the Q2 forecasting and if necessary a waiver will be sought. • The projected cashflow cover covenant looks at forecast net cash flow from the next 12 months onwards. The breaches are a technical due to the change in timing of Student Finance England loan receipts, with approximately £1.9m received three months earlier in 20/21 than it will be in 2021/22, as part of the Government's response to College sector cash concerns in the Covid-19 pandemic. Waivers are in place for both of the breaches.	
8.2	There are three identified risks to the forecast: • the Covid-19 environment and its impact upon Apprenticeship income and the delivery of AEB provision. • Additional withdrawals of the HE cohort than those already mitigated for; this will be further assessed at Q2 forecast in February 2021. • The sale of the Old Building.	
8.3	In summary the forecast means that the College will come out of financial intervention in 2021/22 as it will have met the criteria set for the College.	
8.4	It was noted that the College does still need to gain an Ofsted rating of good to move out of intervention. As yet it is unknown when Ofsted inspections will restart.	
8.5	**Q. What is the clawback risk on tuition funds?** A. There are no metrics, we need to demonstrate that we have done activities to use the funding. We hopefully won`t have any clawback.	
8.6	The IFMC and finance record had been prepared on the basis of the figures presented to the Committee.	
8.7	The Committee discussed the consequences of moving out of intervention including new activities and funding bidding opportunities becoming available to the College. The Turnaround Director noted that the bank would view the College coming out of intervention as a big plus.	
8.8	**RESOLVED:** The IFMC is approved.	
8.9	**ACTION:** The Clerk to circulate the approved IFMC to Corporation as per the terms of the delegated authority.	**Clerk**

9.	**3-year plan**	
9.1	The DCEO explained that following the quarter one financial forecast the original three-year plan was reviewed to consider the impact upon future years. Based upon the information at the time of the Quarter one financial forecast it is envisaged that income for 2021/22 is likely to fall £2.8m, which is £4.2m lower than the planned income. It was noted that this will become clearer as we move through business planning and receive our funding allocations in March 21. It was highlighted that in order to meet the original financial objectives set in July 2020 this would require a reduction in staff costs of £2.9m (£2.5m vs. Plan) and reduction in non-pay of £0.9m (£1.3m vs. Plan). This would see the College's health score improve to Good as planned but due to the reduced income and value of EBITDA the College would not meet its bank covenants.	
9.2	The DCEO will prepare scenarios for discussion at the Governor Strategic Event on 29 January. Each scenario will be risk assessed on impact upon student quality, staff engagement, progress out of financial intervention and bank covenant compliance.	
9.3	The DCEO reflected that at this early stage it is expected that maintenance of existing financial performance is the most pragmatic solution as it would reduce the level of staff restructuring required but would meet the requirements for the College to move out of financial intervention. However, this will require the bank covenants to be renegotiated to ensure compliance (covenant review in March 2021) requiring the College to work closely with the Bank and the ESFA to manage this message.	
9.4	It was noted that the underlying cash position is expected to be in line with the plan given the improved performance in 2019/20.	
9.5	The Chair of the Corporation reflected on the situation and the impact that it could have on the other areas of the strategic plan, particularly around student experience and staff. It was noted that there is an increasing risk relating to the ability to generate income (student recruitment).	
9.6	The CEO commented that there was a short- medium term plan to increase the 16-18 students and gain back market share, alongside the need to tackle the year on year decline in HE numbers. With a longer-term growth strategy. It was acknowledged that setting the 2021-22 budget is going to be very challenging.	

9.7 9.8	The Turnaround Director commented that from the bank's perspective, that expectations need to be managed early. The DCEO and Turnaround Director have already started to speak to the bank about the reduction in income. There was some discussion about the restrictions in the RF deal relating to not being able to pay down the loan and reduce the interest paid. This has been raised with the ESFA.	
Resources		
10. 10.1	**Staff Survey Results – analysis and action plan** The DPS updated the Committee on the Staff Survey Results: • One of the key objectives of the people plan is to improve staff engagement. • An employee survey was carried out in October. A participation rate of 85% was achieved. This was 80% in 2019 and 55.9% in 2018. • For the 2020 survey the engagement questions were as for the 2019 survey. The staff were also surveyed on the leadership around the Covid-19 pandemic, working from home and the challenges they have faced and how they might want to work in the future based on this. • The data has been analysed by total College, Curriculum and Support areas and by Head of Department (HOD) area. An engagement action plan will be agreed at a Senior Leadership Level to improve any cross-College issues highlighted by the survey results. • The HODs will update their existing engagement action plans with their teams and these will continue to be reviewed at the quarterly business reviews. • The survey results demonstrate that significant progress has been made in staff engagement levels and that the results are extremely positive. Even in a difficult year with Covid-19 and staff adapting to new ways of working, all departments have seen a positive improvement in their engagement scores. The engagement score gap between curriculum and support areas has also reduced significantly. • The overall engagement score is 92.2%, this was 75% in 2019 and 45% in 2018. • This is a significant improvement over the last two years and reflects how the improvements we are making across the college are significantly impacting on staff engagement levels. • The Executive recognise that there are still improvements to be made but the benefit of the investments being made in terms of line management and leadership training and development is been seen.	

	• The improvements in the engagement scores reflect the positive feedback received from the student survey, the OFSTED interim visit and the FE Commissioner stocktake feedback.	
10.2	The CEO commented on the huge move forward, recognising that without staff who are engaged and committed, the College will never be outstanding. It was noted that the impact of staff on quality and the student experience is extremely important to the impact of delivering the College's mission to transform lives.	
10.3	There will be a discussion at the Governor Strategic Event on 29 January about how the College maintains and continues to improve on staff satisfaction and how this needs to be carefully managed within budget constraints.	
10.4	The Turnaround Director noted that this was an important cultural piece for the college it`s turnaround journey.	
10.5	The Committee congratulated the DPS and the wider team on the work to date that had contributed to the engagement and staff satisfaction scores.	
11.	**Estates Strategy update**	
11.1	The DCEO reminded the Committee that the high-level Estates strategy was revised and approved at Corporation in July 2020 as part of the 'To maintain a sustainable college' strategic plan.	
11.2	The Committee were informed that there has been little movement on the sale of the Old building, due to continued delays within the planning department within the Council as a result of the Covid pandemic. It is understood that the buyer is progressing to their best endeavours with the planning department.	
11.3	The College has also agreed with the Bank and ESFA to provide a lease to the NHS of the Old building to be used until as a vaccination centre. This means the completion of the sale (subject to planning permission) will be delayed until October 2021. As a direct result and as previously reported, the College will not meet the milestones within the restructuring deal which were to dispose of two buildings by the end of March 2021. The Committee were informed that dialogue with the Bank and the ESFA continues regarding the impact upon the covenants, as previously reported.	
11.4	The DCEO highlighted that the cash position of the College is not reliant on the sale of buildings or to meet the covenants by the end of the academic year based on the current financial forecast.	
11.5	The College is in the process of tending the facilities management contracts, early indications suggest savings of between 5% and 15%	

	based on a like for like approach. Recommendations will be presented to the next F&GP Committee for consideration.	
12. 12.1 12.2 12.3 12.4	**People Strategy Update** The DPS reminded the Committee that the key objectives of the people plan and provided an update against each of these: • To improve staff engagement – engagements levels are up, see item relating to staff survey. • To improve staff attendance levels and reduce unplanned absence - In 2019/20 the College achieved its best ever attendance at work levels with sickness absence reducing to 3.8% ahead of the RF targets • To recruit, develop and retain highly skilled and motivated staff – Recruitment activity and process has been improved following the HR Team reorganisation and with a dedicated Recruitment and Talent Business Partner, improvements are being made to processes and candidate experience and work on the Bradford College employee branding. Activity is ongoing to improve the processes around on-boarding and management of probationary for new starters. • To develop a sector leading learning and development programme - The HR Team are working on improving the policies and processes around this activity and configuring the HR system so that all staff CPD and L&D records are captured on their employee file. Staff have engaged with on-line learning and e-learning. There will be a focus on Digital skills as part of the staff development strategy. A new talent planning process is also being launched and this will support the development of staff and help introduce a talent pipeline to support internal progression. Staff morale has improved over the last year, despite the Covid-19 situation. The staff survey question on 'I feel proud to work for Bradford College' improved significantly from 64.9% in 2019 to 91.5% in 2020. The College has run a number of leadership and line management programmes over the last year and these will have impacted on staff retention and motivation, by staff being better led, managed and communicated with. All departments have an engagement action plan based on the staff survey. The Committee acknowledge the work of the DPS and wider teams. Thanks was given on behalf of the Corporation, relating to the often-last minute directions from government relating to the Covid Pandemic, particularly for those staff who worked over the Christmas break to prepare the Covid testing facility.	
Governance and Risk Management		

13. 13.2 13.3	**Strategic Risk Monitoring** The Committee reviewed the Strategic Risks for which it is responsible. There were no suggested changes. **ACTION:** VPDG to review existing controls around SR1 (2) (Maintain a sustainable College - failing to deliver income and ensure cost base is aligned with income) at Governor Strategic Event on 29 January.	**VPDG**
For Information Only		
14.	**Subsidiary Company Reports*** Provided for information	
Any Other Business		
15.	**Items to Report to the Corporation** • IFMC/ financial record to be circulated to Corporation members	**Clerk**
16. 16.1 16.2	**Any other business** There was no other business The Chair closed the meeting at 18:50	
17. 17.1	**Meeting Evaluation** To be circulated by the Assistant Clerk.	**Assistant Clerk**

Approved by the Committee: P. Ashton 19.03.2021

Signed by the Chair Date

No	Minute	Item	Action	Who?
1.	4.1	Finance & General Purposes Data Dashboard	DCEO to incorporate a forward look onto the dashboard, particularly around income.	DCEO
2.	8.9	Q1 - Integrated Financial Model for Colleges / Finance Return	The Clerk to circulate the approved IFMC to Corporation as per the terms of the delegated authority.	Clerk
3.	13.3	Strategic Risk Monitoring	VPCD to review existing controls around SR1 (2) (Maintain a sustainable College - failing to deliver income and ensure cost	VPCD

			base is aligned with income) at Governor Strategic Event on 29 January.	