MINUTES

Barnet and Southgate College Corporation
Finance Committee Meeting
held on Wednesday 5 October 2022
18:00-19:30
via Microsoft Teams

Present	Imelda Galvin (IG) Chair Sue Baker (SB) Adam Goldstein (AG) External Governor Jenny Jarvis (JJ) External Governor Hannah Sheath (HS) External Governor Darren Mepham (DM) CEO and Governor
In attendance	Hiten Salva (HS) Director of Finance Mark Sellis (MS) Executive Director of Corporate Services Tracey McIntosh (TMc) Executive Director of Commercial Partnership Lana Jackman (LJ) Interim Director of Governance

Apologies

Quorum 3

The meeting was quorate

Item	Description	Action
	Welcome	
1	**Preliminary Items** **i. Apologies for absence** There were no apologies for absence. **ii. Declaration of Interests** There were no declarations of interests other than those standing ([i]***in accordance with the requirements of section 177 of the Companies Act 2006)***. **iii. Confirmation of Appointment of Chair** The appointment by the committee of Imelda Galvin as Chair stands. **iv. Terms of Reference** The Terms of Reference for the committee was approved.	
2	**Minutes of previous meetings** i. Minutes of 28 June 2022 The Minutes of the meeting held on 28 June 2022 were **Approved** subject to confirmation from TMc that the question raised by governors in the meeting regarding reducing subcontracting was answered. It was agreed that TMc would liaise with LJ with confirmation. **ii. Matters arising** The outstanding matters arising from these Minutes were discussed at this meeting.	

	It was agreed that IG would speak to HS and MS outside of the meeting to ensure that [P12] as a set of high-level accounts had been appropriate and considered at all stages, and the planning and conducting of effective management of the financial and academic affairs was at a point to be presented to the wider Board of governors so that an informed decision could be reached. The Chair asked the Director of Finance to present the financial position 2021-2022.	
3	**Financial position 2021-2022** The July 2022 Management Accounts was circulated prior to the meeting, received by the Chair and taken as read. The Director of Finance summarised the key points for the college for the period 12 [P12] for committee consideration before recommendation for full Board approval. These were as follows: i. Debt cover ratio and Bank covenants. It was noted that the college had gone above the benchmark for its debt cover ratio due to the GLA windfall. It was explained that it was the holding of cash primarily judged on the new measure, that the college would be perceived to have generated a lot more cash than in actual terms with clawback in December 2022. It was further explained that as an ESFA metrics calculation it was technically correct, however the implications based on the calculation would put the college on the new measure as having an *Outstanding* financial health grade. There will be a potential clawback of £200k. The Outstanding financial health point was discussed in detail. It was agreed that this should be downgraded to *Good* due to the implications going forward. ii. Potential reduction in AEB income. iii. DLS Bursaries/Childcare costs - due to Covid the money was not used by adult students. iv. Impact on the I&E income which was currently showing 97%. MS explained that the aim was 103% where guaranteed growth existed which gave the college more internal funding tolerance to bid for additional funds. It was explained that it was more difficult to make a growth case with delivery under 100%, but it was more a point for the future 2022-2023. v. Recruitment and staff costs. It was noted that staff costs had been reduced due to unfilled vacancies in service areas. Teaching staff costs were higher as more self-employed staff were being paid under IR35 rules than via invoice. vi. Shortfall in delivery for apprenticeship. It was noted that whilst the overall position in real terms of income seemed down there were other areas where other projects generated additional income. vii. Pension service costs were reported in the accounts of £1.5m and this was expected to reduce to £400k in 2022-2023. It was explained that the pension costs were a fluctuating figure with normal allowance of £700k; for final accounting purposes the figure was projected based	

on the information received from actuaries. It was further explained that for the annual review the figure would be lower.

It was proposed that the college be downgraded to *Good* financial health. All Agreed. The motion was carried.

HS

3.1 RESOLVED that the Director of Finance would submit the grading of *Good* to the ESFA.

The Chair invited questions on the summary report.

It was agreed that the report was clear and straightforward and in response to a governor question HS explained that the extent of the negative income had been expected and could be seen clearly on the graph. It was mentioned that the negative income was flagged to the committee for noting that the significant drop in Apprenticeship income was a national issue and market based on the economy.

The committee discussed the Bad debt provision, the underlying deficit of £621k and the variance on forecast income to budget income.

Following a detailed discussion, it was

RESOLVED that the committee would recommend the July 2022 Management Accounts to the Board.

Accounting Estimates Paper
The Paper was circulated to the committee prior to the meeting and taken as read. It was noted that the only changes to the accounting estimates was the Grant clawback position highlighted in yellow that needed updating in terms of AEB funding.

It was mentioned that financial management in terms of reporting on debt and borrowing will be an area of scrutiny when colleges were reclassified. It was agreed that this was a bigger conversation to have and would need a separate paper at the time the reclassification was introduced.

The Chair referred to the estimated useful economic life of computer equipment being five years. MS explained the college policy of upgrading computer equipment to prolong the life of the computers. It was noted that this item should be discussed further in a forthcoming committee meeting.

HS

3.2 It was agreed that HS would provide a guide on the Bad debt provision and repayments.

HS

	3.3 It was agreed that the Accounting Estimates would be approved **<u>in principle</u>**, subject to HS completing and updating the highlighted yellow point in the document. It was <u>noted</u> that the committee had not seen the full Financial Statement.	
4	**Budget monitoring 2022-2023** Student enrolment and forecast income The detailed report was circulated prior to the meeting and taken as read. The report contained an update on enrolment performance against the targets that had been set for 2022-2023. It was mentioned that the report gave the worse-case scenario of the impacts on funding allocations and longer-term implications regarding future funding allocations when student numbers were not met, did not start or left early from their study programmes. The report highlighted key swings across departments with assumptions based on last year's performance. An 8% reduction had been applied. • It was reported that within the 16-18 age group a further 8% were expected to leave before the qualifying 42 days. • It was noted that the college had lost 200 sports students as they were no longer working with the NFL or Borehamwood FC and the Soccer Chance Academy was in its last year with no new recruitment. On a positive note, SB commented that there were 20 confirmed new students, but the Wood Street campus had lost 35 NFL students. • It was reported that the targets set against the curriculum plan was recognised as aspirational which underpinned the valid reasons for under performance. It was mentioned that this was an area which was being viewed on a weekly basis. • It was noted that an enrolment event took place last week and within the 16-18 age group from 80 visitors the college converted 40. The picture, it was acknowledged, was fluctuating, but positive. • It was reported that there were issues around the electrical qualification. The offer was reviewed, the decision made was to close some Adult classes. • It was acknowledged that unused space in Southgate had been closed in terms of the estates strategy which was also an example of saving on energy costs. • It was reported that Wood Street was on target with adult provision; Colindale was low for 16-18 age group but filled to capacity with adults, compared to Southgate where there was a shortfall in 16-18 enrolment.	

	In summary, it was discussed that a conversation on strategies, lessons learned, the application process, patterning, social media and data, and reassessing what needed to be changed was a priority. It was mentioned that there were positive stories regarding the enrolment period and a governor mentioned that the curriculum performance and curriculum strategy needed to be joined up. It was mentioned that close monitoring of the curriculum and application progression to change conversion rates by analysis and understanding trends was the focus to make a real difference to the Learner journey approach whereby students felt nurtured and valued from the start of their journey. It was agreed that the internal process for good customer care experience was the key to providing a more impactful offer and to make inroads on student numbers. It was noted that a change to a tighter project management coordinated approach for internal progression and delivery against the growth agenda may produce measurable data that could be tracked, monitored, and analysed. It was suggested that there was a feeling of déjà vu. Compared to the equivalent stage last year there were similarities. A governor asked for an assurance that there had been progress. It was recognised that the pattern of enrolment was different. **Budget Review** It was noted that the Executive had been asked to address the potential £750k contribution deficit as a consequence of the under recruitment in 16–18-year-old students. The Executive presented a slide that showed that £600k had been identified. The Committee were satisfied that the Executive was taking appropriate action to address the under recruitment. Other matters were discussed from the slide presentation as follows: • Non pay costs • Use of SDF funds for staff CPD • Budgeted transfer NFL to Loughborough to release income for 6 students • ESOL recruitment was healthy and doing well at campuses, especially Southgate, except for Edmonton • It was noted that the SLT were looking to improve on unmet demand in certain areas regarding ESOL • Part-time adult AEB was looking good • Capitalising on ACL by reaching into the community was discussed • Inflation and what it means for organisations was discussed. It was mentioned that by December there should be more information to present to the committee.	**HS**

	It was acknowledged that ESOL students who had progressed to Level 2 were more likely to do other study programmes. It was confirmed that there would be a 3-day industrial action leading up to half-term. MS reported that the college was working on mitigation. **Staff Pay** The AoC recommendation for Staff Pay, which was agreed by majority of the Board over the summer, had been implemented in September. Staff had received an increase to their salary in their September pay and would receive a further lump sum in October. **4.1 RESOLVED** that HS was awaiting clarification from Barnet to apply to the Secretary of State for a Direction Order in respect of the legacy LGPS transfer from LB Enfield to Barnet.	
5	**Subcontracting/Partnership Register** It was noted that the NFL contract was not renewed for 2022-2023. The SCA contract will not be renewed in 2023-2024 and no new enrolments will take place in the current year. It was noted that the college was in the third year of a termination contract with Borehamwood FC. It was noted that the contract value for Promise Training and FMBS had been reduced. It was noted that there were no other changes for academic year 2022-2023. **5.1** It was agreed that Subcontracting/Partnership should be an item for the next QTSE Agenda.	**Agenda Item**
6	**Committee schedule of business** The committee schedule of business was noted. Updates of items or any additional items for discussion would be forwarded to LJ for insertion into the schedule in time for the next meetings if appropriate.	
7	**Other Business** It was noted that HS wanted the committee to be aware that as the college currently had surplus cash it would be advisable to put it in a higher rate account to work better which would not affect the financial ratios. It was noted that the bank had approved a one-year temporary relaxation of the covenant on the EBIDTA. It was reported that the bank wanted to see the college achieve a financial recovery and wished to maintain open discussions with them. ***There being no further business the meeting ended at 19.47***	
8	**Date of forthcoming meetings** Joint Audit and Finance Committee Meeting Thursday 1 December 2022	

	Finance Committee Meetings 2022-2023 Thursday 19 January 2023 Wednesday 1 March 2023 Thursday 4 May 2023	
	Actions completed will be removed from the table **Meeting of 05.10.2022**	
3. 3.1	HS to submit the grading of Good to the ESFA	**HS**
3. 3.2	HS would provide a guide on the Bad debt provision and repayments.	**HS**
3. 3.3	Accounting Estimates would be approved **in principle**, subject to HS completing and updating the highlighted yellow point in the document.	**HS**
4. 4.1	HS was awaiting clarification from Barnet to apply to the Secretary of State for a Direction Order.	
5. 5.1	Subcontracting/Partnership should be an item for the next QTSE Agenda.	**Agenda Item**

[i] The code of conduct for governors requires governors to be honest and open with regard to conflicts of interest (either real or perceived). Governors must not use their position for personal gain in business, political or social relationships. Therefore, a governor who has, or maybe perceived to have, such a personal interest in a particular matter under consideration should declare that interest, withdraw from all discussions relating to it and take no part in any vote on such matter.