NOTES

Barnet and Southgate College Corporation
Finance Committee Meeting
held on Monday 8th March 2023
18:30-19:55
via Microsoft Teams

Present	Imelda Galvin (IG), Chair Adam Goldstein (AG), External Governor Hannah Sheath (HS), External Governor Darren Mepham (DM), CEO and Governor
In attendance	Maxine Bagshaw (MB), Director of Governance Mark Sellis (MS), Executive Director Corporate Services Tracy McIntosh (TMC), Executive Director of Commercial Partnerships Hiten Savla (HS), Director of Finance
Apologies	Jenny Jarvis (JJ), External Governor

Quorum 2
The meeting was quorate

Item	Description	Action
1	**Preliminary items** **i. Apologies for absence** Apologies for absence were received from Jenny Jarvis **ii. Declarations of interests** There were no declarations of interest other than those standing (in accordance with the requirements of section 177 of the Companies Act 2006). **iii. Notification of urgent business** None.	
2	**Minutes of the previous meeting** **i. Minutes of the meeting held on 19th January 2023** The minutes were reviewed and it was agreed that they are an accurate record of discussions.	

	AGREED: to approve the minutes of the meeting held on 19th January 2023. **ii. Matters arising** Key matters highlighted were: • Page 2 – the management accounts were circulated to governors on the 20th January 2023 as agreed • Page 3 – circulation dates for the management accounts and the flash report have all been planned and sequenced • Page 4 – the reference to the Multiply project to have a capital 'M' rather than a lowercase 'm'. • Page 7 – the information requested is included within one of the main agenda items planned for later in the meeting • Page 10 – the action requested is due in June 2023 • Page 11 – this is planned for the March 2023 board meeting Committee considered the tracking table of actions and noted that item 1 is a rolling action and will therefore remain as a reminder meeting to meeting. In relation to line 2, challenge from the committee was to provide a specific date for completion i.e. provision of a monthly update on KPIs. CEO advised that this is a planned agenda item for the board meeting later in the month, with some options proposed to be discussed by governors. There is potential to use a heatmap type of approach which would mirror planned reporting to the QTSE committee, particularly in relation to growth and financial sustainability. Committee noted this update and agreed that all other actions identified were well progressed.	
3	**Financial Position 2022/23** 1) <u>Period 6 Management Accounts</u> Key matters highlighted were: • A slight decline on the budgeted position. • This set of accounts includes an update to income lines and pay costs. • Information is provided regarding allocations known for next academic year. This still continues to show a decline in income despite a rate increase. • College is ahead in terms of 16-18 funding which is primarily due to additional amounts given for disadvantaged weighting. • Adult income is slightly ahead • HE income is down. Committee were advised that some anomalies in the system have been identified in relation to this income line and it is believed that there will be some cost savings. • Position in relation to advanced learner loans is down, which is a sector issue. • High needs income is up. • Tuition fees are down.	

- College has made adjustments in relation to interest payable and due.

In general discussion, one member of the committee commented that the variation in relation to HE income is significant and therefore what does this mean in terms of confidence regarding future projections. Staff advised that, in the budget HE income had been anticipated in relation to a childcare offer however Derby University, after the budget was set, withdrew the contract. In addition, there were some sports students who didn’t materialise. Staff advised that they have also identified some system recording issues in relation to HE enrolments which need to be addressed and that, when done, this will allow the college to better understand the difference between new and continuing students. Committee were advised that, generally universities are taking students back in house and not using FE as a feeder mechanism. Staff advised that there is a planned review meeting with Bolton University tomorrow and it is already known that one course planned will not be offered by them. It is believed that the approach taken by universities is influenced by OfS changes, particularly in terms of the responsibility for quality and that this might mean that, going forward, universities are less likely to choose to work with colleges. Staff indicated that they would have a better idea of options and risks following the meeting tomorrow.

One governor noted that there still appear to be challenges regarding the High Needs contract with Barnet local authority and they asked whether there is anything more that can be done in relation to this. Staff advised that the college sought an extra amount for out of hours delivery (circa £50k) which has then prompted Barnet to respond with a complete review. Following this review, they have sought to reduce the contract by £150k as they are not willing to pay for health care costs. This may mean that the college has to take a view on what it can offer. Committee were reminded that the college has taken between 40 to 50 more students than provided for in the allocation. College needs to ensure that Barnet will pay for these and then reclaim the appropriate amounts from other local authorities.

One member of the committee noted that there were additional staff costs provided for to cover a suspension and they asked for further information in relation to this. Staff explained that the suspension was a neutral act and that a £30k charge has been allowed for backfilling. This is a full-time teacher position and therefore the college has had to take this action. College is currently taking the view that a resolution may be later rather than sooner.

In relation to HE growth, the CEO indicated that this has been identified as a risk going forward and that the college may have to review its strategy to mitigate the position.

Committees attention was then drawn to information provided in relation to costs, with key matters highlighted including:

	• Summary table on page 5 • There is a worsening against previous reports by £92k • Extra energy costs are included • Income movement is included, both the positives and the negatives, some of which are unavoidable. One governor asked to be reminded of the contribution level from High Needs provision. Staff indicated that it used to be between 12 and 14% but is now 28% which means it has almost doubled. This aspect does offset some other areas of underperformance as the cash element is significant. One governor made reference to page 6 and the fact that there appears to be under delivery on the hours and they asked for further information in relation to this. Staff indicated that this specifically relates to 16-18 year olds and it is believed that there is more that the college can do/offer to ensure that as many students as possible tip over in to the higher paid bands. Committee were given assurance that staff are working hard to maximise the position as this will impact upon future years income. Staff indicated that a high number of the learners identified are LLDD and therefore it is believed that there may be something systematic that can be done to increase the hours. Committee chair commented on the cashflow position in terms of the fact that it starts high but is then on a downward trend. It was explained that this is impacted by the payment profile from the ESFA and capital grant payments. In relation to the profile it is believed that, following ONS reclassification, this should even out in future years. Committee were specifically informed that the £2 million clawback anticipated has not yet been taken, however assurance was given that this is provided for in the forecast. Committee then discussed the position in relation to covenants and were advised that income would need to reduce by between £2million - £3million for there to be a concern. AGREED: to note the content of the Period 6 Management Accounts as presented. 2) <u>Multiply provision update</u> Executive Director of Commercial Partnerships introduced the written report and key matters highlighted were: • College has done really well and much better than others. • Staff were able to hit the ground running in terms of delivery. • College is running above targets set following some interventions which were put in place. • Overall position is a possible reduction of £21k against 22/23 allocation, however if a decision is made to provide for a tolerance then there will be no clawback. Although it is not yet known whether this will apply.	

- Whilst not perfect, the college has done very well and committee were advised that anecdotally we are doing 'far less worse' than other London colleges.

One governor commented on the proportion of additional enrolments envisaged in March 2023 and asked whether this was too optimistic or is it in fact likely. Staff advised that, in relation to some of the lines the college already has the students and they are just not yet showing on the ILR (Line 6, 9 and 10). In relation to lines 2 and 4 these students have been transferred to the ACL team rather than the college directly delivering. Governors asked whether there are any opportunities for the college to deliver in the other boroughs where there is under delivery. Staff advised that, not currently but there is potential in year 2. This may be possible from September 2023 but it is not anticipated before then.

Committee noted the plans for 2023/24 and asked what the confidence level is in relation to these. Staff confirmed confidence that all targets will be hit and that this is because the college has a model that works i.e. 50% delivery in the community and 50% in college. An example of the latter given was ESOL. In relation to the community, the college works with a large number of community centres and also schools where the offer relates to budgeting. Staff advised that allocations/contracts have been front loaded i.e. £800k in 2022/23, £600k in 2023/24 and £400k in 2024/25 and therefore it is will get easier to deliver the smaller amounts, given that the college already knows it can deliver the higher amount of £800k. This then also allows the college to bid for increased allocation if funds become available.

Committee asked for an overview of the contribution model. Staff confirmed that internal delivery provides for a higher contribution as ACL delivery incurs additional costs which means that profitability is eroded by using ACL more than originally planned.

AGREED: to note the content of the update provided.

<u>3 Apprenticeship provision</u>

The detailed report was considered and key matters highlighted were:

- College has a very detailed delivery planned for the year.
- Plan is reviewed at least monthly on a line by line basis.
- Reported position is as at RO6. Expectation is to achieve £787k by the end of the year which is against a target of £1 million set, however there is a good pipeline of new business anticipated for the period March to July 2023, particularly in relation to the national offer.
- Delivery is circa 55% local and 45% national. College continues to shift its focus to local as part of the agreed strategy.

- Carry in for 2023/24 information is provided. If the college did nothing it would be £326k, however it is believed that with new business planned this will increase to £825k. This gives the college a significant amount 'in the bag' before having to even look at new starts.

Governors were pleased to note the content of the report and agreed that it provides confidence in terms of the plan and tracking taking place.

AGREED: to note the content of the update provided.

4) Midyear update – sensitivity analysis

Detailed paper provided was considered and two particular aspects were highlighted.

A) Financial Health Score – staff advised that the college is on the border of decreasing by 10 points which would take the organisation further down the 'good' calculation. College has dropped to 190 points. There is now a £450k gap that the college would have to drop down further to be at 180 points. If the college starts to lose cash it will impact on current ratios and therefore this needs to be carefully monitored.

Chair indicated that, following a conversation outside the meeting, it has been agreed that staff will try and find a diagrammatical way of showing the position (Executive Director Corporate Services, April 2023).

B) Budget assumptions – the report shows where the college is in terms of the risks anticipated when setting the budget for the year. It also shows where some of the risks have materialised and examples given were inflation, energy prices, adult ALS, vacant roles and staff pay. There are other aspects where the risks have been mitigated and an example given was Multiply delivery. Governors attention was particularly drawn to the adult ALS position and it was explained that there is a project currently underway to explore all options possible to address the position.

In relation to LGPS staff advised that the college has now received an update and the per annum costs will reduce by circa £500k from April and the contribution rate is also reducing from 22.7% to 21.6%.

Staff were advised that the average medium risk would have put the college with a financial health score of 'requires improvement', however not all of the risks have materialised at the value given in the assumptions.

AGREED to note the content of the update provided.

4	**Financial Strategy** The report provided was reviewed and key matters highlighted were: • Work with the FEC has now concluded • This has led to a set of financial objectives being agreed • This report intends to align with other strategies in place and shows how they interconnect and the context. • Objectives are presented at three points in time and the strategy gets the college to breakeven over five years • College needs to generate more cash so that it can invest in capital • Final Estates Strategy is to be presented to board next week and does include some options in relation to disposals. • College needs to be able to bid for any capital project funding that becomes available • Borrowing as a percentage of turnover will reduce over time • Turnover figure comes directly from the Growth Strategy In general discussion staff indicated that, whilst it will not be easy to get to the figures proposed it is what the organisation ought to be aiming for. Challenge from the committee was that it is now important for governors to see the granular detail which underpins the strategy, particularly in terms of how increased turnover will actually be achieved. Committee acknowledged that this report gives an indication of where the organisation wants to get to and the challenge reiterated was the need to see the detail that sits underneath this i.e. the action plans. Question and challenge from one governor was in relation to the operating deficit/surplus position and whether or not the plans are ambitious enough i.e. only a 50% deficit reduction over 3 years. Staff indicated that they have built in a slower trajectory so that the college is able to make investments. One governor made reference to the third strand of the strategy described as 'housekeeping' and questioned whether this is the right terminology as it appears to be more to do with compliance requirements. It was agreed that staff would review and reflect on this. Challenge from the committee was that the 3 year forecast to be provided later in the year needs to align exactly with the strategy. AGREED: to note the content of the update provided.	
5	**Governor Expenses Policy** The proposed policy was reviewed and it was explained that, whilst governors only infrequently claim expenses, it is good practice to have a policy in place so that there is clarity and	

	transparency. Committee all acknowledged that this was the case and were happy to recommend to the board for approval. AGREED: to recommend that the board approve the Governor Expenses Policy as presented.	
6	**ONS Reclassification Update** The report prepared was reviewed and it was agreed that it was important to share the content with the full board. Committee chair confirmed that she would highlight this as part of her summary note. Key matters highlighted were: • So far, the implications are mostly financial • There will be operational implications • College and the sector will need to start to test some cases but the aim is not to push to the limits • There are potential governance implications i.e. what the board is able to decide without permissions • College has accelerated the property strategy work, particularly in relation to disposals given the unknown position post March 2025. • One issue to particularly flag is the MBC liquidation and the write off required. Given the amount involved the college will need to take advice on how to present this. It was noted that identification and proof of address documentation is required from the Chair of the Board to progress the liquidation and he agreed to provide as a matter of urgency (Chair of the Board, March 2023). AGREED: to note the content of the update provided.	
7	**AOB** There were two matters of additional business raised. 1) Banking arrangements Staff continue to have regular meetings with the bank. At the most recent meeting they seemed to be relatively open to discussions regarding covenants for the 2023/24 academic year. Intention is to speak to them further when there is more certainty regarding the 2023/24 budget. 2) Delivery of National Skills provision College is looking at potentially subcontracting up to the maximum permitted of 25%. There are strategic reasons to support this as an option. College is to go out tender imminently however there are timeline challenges, both in terms of obtaining board approval for any contract and also delivery which has to be by July 2023. It was agreed that outline information would be provided to the board next week with in principle agreement sought and that the specific contract details, following conclusion of the tender process, would be presented for board approval via	

	written resolution (Executive Dir of Commercial Partnerships, March 2023). AGREED: to note the content of the update provided.	
8	**Date and time of next meeting** This was confirmed as Thursday 4th May 2023. Meeting closed at 7.55pm.	