NOTES

Barnet and Southgate College Corporation
Finance Committee Meeting
held on Thursday 4th May 2023
18:00
via Microsoft Teams

Present	Imelda Galvin (IG), Chair Hannah Sheath (HS), External Governor Jenny Jarvis (JJ), 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 Neil Coker (NC), Principal/Deputy CEO Thomas Streater, External Governor (observer for this meeting)
Apologies	Adam Goldstein (AG), External Governor

Quorum 3
The meeting was quorate

Item	Description	Action
1	**Preliminary items** **i. Apologies for absence** Apologies for absence were received from Adam Goldstein. Thomas Streater was welcomed to this meeting as an observer. **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** Chair and Director of Governance confirmed that no matters had been raised.	
2	**Minutes of the previous meeting** **i. Minutes of the meeting held on 1st March 2023**	

	The minutes were reviewed and it was agreed that they were an accurate record of discussions. AGREED: to approve the minutes of the meeting held on 1st March 2023. **ii. Matters arising** Key matters highlighted were: • Page 2 reference to KPIs – CEO confirmed that these were discussed as options at the last board meeting. Intention is to report on them at board level but then there will also be finance aspects included within the management accounts that come to each meeting of this committee. • Page 3 reference to Bolton University – it was agreed that an update would be provided on this later in the meeting. • Page 7 reference to the growth action plans – CEO advised that this relates to the 5-year curriculum plans and that these are the next phase of development. They will be available for review by both the QTSE and finance committees. Principal advised that curriculum level plans will be extensive and that there could be 20 separate documents and therefore it needs to be clear what governors want to review. Committee requested sight of the apprenticeship growth plan and HE growth plan as a priority. CEO confirmed that growth plans would be provided at the next meeting (CEO, June 2023) Executive Director Corporate Services advised that the underlying plan for the financial strategy is delivery of the budget and 3-year financial forecast. He confirmed that key income lines will be included i.e. apprenticeship provision, AEB and 16-18 year olds. Challenge from the committee was to ensure that the action/tactical plans are picked up somewhere by the committees. • Page 9 – college subsidiary company is now in a queue for liquidation and there will be a need to notify the DfE regarding write off. Question and challenge from the committee was whether or not 'notification' is sufficient or whether approval/permission is required. Challenge from the committee was to make sure that staff follow the correct process. Committee then considered the action progress table and, in relation to line 4 it, was explained that this has been moved to June. Challenge from the committee was to ensure that the financial action plan is presented at the next meeting, whilst acknowledging that the outline finance strategy went to the March meeting. In relation to line 5, committee all agreed that these were helpful comments as part of the budget setting process. AGREED: to note the content of the update provided.	

3	**ESFA position following 2021/22 Financial Statements review** Executive Director Corporate Services indicated that most colleges have received a second letter from the ESFA but that Barnet and Southgate College has not received theirs yet. Belief is that the internal downgrade regarding financial health categorisation has caused the delay. He reminded that the auto score was 'outstanding' but that the college believes that it is no more than 'good'. He confirmed that staff are actively in dialogue with the ESFA to chase down the letter. Extract from the ESFA dashboard shows the improving financial position. All agreed that it was important that the college know the real position and that there has been honesty and transparency in relation to this. AGREED: to note the content of the update provided.	
4	**Financial position 2022/23** Executive Director drew committees' attention to the period 8 management accounts and key matters highlighted were: • £100k improvement from the period 7 position. This is mainly due to increased interest and increased SDF funding. • Depreciation figure has been reduced • Some agency costs have been offset • AEB will be within allocated variances. GLA position is likely to be 98-99% • College is ahead of the plans regarding ESFA funding • Apprenticeship provision is on target to hit £1 million • In terms of some income context for 2023/24, £168k has been allowed for in relation to T Levels but this will be offset by other income reduction i.e. it is not new/additional income. • Rest of the management accounts remain static and in line with the previous months • One error has been made in the debtors figure on page 27 (page 13 of the accounts). The total figure provided at the top is correct. • There is one further potential write off that will require DfE/ESFA permission. In relation to managing costs, the committee asked for a little more information regarding the offset referred to for agency. They asked whether it is a one off or more general cost control. Staff advised that it is an accounting issue between two lines in the accounts i.e. agency and consulting. Challenge from the committee was to urge a prudent and cautious approach regarding T Levels and it was agreed that assumptions in relation to this, when the budget is presented, will be tested. Committee asked for an update in relation to the banking covenant position. Executive Director Corporate Services advised	

	that the college has now had a further manager change at the bank and therefore has requested a conversation. Meeting is arranged for 1st July 2023. College will have its draft budget in place by then and can therefore have a meaningful conversation. Staff advised that with the leeway given this academic year the college has not got close to any breach. Executive Director Corporate Services indicated that, in the interim, the college will have to operate 'as is' and certainly up to the next finance committee meeting, but that by the July board meeting an update can be provided. Challenge from the committee was that it would be really helpful to have a meeting with the bank before next finance committee meeting date. All agreed that the covenant situation needs to be resolved before the July board meeting so that a budget for 23/24 can be agreed. One committee member made reference to page 7 and the comment that '580 study hours is not being maximised'. They asked why and what actions are being taken. Finance Director indicated that staff have identified each of the students that this relates to and plans are now in place to target. One member of the committee asked whether departments have capacity to deliver increased hours. Finance Director advised that the aim is not extra teaching and learning and that, in the main, it will be self-learn and non-delivered activities as part of the rounded programme. Staff provided assurance that the approach has been changed for 23/24 to avoid a similar situation again. One committee member noted that on page 17 there is a reference to 98% achievement of AEB and they therefore asked whether this means that the college will receive 100% of allocation. This was confirmed to be the case with a 3% tolerance allowed i.e. 97% or above leading to full allocation. In relation to apprenticeship provision, one member of the committee noted that there is a significant improvement in contribution and they asked how this has been achieved. It was explained that there have been a number of staff who have resigned during the year and it has been a challenge to recruit to fill the vacancies and therefore the college has had to use agency staff. College now has a much more stable staffing position in place. One member of the committee noted the Barnet Local authority challenges mentioned at page 4. Staff advised that this was specifically in relation to the health budget and that the local authority are suggesting that the college should make a claim direct to the NHS. In terms of context, the local authority have consultants engaged as part of a cost cutting exercise and it is believed that the contract with the college is one part of this. Finance Director advised that, overall the college does not expect to be too far out in terms of this years budget. Challenge from the committee was to be really cautious regarding 23/24 budgeting on this.	

	Committee noted that the cash position is positive but acknowledged that a lot of this is ringfenced for capital works. Noted were the windfall grants received post ONS reclassification. Staff explained that the depreciation position had changed as a result of the grants received. Challenge from the committee was that there are a lot of 'reductions' in certain income lines e.g. HE and that there is a need to carefully consider this when setting the 2023/24 budget. High Needs income has offset some reductions but the college cannot rely on this for 2023/24. Committee noted the 20% achievement income of £1.2 million referred to on page 7 and they asked whether this is included within the projected outturn. It was confirmed that it is. The CEO noted the commitment given to staff and unions to award a further unconsolidated pay award during the year should that be affordable and asked for the level of confidence in the projected year end position. The Finance Director expressed a view that the college will come in under budget but that the improvement is mainly because of increased income and tight cost controls. However, the Executive Director for Corporate Services pointed out that there remains uncertainty over some adjustments and that historically there has been further variations between the P8 and the final position. Committee acknowledged that, as a board, there is a desire to make an award however governors have to be clear in terms of affordability and any potential consequent negative impact i.e redundancies. The Committee agreed that the CEO would review affordability of a further unconsolidated award in consultation with SLT and others and share conclusions with the committee chair. One member of the committee asked how much transparency there is with staff over financial performance. Staff confirmed that monthly management accounts are shared and that this arrangement has been in place for the last 2 years. This allows the senior team to be clear in terms of challenges, deficit position etc. Staff confirmed that there is a common level of understanding. AGREED: to note the content of the update provided.	
5	**Subcontracting update** Executive Director of Commercial Partnerships presented her update on the free courses for jobs opportunity. She advised that, at a GLA provider meeting this morning they had approved the contractor. Committee agreed that they were happy to support the proposal, although it was explained that contract values will decrease given the timing of commencement.	

	Committee were advised that 2023/24 subcontracting proposals would be circulated for discussion at the next meeting and then go to the July board meeting for approval (ED CP, June & July 2023). AGREED: a) To note the content of the update provided b) Support subcontracting proposals as presented.	
6	**Financial Planning 2023/24** Executive Director Corporate Services drew committees' attention to the report and explained that there is a detailed draft budget that sits underneath the information. What is presented today are the principles. Key matters highlighted were: • There are two errors identified within the opportunities section. There is a need to take out £100k for restructure and £200k for pension strain. Column A shows opportunities that are more likely and column B are the stretch opportunities. • £300k worsening in column A. There are however other aspects which may mitigate this figure. • Matrix gives a position with a mix of A and B opportunities and risks. • There are a number of uncertainties and the likely span of the deficit is included within the four square matrix • £1.96 million deficit is the position based upon what is currently the system • Opportunities table shows the positives which may improve the position • Column A leads to a deficit of £1,076k • By comparison, the deficit position this year is £660k • Board has agreed to slow down the expectation to reach breakeven so that investment in growth can take place In considering the information provided, a challenge from the committee was that some of the 'risks' should be better articulated as investments and they asked that investments be more clearly labelled in the next iteration (ED Corporate Services, June 2023). Challenge from the committee was to be really clear in terms of the investments to be made that are slowing down the ability to reach breakeven. Committee all agreed that, before the board would be in a position to approve a £1 million deficit they would need to know: a) The specific investment elements b) Tracking the benefits and processes for monitoring the return on investments Challenge from the committee was to aim for a £1 million deficit, however they acknowledged that this would not be without its challenges given the known risks. Challenge from the committee was to split out the opportunities and risks. Governors indicated that it would be useful to frame	

	the current year (2022/23) risks and particularly where there were any surprises as this will give some contextual information. Question from one member of the committee was in relation to any likely impact of a 2.5% salary increase. The CEO advised that college staff look to the school sector as a comparator and that, as government has invested more, schools have yet again been able to provide for a higher percentage which exacerbates the differences. Committee were then provided with an overview of the salary context for the local area including schools, academies and sixth forms. The committee were advised that no additional income has been provided for FE funding this year for pay and the AOC has indicated that it will not make a recommendation for the sector. Committee were reminded that nationally the union ask is for a 15% increase. Challenge from the committee was to set out how each scenario could likely impact on bank covenants. Challenge from the committee was a need to be clear in terms of the returns and opportunities that might flow from the investments. In terms of the next meeting, it was agreed that the budget would be put into the context of the 3 year plan/forecast and include detailed sensitivity analysis. These are the what ifs, consequential impact and probabilities. In considering the budget to come for discussion at the next meeting, challenge from the committee was that they want to see realistic figures in relation to income. It has also got to be a budget where there is certainty regarding bank covenants. Committee were then provided with an update on HE income and were advised that Bolton University is reviewing their strategy regarding further education and, because of this, college has taken its numbers down to a bare minimum given the risks. New courses at Bolton University are currently embargoed which will mean income challenges for the college. AGREED: to note the content of the update provided.	
7	**Finance strategy action plan** It was agreed that this would be considered at the next meeting (EDCS, June 2023)	
8	**MPM Return** Executive Director Corporate Services indicated that this was a new return required by the ESFA. Government yearend is 31st March and, as part of this process, they needed some assurance regarding the FE sector transactions between 29th November 2022 and 31st March 2023. He reminded that a report on the bitesize guides had been presented to both the Audit and Finance	

	committee. There has only needed to be one declaration made and this relates to a £6k settlement for a student access legal case. Executive Director Corporate Services indicated that the new MPM requirements will mean that a change is needed to the Financial Regulations and the intention is for them to come to the next meeting (ED Corporate Services, June 2023). Committee were advised that a sixth bitesize guide has been released recently regarding increasing debt. This currently doesn't apply to the college and has therefore not been covered in detail. Assurance was however given that the requirements will be included in updated Financial Regulations. Committee were advised that there is likely to be a further disclosure required regarding write off but that this has not yet been completed which is why it was not included in the return. AGREED: to note the content of the update provided.	
9	**AOB** As a matter of additional business the committee Chair advised that she was taking on a new role as the Deputy CEO at New City College. This will be from 22nd May 2023.	
10	**Date and time of next meeting** This was confirmed as Wednesday 28th June 2023. **Meeting closed at 7.25pm.**	