Barnet and Southgate College Corporation
Finance Committee meeting
held on Wednesday 28th June 2023
At 18:00 via Microsoft Teams

Present: Imelda Galvin, Chair
Adam Goldstein
Hannah Sheath
Jenny Jarvis
Darren Mepham

In attendance: Maxine Bagshaw, Director of Governance
Mark Sellis, Executive Director Corporate Services
Tracy McIntosh, Executive Director of Commercial Partnerships
Hiten Savla, Director of Finance
Neil Coker, Principal/Assistant CEO
Thomas Streater, Governor (observer for this meeting)

Quorum 3 – the meeting was quorate

Item	Description	Action
1	**Preliminary items** **i) Apologies for absence** There were no apologies for absence with all members of the committee present. Thomas Streater was welcomed to this meeting as an observer. **ii) Declarations of interest** There were no declarations of interest other than those standing (in accordance with section 177 of the Companies Act 2006). **iii) Notification of urgent business** Chair and Director of Governance confirmed that no matters have been raised.	
2	**Minutes of the previous meetings** **1) Minutes of the meeting held on 4th May 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 4th May 2023.	

	2) Matters arising Committee considered the action progress report and noted that lines 2-7 were completed. In relation to line 1, CEO reminded that KPIs are reported at every board meeting within his report. He confirmed that KPI reporting is also to be included in the monthly flash report circulated. Staff acknowledged that, whilst governors had received the management accounts last month, there had been no flash report since the May meeting. Challenge from governors was that they need to have the reports as have been agreed. AGREED: to note the content of the update provided.	
3	**Financial Position 2022/23** 1) <u>Period 9 Management Accounts, risks and KPI reporting</u> Finance director introduced this item and key matters highlighted were: • No significant change from period 8 • Slight worsening by £14k • Period 10 position improves by £30k • This means that the college will still end the year around a deficit of £690k • Improvements are highlighted within the report • There is some unutilised income for 16-18 provision. If college had enrolled student numbers to plan the deficit would have been circa £1.2 million. • There has been higher spend in the exams department on staffing One governor queried the position in relation to the increased debt level. Staff advised that the college has raised a number of invoices to London Borough of Barnet regarding service charges. Assurance was given that this amount comes down in period 10 to £300k as they pay within 30 days. Staff expressed the view that this was simply a timing issue. 2) <u>Yearend forecast</u> Key matters highlighted were: • Period 10 position is showing a deficit of £660k which should be compared with a deficit of £690k at period 9 • This means the deficit forecast is pretty static around the £650k mark. This is the anticipation for the yearend. Challenge from the committee was in relation to the confidence level now for the yearend position. They questioned why there was confidence and also whether all scenarios have been considered. Staff advised that over the first 7-8 months of the year costs are managed very very carefully to ensure that there is no pull away from the budget. At this point in the year, it is possible to see where savings have been made. It was explained that in the early part of the year a cautious position is taken, but that this does	

	improve towards yearned. This is on the basis that all aspects of income and expenditure are reviewed and tracked more frequently towards yearend. College is not seeing any major agency purchase orders and therefore has greater confidence regarding financial payments still to be made. Finance Director indicated that he does not anticipate any risk of a worsening position and, in fact, staff are in dialogue regarding other potential savings too. One governor asked whether the yearend forecast assumes an additional in year pay award which is to be discussed later in the meeting. Finance Director indicated that this forecast position assumes no pay award but that, if the proposed award is made, it will still leave the college within the budgeted deficit for the year. When considering the information provided the Chair summarised the position as: • Much improved position on budget but still a deficit • Lots of positives in relation to KPIs and ratios • In pages 5 and 9 there may be some confusion between period 9 and yearend forecast and there needs to be more clarity in the version that goes to board. • College is carrying a £1.2 million negative in to next year. This will be the lagged funding impact in 2023/24. • Cash position ratios are flattered by additional government payments this year following ONS reclassification. • It is likely that there will be a lot of colleges who are looking good this year • Concern is our under recruitment 3) <u>Subcontracting update</u> Executive Director of Commercial Partnerships introduced this report. (i) 2022/23 current year outturn – key matters highlighted were: • AEB is where the majority of activity is focused and all is on track • Only aspects outstanding are achievement payments. These have been assumed at the same amount as last year • Where subcontractors are underperforming against allocation this has been adjusted within the management accounts and yearend forecast as just discussed. • Joint venture with Cidori in relation to apprenticeships is underperforming which is mainly due to employer reluctance to take on apprentices and/or delays in starts. (ii) 2023/24 forecast – key matters highlighted were: • College has reduced some of the contract values as the plan is to deliver more in house. This will mean increased contribution rates. • Report provided makes a recommendation in relation to the identity of subcontractors and indicative allocations. • College is currently entering in to the self-assessment review period and quality assessments will come through that process. Once quality has been assured and tested the	

	contract register will be presented to the October board meeting for approval (EDCP, October 2023) One governor commented on the movement from subcontracting to direct delivery and asked whether the college has sufficient capacity to successfully achieve this. Staff expressed confidence and explained that a lot of the provision is ACL. One influencing factor is that the college will have £200k less to deliver against the Multiply programme which does mean that there is delivery capacity. AGREED to: a) Note the content of the update provided b) Approve the indicative allocations for 2023/24 as presented.	
4	**2023/24 Budget and Updated 3 year Financial Forecast** The Executive Director Corporate Services introduced this item and explained that it has been a real stretch this year to get to this point. Budget proposed is a deficit of £1.48 million with EBITDA at 7.3%. He reminded that the EBITDA is the cash position and therefore proposed this as the priority. Governors attention was drawn to section 3, on page 3, and it was explained that this information tracks what the college has done, particularly in relation to investments and cuts which were described as not really being discretionary. He confirmed that a prudent approach has been taken in relation to income and that all costs have been included. There is an anticipation of in year additional income and, if and when this is received, it will be used to invest in the areas that have had to be cut at this point in the process. Question from one governor was in relation to the deferral of investment and she asked what that will mean specifically for curriculum and quality management. Will it still be possible to deliver the curriculum strategy. Staff advised that the main aspect of investment deferrals relates to LTEs and TLCs i.e. department and centre resources. In relation to quality management, a real challenge has been the affordability of the quality manager role and it is believed, at this point, it is too much of a stretch to invest in. Up to half a million pounds could be spent. Staff acknowledged that it would have a positive impact on workload and productivity but that it is not currently affordable. Question and challenge from the committee was in terms of the investment red lines. Staff indicated that it is not unusual to have a push/pull strain between what the organisation wants to achieve. Impact on LTEs and TLCs will be a reduction in targeted resources for individuals. This will mean increased expectations on CMs. Staff advised that, whilst it is not affordable to make additional financial investment at this time, there is more that the college can do in terms of training, development and coaching. There needs to be a personalised approach to prioritisation. College will not have a blanket approach and will instead nuance them more.	

Staff provided assurance that, as and when key moments in the year are identified and finances improve, then there is a plan in place to invest and assurance was given that staff will always refer back to this plan. Principal/Assistant CEO indicated that, for him, the red line is pretty close to where the college currently is and that the intention is to revisit the red line when possible. Challenge from the committee was that agility and flexibility has to be key.

In relation to cyber security, committee asked what the risk is of reducing investment and how the organisation has reassured itself in relation to this. CEO indicated that investment is being made to support cyber security, particularly the back up in 365. There is a need corporately to back up and switch quickly. Firewalls are also being strengthened. College is recruiting an additional engineer to give capacity. He explained that the £100k cut from the investment options relates to an upgraded version of antivirus (MDR). This is something which undertakes horizon scanning and tries to get one step ahead. This is something that the college would introduce if it had unlimited funds but staff are not wholly convinced that it is required. It is expensive at £100k per annum and many colleges will not have this. He described it as being on the wish list for 'as and when'.

CEO confirmed that there have had to be some tough budget decisions made this year and that a key issue going forward is transparency. He acknowledged that there had been quite a lot of volatility during the year as opportunities to bid had come on stream, some of which at very short notice. Additional bids are out there and are on the horizon, however as there is no certainty regarding success or value they have not yet been put in to the budget. He provided assurance however that, as they come in, they will not be considered as a windfall as there is a plan in place to put it against X, Y or Z, whichever is determined to be the priority at a point in time. He advised that this budget sets EBITDA well above covenants and financial health calculation scores. He acknowledged that there was a need to be really clear in terms of investment options during the year and, as and when they become a possibility. He proposed key defined check points in the year on this via this committee.

Challenge from the committee was in terms of the need to get the balance right and not be surprised by savings. It is important not to over promise or hold things back. Governors all agreed that there is a need for absolute clarity so that this committee and the board makes decisions on the basis of robust information and can then move forward with open eyes.

One member of the committee asked whether the bank have relaxed the EBITDA measure. Finance Director advised that the college has asked for a stepped reduction of 0.5% per year to get it down to 5 instead of 6.5%. Bank have asked for further information before they are able to decide on this. There does seem some nervousness in terms of potential ONS reclassification implications. They have asked the college to consider paying off

	part of the loan, however all this would do is reduce the long not the short term liabilities and would have a negative impact on ratios. There would also be early repayment interest costs. Committee asked what the confidence level is regarding potential to get EBITDA covenant back down to 5%. Finance Director expressed confidence that bank will agree a stepped reduction to 6% next year but that there is uncertainty regarding any further improvement on this. One governor raised a question regarding potential T Level clawback and asked what predicted student numbers are. Staff indicated that clawback is not anticipated immediately and that it is just highlighted as a 3-4 year risk. It is possible for the college to build up a pot over the years to mitigate a risk. It will be possible to build up a buffer. Staff confirmed that each of the T Level lines have been reviewed in detail, including student numbers, curriculum requirements etc. There is one that is currently RAG rated as red, this is science at Wood Street. There is no internal progression and low applicant numbers. It was explained that potential clawback is spread across all areas and, because it is not intended to spend everything in September, this is considered to be a low risk. One member of the committee asked how the property strategy plays in to the budget. Staff advised that the budget doesn't include any capital grant funding spend. This budget is entirely college spend and capital budget sits alongside this. Principal/Assistant CEO advised that a ring-fenced amount has been agreed for curriculum spend as and when needed, rather than historic practices which involved a bidding war once a year by each of the departments. When considering the numbers in detail two points were clarified: • Page 4 funding stream – adult has an asterix next to it. It was explained that this is a typographical error • £924k is predominantly Multiply provision and additional income from GLA Committee Chair summarised her understanding and expressed the view that this was a budget: • With decreasing income • Increase in pay • Decrease in contributions • It unravels the 2022/23 positive metrics • Income very dependent upon Multiply and Free Courses for Jobs and asked if this is a credible swing as it is significantly increased on this year and therefore seems high risk. Executive Director of Commercial Partnerships expressed confidence regarding the ability to deliver. She indicated that the college could have delivered more than the £800k allocation this year which gives confidence that the forecast for 2023/24 can be delivered.	

	Committee Chair made reference to page 47 and asked how the increase from £300k to £1.2 million is to be achieved. Staff explained that Multiply provision sits within the adult non devolved budget. Challenge from the committee was to split this out so it is possible to compare like with like. Committee Chair expressed the view that it was not helpful to present in the way that it is, as it does not make it easy for governors and other readers of the accounts to understand. In terms of an income overview, observation from the committee was that everything seems to be declining and asked whether this is in every area. Staff advised that the declines are mainly 16-18 and ESF but that these are offset by an increase in adults. Committee asked what will make adult provision better in terms of financials. It was explained that this is growth, with the majority being ESOL and adult English and Maths which is included within the GLA devolved figure. Challenge from the committee was that the report that needs to go to board should have a narrative to better explain this (Executive Director Corporate Services, July 2023). Observation made was that the dynamic of this year seems to be catching up with next year and that this, sitting alongside the expectation of only small growth in 2023/24, does have a negative impact. Committee noted that the EBITDA figure now is 9% whereas the proposal for a 23/24 budget is a reduction to 7.3% and they challenged on the basis of whether or not this is acceptable. Challenge from the committee was that this doesn't feel like a budget that supports the growth strategy. Proposal is not to grow anything except adult and maybe more direct delivery. In terms of an overview, committee felt that this budget includes: • Reducing income • Higher pay costs • Higher pay percentage • Staff will try to reduce to known pay costs but this is known to be a challenge • Reduced EBITDA • Increased deficit • Cash position is okay, but that applies to most of the sector and isn't specific to BSC Challenge from the committee was that there needs to be more context and that this budget feels more like 'what we need to do' rather than investing in growth. It was agreed that, subsequent to this meeting, ELT would complete some work on a word-based synopsis/precis which will go with the budget proposal to the board (ELT, July 2023). Staff advised that growth could be targeted in four key income streams in 2023/24, these are: • HE – however there are challenges in relation to this and it is not envisaged that growth targets can be achieved in 2023/24	

	• Apprenticeship provision – however some of these have very low contribution rates and there are in fact risks that they can slip in to a negative contribution position. • 16-18 – college is delivering growth but has the impact of lagged funding • Adults – it is possible to see the ambition set regarding 3% growth • For 16-18 provision, there is no in year additional funding unless the college hits the 10% growth trigger Committee then considered the 3-year financial forecast included in page 9 of the document (pages 42-46 in the pack). Challenge from the committee was that narrative needs to be provided around this and that this has to be connected to what the organisation is saying it will do. It needs to include both trends and aspirations. One member of the committee expressed the view that it is going to be important to consider the narrative and the picture that this budget paints to the work force and therefore ELT should consider the people risks e.g. could there be negative consequences from a staffing perspective. Committee all agreed that it was important to be clear regarding the wording around a 3-year horizon. Challenge from them was to 'convince us more'. AGREED: to note the content of the 2023/24 draft budget and updated 3-year financial forecast.	
5	**Finance Strategy Action Plan** Challenge from the committee was to look at this again in the context of earlier discussions. This has to align with the budget. AGREED: to note the content of the update provided.	
6	**Student Numbers** The CEO introduced this item and explained that this paper puts the statistics behind the plans. Belief is that the organisation has sound 16-18 targets and has not been over optimistic. Indicators for the most critical elements are positive, including: • Applications • Internal progression • Routes to enrol College has worked really hard this year to improve the learner journey. He confirmed that staff will follow up on any non-conversions so as to inform future years. Committee all agreed that it was really possible to feel the effort being made by the organisation and they therefore asked 'what else'? CEO commented that he hoped the organisation has done enough to get to 10% growth and that he would be very disappointed if the targets set are not achieved. Organisation can do more going forward in relation to the taster days as they have not yet translated in to the numbers expected. An area of focus is	

	42-day, retention with the need for this to improve on prior year positions. He confirmed that a team has been established to look at the student journey and assess what more can be done. Committee agreed that the data provided was very encouraging, with KPIs trending in the right direction. Position is looking positive. It was agreed that an update would be provided to the October board meeting (CEO, October 2023) and it was acknowledged that the ultimate test will be RO4. AGREED: to note the content of the update provided.	
7	**Growth Plans** Executive Director of Commercial Partnerships introduced this item and explained that this was primarily about 2022/23 and 2023/24 and not beyond. 1) <u>Apprenticeships 2023/24</u> Key matters highlighted were: • Planning sessions start next week and team will then look at longer term strategies • Intention is to look at Standards over a 3-year period and team have reflected upon contribution rates, with some not even achieving 3% • Sector now knows that funding rates for some Standards will increase and therefore there is a need to go back and reassess whether anything currently put on hold is introduced. • This is therefore very much an interim position. • Challenge from the committee was that there has to be profitable growth • Budget is £1 million which is a +10% contribution • 3-year forecast based on the current offer shows a contribution of 6% in year 1 and 25% in year 2 • Sector is anticipating much more positive growth if there is a change in government 2) <u>Apprenticeships 2022/23</u> • Unfortunately the numbers did not come in as planned and the college will be below target • Numbers did come in but not at the level expected and there were delays • Changes have been included in the budget and the forecast • This has led to a revised figure in 2023/24 as there will be a reduction in the carry in figure 3) <u>HE</u> Key matters highlighted were: • HE strategy group in place	

	• Paper includes proposals for the next 4 years and specifically the priorities, however it is expected that this will change • 2023/24 is pretty much 'as is' but with small increases in year 2 • Planning for HTQ's is underway • College has done some really excellent work with Cadin gas. There will be a continuation of the HNC units next year which will mean an income increase of +£100k. AGREED: to note the content of the update provided.	
8	**Pay Award** It was agreed that discussions on this would be recorded on a confidential basis. (Imelda Galvin left the meeting at 8pm)	
9	**Subcontracting Fees and Charges Policy 2023/24** Committee were happy to recommend for board approval.	
10	**Updated Financial Regulations and Fees Policy** It was explained that there is only one element that has really changed and this relates to tenders, specifically where only a single provider is available/sourced. Committee were happy to recommend for board approval.	
11	**Committee annual review** Committee considered terms of reference, membership and work plan and were happy to roll forward unchanged in to the 2023/24 academic year.	
12	**Insurance tender** Given time constraints it was agreed that this report would be considered by email outside the meeting. Finance Director confirmed that approval is within the financial limit provided for the CEO and that, what would be helpful is feedback on the optional covers recommended. It was agreed that governors would review outside the meeting and then a note to board confirming that insurance is in place.	
13	**AOB** There were no items of additional business.	
14	**DATE AND TIME OF NEXT MEETING**	

	Director of Governance confirmed that a full schedule of meetings for 2023/24 is due for presentation to the board meeting in July. **Meeting closed at 8.05pm.**	