MINUTES

Barnet and Southgate College Corporation
Finance Committee Meeting
held on Tuesday 30th January 2024
at 18:00
via Microsoft Teams

Present	Adam Goldstein, Meeting Chair Dominic Abbot, Hannah Sheath, Rocco Huesch
In attendance	Hiten Savla, Director of Finance Tracey McIntosh, Executive Director of Commercial Partnerships James Russel, Interim Project Manager Maxine Bagshaw, Director of Governance

Quorum 3
The meeting was quorate

Item	Description	Action
1	**Preliminary items** 1) Apologies for absence Apologies for absence were received from Neil Coker and Darren Mepham. 2) Declarations of interest Chair reminded everyone present to declare any interests that they may have on matters to be discussed. No specific declarations were made and standing declarations were noted.	
2	**Minutes of previous meetings** 1) Minutes of the meeting held on 29th November 2023 The minutes were reviewed, and it was confirmed that they are an accurate record of discussions. AGREED: to approve the minutes of the meeting held on 29th November 2023. 2) Minutes of the joint meeting with the Audit & Risk Committee held on 4th December 2023 Committee confirmed that they were an accurate record of discussions.	

	There were no matters arising.	
3	**Actions tracker** Committee were happy to note the content of the update provided and all acknowledged that good progress was being made to complete or report on matters requested.	
4	**Budget Monitoring 2023/24** 1) Period 5 Monthly Management Accounts Director of Finance presented the detailed accounts and highlighted several aspects, these included: • College has received several late invoices in January 2024 relating to the prior year which weren't provided for in 2022/23. They predominately relate to ESF costs where purchase orders were not raised as required and therefore the finance department did not have sight of them as a liability. The overall amount is just over £300k. He explained that there was other provision made in the prior year and income in the current year which will offset some of this and, in reality the 2022/23 position was £200k worse than reported. Following mitigation, the net impact has been reduced to -£60k for the current year. • In relation to apprenticeship provision college is now anticipating a loss of £100k rather than the zero contribution forecasted, initially £100k contribution was provided for in the budget, however this position could worsen further. He explained that staff are currently undertaking a review to see what can be done to mitigate the situation. One member of the committee asked whether the college is changing or enhancing internal processes to avoid purchase order failures occurring again. Director of Finance confirmed that they are and that this involves the project team in the budget setting and planning process. Committee were advised that ESF projects have now completed and therefore this is a legacy position with a repeat not anticipated. In relation to apprenticeship provision, staff advised that there are certain fixed costs that the college cannot reduce and that the negative position is because recruitment numbers are behind profile for the autumn term. It was explained that numbers envisaged are simply not materialising. Committee were advised that there is a partnership meeting scheduled with Sidori for next week. They are meant to be contributing 50% of the numbers required but are not. College will engage in dialogue with them to share the losses, this is as well as working to try and drive up the level of new business. One governor asked whether, when preparing the 24/25 budget, more flexibility is needed in relation to the cost base. Staff advised that apprenticeship challenges are being seen across the	

	whole sector with a fundamental change required. Aim is to have a draft budget completed by the end of March 2024, with this year's student numbers being taken in to consideration when forecasting for next year. Committee asked whether there is student demand for apprenticeships. Staff indicated that in some areas there are gaps because of entry level requirements and one example given was the gas apprenticeship. As it is a specialist qualification it can take a considerable period of time to recruit just one apprentice, as it has to be the right person with the right skills and qualifications already. It was explained that apprenticeships are not always attractive to either students or employers and that this is because in some specialist areas it makes more financial sense to go straight into employment. One governor asked for an overview of the colleges early years apprenticeship offer. Staff advised that BSC is part of the London Area Group and therefore work collaboratively. One of the most significant challenges is the fact that employers want early years staff to be working a full 5 days during the week and are unwilling to commit to the 20% off the job training requirement which is mandatory for an apprentice. Committee asked what could help to make the structural changes required. Staff indicated that there are a number of aspects including: • Potential change in government • Flexibility regarding the levy spend rules • Removal/reduction of the 20% off the job requirement as this really does restrict employer demand and engagement. Director of Finance advised that the current budget/management accounts are not relying on in year growth funding for 16-18 in 2023/24, although it is anticipated that this will be received and therefore the position could be improved. There is potential for between £350k-£380k to be released from the ESFA once they have nationally reviewed student numbers. He indicated that he wants to be sure that the college will receive some or all of this funding before including in the accounts, and the expectation is that the college will hear in the second week of February following the period 6 report submissions. One governor asked whether there are additional costs associated with the increased 16-18 student numbers this year. Director of Finance advised that costs are not significantly increased as the college took a prudent approach when setting the budget. Staffing costs are in line with budget which means that the overall position remains as anticipated. Challenge from one governor was that the organisation will need to be really clear regarding any potential proposed to increase staffing costs in 24/25 i.e. a need to be clear regarding the cost base when the lagged funding position will be positive. One governor referred to the additional 16-18 funding which is shown as £826k in the table on page 5 and asked why this additional versus budget (given lagged funding) and asked for	

	further detail on why there is no net impact on the deficit. Director of Finance explained that the £826k related to additional funding approved by the government to be utilised to increase staff pay. Governors approved the additional increase in staff pay by 4.16% to an overall position of 6.66%, slightly more than the recommendation by AOC. All of the £826k was used against the staff pay award and hence there is no impact on the deficit. Committee noted the £1.3 million additional income for 16-18 students expected in 2024/25 and asked for clarity regarding costs associated with these students hitting in current year. Director of Finance advised that there are a number of additional classes in areas where there is an increase in enrolments, however during the budgeting process certain staff costs had been included for courses not running, therefore overall impact of the additional classes is offset against the costs provided for in relation to classes which are not running, e.g. college had allowed for 6 classes at T Levels at 666 hours per class however only has 3 T Levels running. The additional classes running have between 326 and 376 hours as they are not T Levels. Committee were advised that the £1.3 million will reduce if the college is provided with the current year in year growth funding of between £350k and £380k. One member of the committee asked for a general overview of the liquidity management processes in place. Director of Finance advised that 2022/23 actual student numbers were lower than allocation and therefore college is now using the benefit of this to offset higher numbers this year. This is something factored into the planning process each year. He advised that the additional £1.3 million in 2024/25 is higher than anticipated and if £350k-£380k of this comes in between in 2023/24 then it will be a positive as the college is not seeing an associated increase in costs. Challenge was to be careful not to increase the cost base and give careful consideration in relation to what any extra funds are spent on. One governor noted that the college currently has a high cash day position and that good interest is being earned on deposits. He asked what the driver is for over exceeding budget for cash days. Director of Finance explained that the key driver for the cash days being higher is the capital funding received in relation to reclassification, T Levels and HTQ's which have not yet been spent, together with the funding received for free courses for jobs which we are not planned to delivered in full and the funds will not be clawed back until December 2024. Committee indicated that it would be useful to show cash days excluding any known clawback figures so that there is better understanding of the real position (Director of Finance, each meeting). Committee asked whether it is possible to report on the I&E by income source split alongside allocated costs underneath, as this would allow better sight of the profit contribution for each profit component. Suggestion, which was agreed, is a quarterly report to be provided by department which would give a better	*

	indication of contribution. It was agreed to schedule these reports for the April and July 2024 meetings (Director of Finance, April/July 2024). Committee Chair highlighted a query he had raised in relation to the EBITDA ratios and potential not to hit target. Director of Finance explained that he had transposed figures incorrectly on page 22 and the position should be reported as 5.13%. AGREED: to note the content of the period 5 monthly management accounts as presented. 2) <u>Bad Debt</u> Director of Finance referred to the detailed report and key matters highlighted were: • Majority of the commercial debt is paid within 30 days however there are three old invoices which remain as outstanding on the debtors list. • The overall value of the old debt is £136k dating back to 2021/22 and earlier. The largest outstanding debt relates to London Borough of Enfield for the sum of £135k and this is for one term of element 3 income not being paid as the local authority did not have adequate budget to cover these costs. A significant effort has been made to recover these funds by finance team, Principal and the executive. The impact of this has been an improved payment of current debts however the old debt is not likely to be paid. • The debt of £24k for disposal of dental equipment is also not likely to be recoverable based on conversations with the debtor. The option to recover the equipment was considered, however the cost of trying to ascertain and collect this was greater than the value of the equipment. • All three debts have been provided for and will not impact on the current year results, although the write off will need approval from ESFA under MPM. In relation to the Enfield debt, it was explained that this specifically relates to SEND costs where local authority have indicated that there are no funds available to pay. In terms of an application to the ESFA for permission, as now required following ONS, it is anticipated that the Enfield debt will not be an issue as the net impact will be zero across government departments. One governor asked whether, in gaining approval from the ESFA, there will be any repercussions. Staff confirmed that there will not. Committee were reminded that the college submitted an MPM request to write off a number of debts in 2022/23 which was approved. Committee asked how the organisation is making sure that the same thing does not occur again with Enfield Borough given that we continue to have a relationship with them. Director of Finance confirmed that they are now paying what is due on time. College	*

	has been clear in terms of processes and the approach it will take and this includes working with parents as well as the local authority. He confirmed that there have been no similar issues in the last 3 years. AGREED: a) To note the content of the update provided, and b) To request that the Director of Finance seek approval for write off from the ESFA as proposed. Committee noted that there were several financial procedure issues flagged at this meeting i.e. failure to obtain purchase orders and giving goods away before receiving payment and they therefore asked whether Audit & Risk Committee needed to look at a potential internal audit piece of work to obtain assurance. Director of Finance expressed a view that the difficulties arose because of senior staff not consistently applying the financial regulations rather than not having appropriate processes in place. He confirmed that there was a review of processes last year which gives confidence that, when applied consistently, processes in place do work. He explained that historically the largest debt related to student debt but that this has been cleared now with processes changed over the last 5 years. One governor noted the potential of £577k capital funding clawback and asked why all of the funds have not been used to maximise budgets. It was explained that the key reason for the funds not been utilised fully is based on whether the college could fill in the courses the funds were allocated to. Where these courses are not likely to be delivered the funds would be clawed back even if the capital funds were used and therefore it is more prudent not to purchase the capital equipment where the courses are not likely to run and give the funds back, as opposed to install the capital items, incur the costs and still give the funds back. AGREED: to note the content of the update provided. 3) <u>Risks and Opportunities</u> The Committee thanked the Director of Finance for his very clear report. It was noted that the costs associated with the CEO's departure, specifically pay in lieu of notice, has not yet been included but will be added in the next iteration. Committee all agreed that report clearly highlights what could potentially have an impact upon the forecast. Director of Finances view was that the overall position will be slightly better than budget. One governor noted additional security costs at Barnet and asked why these are required. It was noted that the college has had to manage some challenging student behaviours but that not all of the additional cost (£50k) is now expected to be spent. It was explained that behaviour has improved following the additional resources committed and costs are gradually reducing. There has been a period for the new security contract to 'bed in'. Interim	

	Project Manager, having worked in a number of London Borough colleges, expressed a view that issues seen at BSC across all campuses tend to be minimal. Committees' attention was specifically drawn to the digital investment made. Governors indicated that they would find it useful, when reporting on investments made, to link them to previously agreed strategies. AGREED: to note the content of the update provided. 4) <u>AEB Report</u> Executive Director of Commercial Partnerships introduced her report and explained that it was intended to give assurance that the college is tracking to achieve at least 100% of allocation. This report gives the current position and also provides a forecast for the remaining two terms. She advised that the variables are: • ESOL and • SWAPS (Employment and Enterprise Department) Income for these two areas of provision totals £9 million and assurance was provided that monitoring is taking place on a monthly basis. It was explained that it is possible to move delivery around but this needs to be done on a timely basis. Report includes forecasts for retention and achievement funding. Committee were reminded that, in the prior year college under delivered on DSL and therefore for this year no delivery is forecast, although it is anticipated that some will be. Aim is to achieve 103% of allocation, as the GLA have provided guarantees that they will fund +3%. This will then place the college in a strong position to bid for growth. Growth will only be achieved if there is confidence that the organisation can hit allocations. Committee asked where the risks are in relation to delivery. Staff expressed the view that ESOL is higher risk than SWAP and that, knowing early where the gaps are is critical. Director of Finance advised that the college is currently tracking way above 103% and this may therefore mean a reduction is required for partner activity as the college does not want to deliver anything that it will not be paid for. AGREED: to note the content of the report provided. 5) <u>Capital Budget Changes</u> Director of Finance presented the report and explained that the interim Project Manager now has a tracker in place to monitor capital funding received and due. This ensures that the organisation makes investment in the relevant areas. Anticipation is that a further £5 million will be received this year. Committee were advised that, since the report the college has won an additional LSIF bid amounting to £447k, which will support the development of creative industries. Staff indicated	

	that this funding links very closely with aspects of the property strategy and that it is important to monitor each line of spend to make sure that the funding criteria are met. Staff highlighted the fact that some of the spend deadlines are very tight and that this is where the risks lie. Committee were given assurance that the college is using very similar processes to that in place when monitoring SDF funding which gives a strong degree of confidence. One governor asked whether the college is audited in relation to the spend. It was confirmed that it is, both for LSIF and ESFA. It was explained that a lot of the funding provided requires a monthly return with evidence submitted each time. AGREED: to note the content of the update provided.	
5	**2024/25 Curriculum and Business Planning Approach** Executive Director of Commercial and Partnerships introduced this report and explained that the college is slightly behind timescale to complete all of the business case presentations by the end of January. She explained that there are still two more weeks of work to go. She confirmed that the business case presentations are all going really well with staff fully engaged and really understanding the purpose and intent. Intention is to take the same planning approach as last year i.e. 'top down' to ensure that there is realism, whilst acknowledging that staff do have ambitions for the future. She expressed the view that the planning system now feels embedded within the organisation and that all of the planning meetings will feed into the budget that is now being developed. Committee asked for an overview of the transition arrangement to cover the Director of Finances departure. Key matters highlighted by the Director of Finance were: • In relation to MIS the college has been reviewing how it uses the EBIS system and it is now much more efficient • The same applies for curriculum planning with the EBIS curriculum planner utilised. This then gives much better links with the budget. • College is further ahead in terms of curriculum planning this year which will allow the budget to be prepared. • Director of Finance is working closely with the Executive Director of Commercial Partnerships so that there is shared knowledge. • Finance team are very able to produce monthly management accounts. • Finance team are sitting in on the curriculum planning meetings so they have a much better understanding of the planning process. • College is looking to appoint an interim FD who can work in parallel with the Director of Finance before he leaves. Committee took the opportunity to express thanks to the Director of Finance for all his hard work during his employed position, it being noted that this will be the last Finance Committee meeting he attends before his departure.	

	Committee all agreed that it was really positive to see the potential growth areas and new courses. They indicated that, in future reports, they would like to see how these link with the colleges Curriculum Strategy and the LSIP. AGREED: to note the content of the update provided.	
6	**Update on progress made to complete fire risk assessments** Committee noted the content of the report, and all agreed that it was reassuring that plans in relation to this are now back on track, with the intentions being to complete these in February 2024. It was agreed to provide a further update to the Audit & Risk Committee after Easter to give assurance that all have been completed and that any issues identified have been addressed (Audit Committee, April 2024). One member of the committee asked whether lockdown drills are undertaken. Interim Project Manager confirmed there is a Business Continuity Plan being presented to Audit and Risk committee next week and that, once approved, it will provide a framework. Intention is to complete some 'mock downs'. Challenge from the committee was to be mindful of potential student response as these can be quite alarming. AGREED: to note the content of the update provided.	*
7	**AOB** As a matter of additional business committee were asked to note that recruitment of a new Finance Committee Chair would start shortly.	
8	**Date and time of next meeting** This was confirmed as 29th April 2024. Meeting closed at 7.30pm.	