MINUTES

Barnet and Southgate College Corporation
Finance Committee Meeting
held on Thursday 17th October 2024
at 18:00
via Microsoft Teams

Present:	Tara Jayaratne, Chair Phil Harding Adam Goldstein, Dominic Abbott Neil Coker, CEO & Principal
In attendance:	Ian Rule, Interim CFO Tracey McIntosh, Deputy Principal Skills Curriculum & Business Development Simon Evans-Evans, COO 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 Hannah Sheath and Rocco Huesch. **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. **3) Welcome and introductions** Ian Rule and Simon Evans-Evans were welcomed to their first meeting.	
2	**Minutes of previous meetings** 1) Minutes of the meeting held on 3rd July 2024 The minutes were reviewed, and it was confirmed that they were an accurate record of discussions. AGREED: to approve the minutes of the meeting held on 3rd July 2024 as presented.	

	2) Matters arising and actions tracker Committee were happy to note the content of the update provided.	
3	**Enrolment Update** The Deputy Principal drew governors' attention to her detailed report and an updated position was provided with key matters highlighted including: • 16-18 student numbers are now above both the internal target and allocation. Position is 107% against allocation. • Two scenarios are provided within the report, the first is the anticipated position if everything remains the same and the second is the position if a decline of 10% because of withdrawals and non-attenders. • If the college were to lose 10% then the position would be 101% against target and 105% against allocation • Final position for 16-18 numbers will be known on 5th November. Position is still looking positive. • In relation to T Levels college has recruited to two of the six T Levels offered. • Adult funding, HE and apprenticeship provision look to be on track. • Appendix 1 details all the curriculum areas and whether they have either under or over recruited. • All campuses have seen growth. • Report shows the position against all internal targets. • After day 42 college will know whether there is the potential to attract additional in year funding. In general discussion one governor asked for further information regarding A Level numbers, given that they are below target and a decline on prior year position. Deputy Principal indicated that staff are suggesting it is a 'blip' with more students staying at school, however she acknowledged that further analysis is needed to better understand the position. She confirmed that numbers in year 1 are high and that retention into year 2 is positive. It was agreed that a more detailed A Level analysis report would be circulated to the committee following the day 42 census point (Deputy Principal, November 2024). Committee asked whether the T Level position is as expected. Deputy Principal confirmed that the college was not expecting all six to run. She reminded that in the prior academic year college had offered six and three had run. She expressed a view that the government's current review of Level 3 provision has not helped recruitment as they have raised some uncertainty regarding the future of T Levels. She confirmed that the two that are running are using the new P Block facilities as anticipated. Governors were reminded that T Levels are funded at a higher band and were given assurance that the lower than expected student numbers do not have a significant impact on the budget.	*

	Governors asked whether there were any known reasons for the campus variances e.g. Science at Barnet versus Southgate. Deputy Principal confirmed that numbers do change from one year to another and that there are no particular reasons for the fluctuations. Staff confirmed that this is the second year of growth for 16-18 student numbers. AGREED: to note the content of the update provided.	
4	**Financial Position 2023/24** 1) <u>July 2024 Management Accounts</u> (including early indications for Financial Statements and KPIs) Interim CFO introduced this item, and key matters highlighted were: • Largely the picture is consistent with the forecast in June, • Management accounts are still in draft. Ability to finalise has been negatively impacted by staff changes and a lack of continuity. A lot of work has been required to catch up with the reconciliations required, however the first full review has been completed. There are no significant concerns, although the position is subject to audit. • Interim CFO advised that he has tried to be prudent in relation to the figures and believes that there are more opportunities for upside rather than downside. One governor noted the reported covenant position i.e. a technical breach and asked for further information in relation to this. The interim CFO advised that the breach relates to the loan balance to EBITDA ratio. College was aware of this in June and have asked the bank for a waiver, but this has not yet been provided, however college does have a waiver in relation to the cash flow covenant. Interim CFO expressed the hope that the final financial position will avoid a breach. Governors asked what the banks position is in relation to this. Interim CFO expressed the view that the bank is unlikely to want to call in the loan. He noted that paying off part of the loan from sale proceeds will avoid any potential repeat of this in the future. Challenge from the committee was that, whilst they were aware of the potential breach in relation to cashflow they had not been provided with information regarding the loan value to EBITDA position and were concerned that this had not been highlighted to them earlier. Governors asked whether there are any ESFA implications following a breach. Staff indicated that this would only be an issue if Lloyds want to call in the loan as the sector now cannot obtain alternative commercial loan funding. Interim CFO confirmed that	

there will be no impact to the financial health calculation which is a key metric for the ESFA.

Committee were advised that the college could potentially look to restate 2022/23 as there is some 'contagion' that flows into 2023/24 that could be unravelled. Committee asked how long before the final position is known. Interim CFO indicated that this is 2-3 weeks. Committee requested that a written update be circulated as soon as the final position is known rather than waiting for a report to the next meeting (Interim CFO, early November 2024). *

Committee asked whether there was any scope to benefit from improved bandings previously reported. Interim CFO indicated that there would be no impact on 2023/24 or 2024/25 as allocations for both these years are already set.

One governor indicated that, outside the meeting, he would like to better understand the position in relation to:

- Increased debtors year on year and
- Increased pension debt position.

It was agreed that Phil Harding and interim CFO would discuss this outside the meeting (Interim CFO/PH, October 2024). *

Suggestion from one governor was, rather than look at a waiver college could ask the bank to agree a non-testing period. All agreed that there would be merit in this given that the 2024/25 deficit is expected to be similar to 2023/24. College, in agreeing a non-testing period, could get ahead to avoid a similar potential breach situation next year.

Governors asked for an update on the external audit. Interim CFO confirmed that fieldwork is currently underway and that MacIntyre Hudson have not yet expressed any view on the covenants and potential breaches.

Committee asked whether there are any regulatory audit opinion implications and also what is the worst-case position i.e. probabilities regarding the most significant positives and negatives. Interim CFO confirmed that he has included some substantial estimated numbers/provisions. Pension position should improve however, this will not impact EBITDA. When pressed, he expressed the view that the final position could be between £100k and £200k better than currently reported.

Committee were advised that ESFA could issue a 'financial notice to improve' however it is not believed that this will happen as any breach of bank covenant is an issue between the college and the bank rather than the ESFA. Committee were advised that external auditors have raised a potential regularity audit qualification already because of the colleges failure to complete monthly bank reconciliations, however assurance was provided that staff are seeking to show external auditors that there are checks and balances in place which have worked despite the lack of reconciliations. Failure to complete reconciliations also does not apply for the full year. Staff expressed a view that the position that the external auditors will take will depend upon the strength of the college's argument and any impact. Aim is to seek to have this issue referred to as a management letter point rather than a regularity qualification.

CEO advised that, going forward, there will be a requirement for finance team staff to include a statement in the monthly management accounts confirming that bank and other reconciliations have been done. This signed statement will give assurance that reconciliations have been carried out. Interim CFO highlighted the fact that reconciliations for August and September 2024 have not yet been done and that this is because staff are focused on clearing the backlog that exists. CEO acknowledged that there have been some learning points that the college needs to apply for the future.

AGREED: to note the content of the report provided.

2) Accounting Estimates Report

Interim CFO confirmed that the position is very similar to prior years with a lot of assumptions that are consistent. One governor referred to the grant clawback position and asked whether the college could do anything different that would be advantageous. Interim CFO confirmed that he has taken a prudent 100% clawback assumption and therefore it is likely the position will improve. He indicated that in one area the college has under delivered whereas it is over in others. He reminded that the college must reconcile each funding stream separately and that they cannot be interchanged. In relation to Multiplier provision, anticipation is a £75k clawback.

One member of the committee asked whether the capitalisation threshold at £1,000 was appropriate. Interim CFO expressed the view that it is and that this is not the year to seek to change it.

AGREED: to approve the accounting estimates proposed as presented.

3) Value for Money report/Procurement pipeline

Interim CFO expressed the view that FE Policies are designed to achieve value for money and show good stewardship of public funds. College contracts with CPC who manage procurement, this allows the position to be more easily measurable than would be the case if the college conducted its own procurement activity. He expressed the view that the college does well but that there is always more that can be done.

AGREED: to note the content of the update provided.

4) Financial Benchmarking report 2022/23

	Interim CFO advised that his predecessor created this report and that, whilst slightly historic now, it is informative to look at how the college compares with others. One governor noted the reference to 'low funding for 16-19 year olds' and asked whether this is potentially linked to previous discussions regarding bandings. Staff acknowledged that this potentially could be the case, but that it could also be because the college has a high level of adult funding when compared to others. CEO reminded that BSC also has a high proportion of High Needs funding and that not all conclusions are meaningful, as in some instances it could be comparing 'apples with pears'. He expressed the view that the BSC student profile spreads risk and that the mix and balance gives financial resilience. One governor referred to chart 3.3 and noted a significant increase in admin non-pay costs. This was acknowledged but it was also noted that the position in relation to staff non pay is the reverse and therefore it may be a reporting issue. Committee all agreed that it was not appropriate to spend significant time on this given that it was 2022/23 data which is now out of date. All agreed that a more important comparison is looking at the BSC position for 2022/23 and comparing with 2023/24 to see if any costs are 'running away' and need to be addressed. CEO confirmed that this would be reviewed at the executive team meeting scheduled next week. One governor observed that cleaning and energy costs are reported as high and asked whether this is something that can be considered as part of the procurement plans for this year. Committee were advised that there is current live dialogue in relation to the cleaning contract taking place. One governor noted that the loan interest paid by BSC is high and it was acknowledged that this links to a later agenda item. CEO confirmed that the college is working on a business case to be submitted to the DfE to encourage them to take over the loan as it would be at a much lower percentage interest rate when compared to the commercial position with Lloyds. AGREED: to note the content of the update provided.	
5	**Budget Monitoring 2024/25** Interim CFO explained that the table in the report provided shows a bridge between the original budget and where the college is heading. Key matters highlighted were: • Increased income • Increased staff costs to cover posts needed • Potential in year growth funding for 16-18 numbers • T Level position unlikely to move from what is currently reported • Yearend position may be a £1.2 million deficit rather than a £1.4 million budgeted deficit.	

	• College has made a 2% pay award, however there is a lot of union pressure nationally for this to be higher. One governor noted the reference to 'release of contingency budget' and asked what type of things this would be used for. Interim CFO indicated that it would be the 'unexpected' and examples given were additional staff posts and sickness and maternity cover. He expressed the view that, as it is still very early in the year, now is not the right time to release contingencies. Committee noted the potential additional £180k for staff costs reported and asked for more information in relation to this. Interim CFO indicated that this was a calculation based upon an additional 0.5% or £750 per person whichever is the greater. This would align with the AOC's anticipated recommendation. In relation to the £750 figure, it was confirmed that the modelling nets off the 2% already received. AGREED: to note the content of the update provided.	
6	**Lloyds Loan Options** Interim CFO confirmed that he has investigated their entitlement to require some repayment and that it is the need to obtain their permission to sell which gives them the leverage. He confirmed that a positive position has been agreed with them i.e. that break costs are limited to the proportion to be repaid rather than the whole loan value. Modelling shows potential benefits of paying off the loan early, however this depends on what the college needs funds for. He expressed the view that, if the college does not need the funds there would be benefit in paying down the loan as the interest rate is high at 8%. Committee were advised that clarity has not yet been obtained in relation to any impact on the quarterly payments i.e. will they reduce or stay the same. One governor asked whether there are any capital funding opportunities with the DfE to be explored, given the change in government. Staff advised that the assumption is that nothing is likely to come and that if it does it will not be significant. That said, the college is working with DfE on an updated master plan which was described as a 'persuasion piece'. CEO expressed the view that any potential disposal sums would only be small and only allow improvements to be made in small pockets. All acknowledged that paying back the loan early would free up funds to go to other areas and examples given were staffing, quality, student experience etc. Committee agreed that the bank position would seem to signal that they are not being inflexible which is a positive and therefore there is maybe a conversation to have regarding reviewing the percentage interest rate on the whole loan. Committee asked for an update on any timings to be considered. Governors were advised that a proposal regarding the Elm Road sale is coming to board next week. Lloyds have a charge on the	

	Barnet Campus and therefore the colleges hands are tied in relation to this. Same will apply in relation to Tudor Hall. Southgate Campus however is a different proposition. There is land that the college could sell, however it may need this land to support a new/bigger master plan i.e. the need to support growth, the community, skills gap etc. It was confirmed that no decision or recommendation to the board is required at this point in time and that further updates will be provided as discussions with Lloyds progress. AGREED: to note the content of the update provided.	
7	**Policies** 1) <u>Reserves Policy</u> Interim CFO presented a draft for committee review and confirmed that this is new ground for FE. He specifically referred governors to annex A. He reminded that the college needs to have £4 million in the bank so as not to breach bank covenants. This amount would currently take the college to above 25 cash days, however this will reduce as the college grows. As FE is now in the public sector it is not anticipated that the organisation would amas significant reserves, however there is a need to balance this against a need to invest in the student experience. One governor asked what the position would be if the college failed to meet its policy. Interim CFO expressed the view that this is very much a voluntary stance and that no one size fits all given the sector variances. CEO reminded that one of the strategic pillars is financial resilience and therefore this policy needs to support this. Challenge from the committee was to make sure that the 2024/25 KPIs proposed align with what is in this policy. Committee Chair asked whether there are any hoops that the college would need to jump through because of MPM in relation to the ability to access reserves. Interim CFO expressed the view that there were unlikely to be any additional permissions required, however he confirmed that he would check this (Interim CFO, October 2024). Challenge from one member of the committee was that, going forward, college may need to decide how to manage the balance between restricted and unrestricted reserves. Committee were given assurance that the college is clear in terms of how it needs to account for funds received that must be committed in a particular way. AGREED: to recommend that the board approves the Reserves Policy as presented. 2) <u>Updated Data Policies</u>	*

	It was agreed to defer this agenda item to the next meeting (Interim CFO, November 2024).	*
8	**AOB** There were no items of additional business.	
9	**Date and time of forthcoming meetings** It was agreed to change the date of the next meeting from 28th November 2024 to 12th December 2024. Committee noted the joint meeting with Audit Committee scheduled for 5th December 2024. Meeting closed at 7.35pm.	