MINUTES

Barnet and Southgate College Corporation
Finance Committee Meeting
held on Thursday 23rd January 2025
at 18:00
via Microsoft Teams

Present:	Tara Jayaratne, Chair Adam Goldstein Dominic Abbott Hannah Sheath Neil Coker, CEO & Principal Phil Harding
In attendance:	Ian Rule, Interim CFO Tracey McIntosh, Deputy Principal Skills Curriculum & Business Development 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 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.	
2	**Minutes of the previous meetings** **1) Minutes of the meeting held on 12th December 2024** Two requested changes were made to the confidential minutes, these were: • Page 1 – reference to be made to the fact that the proposed one-off payment to staff sits within the budget and is what is affordable. • Page 2, third paragraph – to add that the potential additional 0.5% increase would 'bring the college in line with AOC's national recommendation'. Subject to these minor amendments it was agreed that these minutes were an accurate record of discussions.	

	AGREED: to approve the minutes of the meeting held on 12th December 2024. **2) Matters arising and action tracker** There were no matters arising and committee was content to note the progress update comments regarding previously agreed actions.	
3	**2023/24 Financial Statements – Draft** Before discussing the document in detail, Committee Chair took the opportunity to thank the interim CFO and the finance team for getting the accounts and audit to this point. She acknowledged that it had been a challenging time and process given staff capacity and changes in personnel. She commented positively on the final EBITDA position which prevents a banking covenant breach. In relation to the post balance sheet event narrative, governors asked whether the subsidiary company liquidation needs to be referred to. Committee were advised that auditors have confirmed that the accounts do not need to be consolidated which very much simplifies the position, and therefore no need to make more reference than is already the case in the draft. Committee referred to the statement of corporate governance and the PILON payment to the former CEO and asked what the position is in relation to this. Interim CFO outlined the position and confirmed that Auditors are clear that the college has only made a contractual entitlement payment and nothing beyond this. Committee noted that there was reference to some misstatements in 2022/23 that are still not addressed and asked for further information in relation to this. Interim CFO advised that the prior year points still not addressed fall into a number of categories, including: • VAT – he expressed the view that it would serve the college well to obtain specialist advice in relation to this. • Contracts register development – work in relation to this has started but not yet fully complete. • Data breach reporting – requirement to inform the ESFA. This is now addressed with the most recent policy update, however it did take longer to address than it should have. Interim CFO advised that the college has used the filing extension time to really 'tidy things up' and that there are some learning points to action, one example given was how EBITDA is calculated in the management accounts. Committee all agreed that a deficit of circa £150k compared to the £1.5 million original deficit forecast was a good position to be in. Interim CFO agreed that this was the case and explained that the	

	positive position arises because of methodically working through the finances. One member of the committee asked how many of the adjustments made were driven internally rather than being identified by auditors. Interim CFO advised that the vast majority of changes required were identified by the college. Auditors did identify an over accrual for purchase orders but, as this is not material the college does not need to adjust. Interim CFO advised that this would lead to a positive position for 2024/25. Committee asked whether an extended trial balance was used. Interim CFO confirmed that it was and that auditors are now happy with the approach taken. Auditors are likely to make two specific comments, the first being in relation to the PILON payment and the second being in relation to the college's failure to complete bank reconciliations on a monthly basis. In relation to the latter, he provided assurance that reconciliations were now up to date. Committee commented on the changing personnel in the finance team and asked how much of the required processes are now set down so that the college can prepare for continuity and certainty. Interim CFO advised that the team have worked through the accounts together and that this provided a process to apply learning. In his view a lot of the developmental work needed is in relation to getting the processes right and not allowing the situation to become confusing. He expressed the view that the accounting element of the team's work is working well, but that there is more to do to improve the budget conversations internally. CEO asked whether there are any 'red flags' that this committee should be looking for in the future. Interim CFO expressed the view that the right KPIs have been established and that these need to be monitored. Committee should be provided with timely information and if this is not the case then it could be a warning sign. Committee should continue to ask for assurance that key control work is taking place and is timely. Senior management and the committee may need to look to check and see evidence in relation to this. Staffing within the team, given the complete change, is a risk but it is also an opportunity to invigorate the service. Committee then discussed the handover arrangements to a permanent CFO once appointed and challenged in terms of having assurance regarding paperwork, control account reconciliations etc. They noted that there was still a catch-up piece of work to do and asked for assurance in relation to this. Interim CFO confirmed that bank reconciliations have now been completed to the end of December 2024 and that the team are methodically working through any aspects still behind. Challenge from the committee was to ensure that clear documentation is in place that gives a complete record and that this is required as well as personal handover.	

	Committee referred to the table on page 2 of the executive summary which shows all the movements/adjustments and asked whether any will have an impact on the current year. Interim CFO expressed a view that adjustments in relation to pension are the ones that really need to be checked, particularly as they could potentially have an impact on EBITDA. He confirmed that this was a focus for him. One member of the committee referred to the prior year numbers in the accounts and asked whether there was any impact following the work done in 2023/24. Interim CFO provided assurance that there is nothing wrong with the 2022/23 numbers, however adjustments agreed for that year have not been implemented and the team are doing it now. This is simply a case of the adjustments not being posted in the ledgers as required. Committee commented that almost achieving a breakeven position when compared to such a significant original deficit budget, whilst positive, did raise the question of why such a large difference. Challenge from the committee was a need to make sure that the management accounts accurately forecast the likely yearend position as currently they do not. Challenge from the committee was a need to improve 'lagged forecast' position. Interim CFO acknowledged that there is more that can be done internally and specifically a clearer line of sight is required in relation to the high needs budget. Business partnering internally needs to improve and this will happen when the team has more capacity. Challenge from the committee was to look at expenditure as well as income given the high amount of agency staff costs. Committee all acknowledged that, although a good result, there were lessons learned and challenged that these now need to be embedded so that improvements required can be achieved. They acknowledged that the college needs a fully resourced, qualified and experienced team. Challenge from the committee was to use this committee, and governors who sit on this committee, to support and drive forward improvements. Committee then asked what the next steps are in terms of finalising the accounts. Interim CFO advised that any suggested changes or requests for clarification by committee members should be provided to him by Monday 27th January so that he can incorporate within the final edit. Papers are due out to the joint meeting with Audit Committee next week and current plan is to circulate on Wednesday. He confirmed that the numbers within the account will not change but that there may be changes in relation to presentation, format, narrative etc. He confirmed that the draft financial return has also been completed in draft but that more detail is required and that some further data gathering is necessary. Aim is to have board approval and signature at the meeting on 13th February 2025 but that, by this point, they will be in final form rather than being presented for feedback and discussion.	

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	AGREED: to note the content of the draft document provided and the detailed explanation provided today.	
4	**Review of Going Concern** Interim CFO referred to the report provided and confirmed that there is no reason to believe that the college will not continue to be anything other than a going concern for the next 12 months. External auditors have confirmed that they have no concerns regarding this. Committee asked how challenging auditors have been in relation to this. Interim CFO described them as being very understanding and supportive. AGREED: to note the content of the report provided.	
5	**2024/25 Budget Monitoring** 1) <u>Monthly Management Accounts – Period 4 (November 2024)</u> Key matters highlighted were: • A continuing positive trend • Positive pay variance with the college still being circa £1 million underspent • Contribution rates generally positive • One or two areas still require further investigation: - English and Maths hours delivered – the position in relation to this has been resolved for December management accounts. - Need to improve business partnering conversations, however no areas of concern. One member of the committee referred to the non-consolidated payment made to staff in 2023/24 and asked whether the same or more than is currently budgeted for needs to be included in 2024/25. Interim CFO acknowledged that the pay claim position is still an unknown however the college does have pay underspend which provides a cushion. Whilst the organisation must protect itself against ongoing cost increases, current view is that these are adequately budgeted for. Committee noted uncertainties highlighted regarding the High Needs position and asked for further information in relation to this. Interim CFO confirmed that he does need to meet with the business team to ensure that the significantly positive forecast in relation to income is likely and the significant increase is genuine i.e. are the local authorities aware and committed to pay the sums forecast. AGREED to note the content of the management accounts presented. 2) <u>AEB Report</u>	

	Deputy Principal presented her written report with key matters highlighted including: • This is the R05 position • College is forecasting achieving 104.6% however this does include a high level of assumptions (circa £8 million) • College will have a much clearer picture at R06 as this will include the January 2025 enrolments • College is closely monitoring items 4 and 5 • No concerns regarding GLA achievement at this stage • GLA confirmed that they will pay +3% allocation for ALS • Position in relation to Free Courses For Jobs is not so certain. College had clawback of circa £700k in 2023/24. • Because of this clawback college took a cautious approach and planned for only £240k in 2024/25 • College position is currently £281k • It is in the colleges best interest to maximise delivery as whatever is delivered this year will be consolidated into the allocation next year rather than being a separate line. Because of this, college has gone out to potentially subcontract however there are no guarantees regarding subcontractor success given that they had challenges in delivering last year. AGREED: to note the content of the update provided. 3) <u>Subcontractor variations</u> Deputy Principal advised that, in light of the previous discussion regarding the aim of maximising free courses for job delivery, college has gone out to tender with two new providers proposed. These are: a) Learning Curve, and b) Strive training College is currently going through the pre-qualification questionnaire stage and, subject to positive outcomes, the proposal is to appoint both to deliver. Committee asked why the previous attempts to subcontract had failed to achieve. Deputy Principal explained that the free courses for jobs provision is challenging to deliver. She provided assurance that there are no risks to the organisation as any additional delivery is not included within the budget and therefore it would be extra income. She reminded that, currently free courses for jobs sits as a separate line within the allocation but that next year it will be absorbed in to the wider ALS budget, so the more the organisation can do this year it will be added in to the 2025/26 allocation. AGREED: to recommend that the board approve the subcontractor variations as proposed.	
6	**Finance Team Structure and Recruitment Update**	

	Interim CFO described this as 'evolution rather than revolution' and explained that for one reason or another the college is having to replace the entire team. Reasons include both resignations and retirement. This means that the organisation is replacing every role in the structure and is being supported by an agency to do this, this includes temporary staff who are in post. Hope is that some of the temporary appointments do eventually become permanent. College is interviewing on Monday for one of the retiring posts. Interim CFO advised that the college is also changing the finance system at the same time which presents both risks and opportunities. Overall he described himself as being optimistic regarding the opportunity to recruit a new team. Committee asked whether the recruitment agency being utilised has experience in FE. It was confirmed that they do and that they have a good track record in both HE and FE. Interim CFO confirmed that he was content with the quality of candidates that they are putting forward. Committee asked whether the college ever considered outsourcing the finance function given such significant changes. Interim CFO explained that the college simply does not have the time to do this and there would be an additional 20% VAT bill which would have significant implications. Question and challenge from the committee was whether the college ought to consider outsourcing the payroll function given the previous risks and challenges. Interim CFO expressed a view that, whilst it is possible it is not an ideal situation for a number of reasons, including: • VAT costs • Ability to use college integrated systems • College will still have to deal with pension responsibilities Interim CFO provided assurance that risks regarding single point of failure will be addressed in the new structure, with reduced reliance on just one person and them having the required skills and experience. Committee commented that there was a large piece of work required for the incoming CFO given the new team, new system and wider work required within college and therefore his/her management skills as well as financial skills will need to be tested at interview. His/her people skills are going to be a key set of competencies. CEO gave assurance that having spoken to the seven long listed candidates personally he has been very transparent regarding the work required and all fully understand that managing people is a key part of the role. AGREED: to note the content of the update provided.	
7	**2025/26 Curriculum and Business Planning Approach** Deputy Principal introduced her report with key matters highlighted included:	

	• Business planning starts next week but this doesn't occur only once a year and is cumulative • No change to the approach, however timescales have been brought forward with the aim of having a draft 25/26 budget created before Easter. • College already has some indicative plans to change/add to the curriculum and one example given was an aviation offer in partnership with Luton airport. There are also three new foundation year programmes starting in September with Middlesex University. There is also a foundation degree in Early Years with the college going through validation with Greater Manchester University (formerly Bolton University). Committee asked whether there are likely to be any challenges given the finance team flux. Deputy Principal provided assurance that curriculum and business planning can happen without support from the finance team. One member of the finance committee asked whether there is any provision that is being cut next year. CEO provided assurance that nothing will be dropped that won't be replaced by something else and that staff are keeping a close eye on the defunding discussions. College has seen a positive impact following the pause and review of defunding and consequently T Levels planned for next year have reduced. Committee asked whether there is any link between the business planning process and the current underspend in relation to staffing. Deputy Principal indicated that the 2024/25 budget has a lot of elements allocated to the central pot and that, in terms of planning for 25/26, lessons can be learned in relation to this. AGREED: to note the content of the update provided.	
8	**2024/25 Procurement Update** Interim CFO provided a verbal update and confirmed that there was nothing to report at this point in time.	
9	**Any Other Business** CEO provided a verbal update in relation to CFO recruitment. He explained that he was aiming to bring the shortlist down to four, with the long list currently at seven. In relation to those not shortlisted he will share CVs with the panel just to test his thinking behind them not being interviewed. 14th February is scheduled for interviews and assessment centre activity. CEO confirmed that the advert for the position is still live however it is unlikely that there will be further candidates given the process which he explained. AGREED: to note the content of the update provided.	
10	**Date and time of next meeting**	

	This was confirmed as Thursday 3rd April 2025. Meeting closed at 7.20pm	