CONFIDENTIAL MINUTES

Barnet and Southgate College Corporation
Finance Committee Meeting
held on Thursday 5th June 2025
at 18:00
via Microsoft Teams

Present:	Tara Jayaratne, Chair Neil Coker, CEO & Principal Phil Harding Dominic Abbott
In attendance:	Scott Cryer, 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 Adam Goldstein. Absent without apologies was Rocco Huesch, committee co-optee. **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 30th April 2025** 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 30th April 2025. **2) Matters arising and action tracker** Committee was content to note the progress update comments regarding previously agreed actions:	

	- Lines 4 & 7 relate to the 2025/26 budget which is to be further discussed during the meeting, and - Line 5 relates to property disposals. Interim CFO advised that: 1, Elm Road – agreed sale price is £1.8m. Following discussions with the bank they do not believe they have an involvement in the sale. They have a charge over the buildings but not the land to be disposed of. 2, Tudor Hall – The bank does have security, and they require 60%+ of sale proceeds to be paid back. Any amounts that the college pays back will result in quite substantial interest savings. They have confirmed indicative break costs at 5%. This should be compared with annual running costs on the loan between 7-8%. College will respond formally to the banks request for representations this week. CEO indicated that it is still an option to pay down more than the bank requires to reduce the loan outstanding. AGREED to note the content of the updates provided.	
3	**2025/26 Budget and 3 Year Commentary** Interim CFO was requested to summarise key points and specifically draw out the sensitivities referred to on page 7 of the report. Key matters highlighted were: 1, <u>16-19 line</u> - Previous iteration of the 2025/26 budget was using 2024/25 year-end forecast envisaged at that time (Q2). Current year forecast now updated. An improvement from £3m EBITDA to £4m - No one big change. Improvement is made up of many smaller items. Net position has moved in the right direction. - When looking at next years budget the position is always heavily influenced by current year expectation. Sensitivities 16-18 allocation has been updated. Whilst this is welcome news the timing could have been better. Only one week ago there was a further announcement relating to even more of an increase than envisaged over the last few months. Detail on this was only provided to the sector at 3.30pm today. Colleges have still not received their final allocations. Current iteration of the budget does not include any attempt to estimate what the increased funding may be. Amount could potentially be £300k+. This extra income is not factored into the numbers being considered today. - T-Level clawback – BSC and several colleges have regularly had to pay back monies following student numbers and/or values not being as predicted. The numbers provided today do not include an assumption of the value. Work on the	

figures suggests that it may be in the order of £200k. Final budget will include an assumed figure.

2, Adult Income

- This position should be relatively 'insensitive'. College knows what the allocations are, and the organisation has a good track record of achieving targets for 16-19.

3, High Needs Element 3

- Whilst this is a high number the college has solid provision and a good track record of achieving. The number included within the draft budget is not considered to be aspirational.

4, 'Other' income

- All are relatively insensitive and low risk.

Committee Chair commented that the upsides and downsides appear to broadly net off, with potentially more upside, and therefore college looks to be in a comfortable position whatever happens. Interim CFO confirmed that this is the case with the extra income likely to be received being more than enough to cover any potential T-Level clawback/reduction.

Committee were reminded that the 16-19 allocation is fixed i.e lagged funding and therefore if 2025/26 sees poor student recruitment it will not affect 2025/26 income.

Deputy Principal advised that there are further opportunities for increasing income in the year which have not been included in the budget:

- College has just submitted two Skills Bootcamp bids. The outcome is not yet known, and college is unlikely to receive any confirmation on this before the budget is set.
- Opportunities to increase the amount of Free Courses for Jobs.
- College is working on a potential international opportunity.

Governors asked what the potential values are for each. Deputy Principal advised:

- Bootcamps - £300k
- International - £200-£300k
- Free Courses for Jobs - £300-£400k

Making the total more than £1m

Interim CFO then went on to provide detail on several of the expenditure elements:

- Staffing Costs
  - In this phase 2 budget the team have taken the actual pay expenditure in April 2025 as the baseline as it is believed that this was a reasonably 'typical' month.
  - Team have assumed that there will be staff vacancies throughout the year. The vacancy assumption has however been reduced to exercise caution.
  - Additional £2.3m in the budget for staffing costs.

	- The £2.3m includes the assumed reduction in vacancies but the main part of this is new posts. - There is a list of new posts proposed by ELT. These are considered to be required to ensure that the strategic objectives of the college are met. ELT have had several conversations to prioritise and order the posts. - There has been significant work done to identify these new posts. Next step is to triangulate and check that the 'top down' approach matches the 'bottom up' position. This will involve granular review of all the different requests from each of the cost centres. These numbers will be in the next iteration of the budget. - 3% pay award is assumed but there is a discussion to be had on likely pressures to pay more. Sector knows that the government is funding a 4% increase for schoolteachers. - On the basis of the current assumptions, the staff cost to income ratio will be 71.6% Challenge from the committee was that, in the next iteration, they would want to see more detail regarding the total £3.7m staff cost increase, with a breakdown provided in relation to: • Pay award • NI increase • Changes in pension contributions • Extra posts • Assumed reduction in the number of vacancies (£200k) It was agreed that a table would be provided breaking down the £3.7m into separate elements (Interim CFO, June 2025). One governor noted that the current figure for new posts is £1.6m but was only £1.1m in the previous version and he asked why the significant increase. Interim CFO advised that the previous £1.1m was a balancing number to show how much could be spent on new posts whilst still maintaining 6% EBITDA. Current iteration includes refinement and takes account of the additional financial good news i.e more now available to spend on new priority posts. Governors asked for more detail regarding the level of flexibility within the proposed budget. Specifically, if the college had to make a 4% pay award what else would need to give? Is there enough flexibility to be able to manage this? In terms of 'what may need to give' Interim CFO advised that: • Further work may show that income will be better than current forecast. • Every 1% pay award increase is a £300k cost • College has the option of revisiting several aspects, including: - Staffing establishment – there may be efficiencies that naturally occur - New posts – prioritisation can be reviewed and also start dates. Some starts could be delayed further into the year.	*

	• College is budgeting that all new posts will start on the 1st August 2025 but, from an operational perspective, this is very unlikely. • Non-Pay – there are a number of areas where the college can more easily adjust within the year. There is some discretionary spend. • Bottom line – current budget is heading for 5.8% EBITDA but this doesn't have to be the case. The board may decide that 5.5% or 5% etc is acceptable. One governor asked whether this committee and the board should identify and agree some 'guardrails' i.e what we hold ourselves to. Examples given were EBITDA and financial health calculation score. He noted that, whilst EBITDA is forecasted at 5.8% there is still a deficit with looking at the P&L. Should the college be planning deficits? Should the board set a minimum surplus that it wants the college to keep? He reminded that at the same point in the prior year, 2024/25 had been envisaged as an 'investment year' with the college then moving into a comfortable surplus in 2025/26 and beyond. If the college is still planning a deficit in 2025/26 then this goes against the narrative provided at the same point last year. He asked whether parameters should be set that the organisation then holds itself to. He acknowledged that this may involve comparing an in-year position to these and then justifying any variances. One governor observed that, should the board agree to 'soften' the EBITDA target to support additional pay or any other unplanned cost increases/reduced income, then what will be critically important is cash generation. It was agreed that the Interim CFO would provide a graph showing cashflow in the next iteration of the budget (Interim CFO, June 2025). This is to include detail on: • Asset sales • Sale proceeds – how much goes back to the lender This will enable a better understanding of what other areas may need to reduce e.g capex budget, because of lower cash generation coming through operating performance. Challenge from the committee was that it would be easier to form a decision and make recommendation regarding 2025/26 when it is possible to see an outline plan i.e what the landscape is looking like over the next 2-23 years. Committee chair asked whether there is EBITDA benchmarking data across the sector. She observed that the college, having public sector obligations, must ensure that the EBITDA is proportionate and it would be useful to know the 'bandwidth' within which to operate. Challenge from one governor was that, when considering EBITDA benchmarks, BSC must be cognisant of the need to pay back loans. Not all colleges will be in a similar position and therefore BSC may need more of a buffer.	*

	Interim CFO advised that all colleges are required to submit a 3 year plan every year. He described this as hugely challenging given the high number of variables. College will base its 3-year plan on 2025/26 budget and then extrapolate. It will include: • Loan repayments • Asset sales and monies to be repaid to the bank • College funded capital works In terms of EBITDA benchmarking, Interim CFO reminded that the DfE/FEC have an automated financial health score. This is based on three metrics: • EBITDA • Debt levels • Cash levels Each element has a 'number' and these, when taken together, produce the financial health score. Depending on where a college is, a board could choose not to hit all three metrics and instead live with a lower score. Interim CFO advised that, in terms of the financial health score, the BSC position is currently hovering between strong good and low outstanding. Whilst it is always great to be seen to be 'outstanding' it does come with implications i.e a pressure to spend. He expressed the view that sometime being 'very good' is more beneficial than being 'outstanding'. CEO advised that, in the next iteration college will have a clearer picture on the actual 16-19 income which is likely to be better than the current figure. Added to this there is really clear sector narrative that additional funding is to allow colleges to respond to priorities, including staff recruitment and retention. There is a lot of pressure from the DfE and FE press to push all additional income into the pay line. Joint TU's will ride on this narrative. This is not an unjustified stance as FE is still behind the pay curve when compared to other sectors. CEO expressed the view that, in the next iteration, governors are likely to see increased income and a 4% pay award assumed. He advised that the joint national pay claim is 10%. Intention is to model 4% and the team will then see what the impact is on other measures. He confirmed that, as has been done previously, college has the option to split the percentage increase across the year. This would given additional time to see whether the potential upsides materialise. In relation to the financial health score, one governor noted that the surplus/deficit position does not pull through as the calculation uses EBITDA. He asked what the deficit implications are and suggested that the board needs to discuss a deficit threshold for the organisation. He asked whether a larger 'buffer' is required to avoid an increased deficit when compared to the plan. He expressed the view that the deficit line is currently a bad year on year comparison.	

	One governor questioned whether there is a tactical position to consider in relation to whether there is a 3 or 4% declared pay increase. He reminded that the college has the option of declaring 3% in the budget and then putting a further 1% into additional/new posts, whilst knowing that this is earmarked for a larger pay award, with all other aspects being equal. CEO confirmed that what the board agrees can be different to the messaging which then goes out to staff. In relation to the deficit, CEO advised that his recent experience has shown that CFO's tend to have differing views on this as a key metric, with many favouring using EBITDA, borrowings and cash generation. He reminded that whilst there is a £700k deficit proposed in 2025/26 compared to an actual surplus position achieved in 2024/25, the college actually started 2024/25 with an anticipated £1.4m deficit. Challenge from governors was that it would be helpful to better understand the range of implications e.g if a good EBITDA but a deficit what are the implications and/or the risks to the college. Governors acknowledged that there may be certain things the organisation can live with even if not ideal. Interim CFO then went on to highlight key points in relation to non-pay elements: • Team is still completing the bottom-up work but there is confidence regarding the top-down analysis. It is believed that a robust process has been followed and there is no expectation of any significant 2024/25 movement going into 2025/26. • Inflationary increase of 2.5% has been included as an assumption. Not all colleges can do this and instead require budget holders to find savings. Committee chair noted the provision for 'dilapidations' at £200k and asked whether there are any risks on this. COO confirmed that £200k is the worst-case position and it is believed that it will be closer to £100k. College now knows that there is permission to demolish the building which means there is an argument to present to the landlord on this. That said, the contract in place does provide for dilapidations which means the budget needs to include a conservative figure. Governors commented positively on the table provided which sets out how the budget supports the strategic goals. Committee asked whether the figures provided are new investment, ongoing investment or a mix of both (i.e existing, reoccurring and new). CEO advised that there is a mixture and that it does include new staffing and new investments. He described the table as providing very headline figures and is a way of attempting to pull some resources into categories. He explained that almost all the new investment is to support increased capacity which will deliver the strategic plan e.g growth, outcomes etc.	

	Committee chair asked for an overview of the budget finalisation process going forward. Matters highlighted were: • Deadline date for submission to DfE is 31st July 2025 • ELT will continue to review • Next iteration of the budget will come to this committee meeting on 26th June • Final version will go for full board approval at the meeting on 17th July. AGREED: to note the content of the updated budget provided.	
4	**Actions arising from the 2023/24 External Audit** Interim CFO introduced the tracking document and highlighted: • There has been substantial progress since the reported position to the Audit & Risk committee in February 2025 • Even though some elements are not yet RAG rated green there is confidence on the progress being made. • Several points are wrapped up in a VAT review. College will be obtaining some external advice on this • College is reviewing tendering and procurement processes, but it is not envisaged there are any issues. • Write off of the inter-company balance – the net amount is actually only £3 but there is £4.5m one way and the same the other so a large individual transaction. College is required to obtain DfE approval but there will be no impact on the I&E. Committee Chair asked who will monitor progress going forward. It was confirmed that this is scheduled as a standing agenda item for the Audit & Risk committee. In addition, the college has new external auditors taking starting this year. Bishop Fleming is very aware of the actions required and will be looking at each in the autumn term. Committee all agreed that it was pleasing to see a good reported position for the start of the 2024/25 external audit. AGREED to note the content of the update provided.	
5	**Any Other Business** One governor asked what the current position is in relation to Period 9 Management Accounts. Interim CFO confirmed that they will be presented for discussion at the next meeting planned for 26th June 2025. He advised that the 2025/26 budget as presented and discussed today does include some of the new Q3 known elements.	
6	**Date and time of next meeting** This were confirmed as 26th June 2025. Meeting closed at 7.00pm	