MINUTES

Barnet and Southgate College Corporation
Finance Committee Meeting
held on Thursday 26th June 2025
at 18:00
via Microsoft Teams

Present:	Tara Jayaratne, Chair Neil Coker, CEO & Principal Phil Harding Adam Goldstein
In attendance:	Scott Cryer, Interim CFO Tracey McIntosh, Deputy Principal Skills Curriculum & Business Development Maxine Bagshaw, Director of Governance Sarah Surrey, Incoming CFO

Quorum 3
The meeting was quorate

Item	Description	Action
1	**Preliminary items** **1) Apologies for absence** Apologies for absence were received from Dominic Abbott and Simon Evans-Evans. 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 meeting** **1) Confidential minutes of the meeting held on 5th June 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 5th June 2025. **2) Matters arising and actions tracker**	

	Committee was content to note the progress update comments regarding previously agreed actions. There were no matters arising.	
3	**Budget Monitoring 2024/25 – Period 9 Management Accounts (April 2025)** The Chair thanked the Interim CFO for the comprehensive detail provided. She also acknowledged the email questions and answers provided earlier in the week. When discussing current position and year end forecast, she requested that the Interim CFO reflect on the reconsidered FEC benchmarks just confirmed i.e. EBITDA, cashflow, staff to income ratios, debt etc. and what the board should be considering in light of these, particularly the context for future budget setting. Key matters highlighted were: • Accounts are Q3, so 9 months out of 12. • Noticeable increase in the year end forecast when compared to Q2. • Now almost a £4 million EBITDA, compared to £3 million at Q2 • Not many large changes. Instead, there are lots of smaller variances that all add up to a nice positive variance. FEC recently reviewed and reissued their sector benchmarks. They haven't done this for several years. Three key benchmarks they choose to focus on are: 1, Cash days in hand. Old benchmark was 25 days but they were not specific on when this should be calculated. Now increased to 40 days and should be a worst case/lowest point position. BSC cash position is comfortable at around 80 days. 2, Operating surplus as a percentage of income. Colleges are suggested to aim for 6% EBITDA. When calculating the financial health score, 6% generates 60 out of a potential 100 points. They suggest this is something to aim for in the medium term but do accept that different colleges will have different circumstances. 3, Staff pay to income ratio. Previous and continued suggested target is 65%. BSC position is around 72% for 2025/26 so a noticeable difference when compared to what FEC would like colleges to aim for. If college were to aim for 65% next year, then it would have to save £3.4 million in pay. This is significant. If the college did that but didn't change anything else, then EBITDA would be up at almost 12%. Different colleges have different arrangements which can impact on the staff pay ratio e.g. sub-contracting certain services and delivery. London will also have a different dynamic given geographical pay expectations. Whilst the college is not very close to the staff pay to income ratio it does have a comfortable EBITDA position. In relation to the staff pay ratio, committee chair asked whether there are any London colleges at or close to 65% and whether there are any particular college characteristics which enable them to achieve this. She indicated that she would like to better	

	understand how the benchmarks co-relate. Interim CFO expressed the view that it is only a minority of colleges who currently achieve 65% and there is discussion to be had on whether this is desirable given the knock-on consequences. Those that do achieve 65% are likely to be well run and financially secure organisations. Sub-contracting out services e.g. cleaning, catering, security etc can significantly reduce the pay bill and then impact on the ratio. Sometimes FEC are not comparing 'like with like'. Some colleges use subsidiary companies as a mechanism to employ staff, and this will reduce the college pay bill. CEO expressed the view that governors do not need to over worry about the staff pay ratio as the other two measures are secure. It is not expected that failing to hit this percentage alone would trigger conversations with the FEC. Committee asked whether there is a piece of work for the college to consider here in terms of back-office functions, general outsourcing etc. Maybe with a focus on the longer-term trajectory, particularly for non-teaching aspects. Staff accepted that this would be a worthwhile review but indicated that there is a need to make sure that what is decided is right for this organisation and not done just to hit a benchmark figure. This can be part of the next 2-3 year review with the new CFO when she starts. All agreed that it would make sense then to set out the agreed aims. Suggestions from the CEO was to agree 'aims' and then work out what actions are required to achieve. CEO expressed the belief that there is a sensible conversation to be had with FEC if the college chooses not to aim for one or other of the benchmarks. College must take a longer-term approach rather than short term reaction to benchmarks and must ensure that quality does not suffer. Committee referred to the 'risks' section of the report and noted the identified elements which could knock the budget off course e.g. inflation. These are risks identified all the way through the year albeit that some of them may now be receding. Some however are longer term issues rather than for the remaining 3 months of this year. Interim CFO expressed the view that there are limited/much diminished risks for the remainder of the year because: • Whilst adult income is hard to predict the college has a good track record of delivering • Pay is stable • A good handle on non-pay • Most of the income elements are fixed at this point in the year. One governor noted that Tudor Hall sale is assumed when looking at the loan covenant position and, given that the sale to Barnet Museum is not now progressing, he asked if there are any implications. Interim CFO advised that there are other sale options on the table but that, in any event, a delayed sale will not cause any covenant issues.	

	AGREED to note the content of the April 2025 Management Accounts as presented.	
4	**2024/25 Procurement Report** Interim CFO advised that this is a factual report prepared by the college's procurement partner. It is a summary of the major procurement activity this year. AGREED to note the content of the report provided.	
5	**AEB and Subcontracting** Deputy Principal reminded that subcontracting is one way to mitigate risks which have been identified in the management accounts. Key points highlighted were: <u>1, 2024/25 in year financial position</u> • Whilst 16-18 funding is fixed for the year, adult funding is not. • Adult funding can attract underperformance clawback. • It is essential that the college hits adult funding targets • Report provides detailed breakdown for each funding stream and gives the current position. • College is tracking positively against all the substantial items and therefore no concerns. <u>2, In year sub-contractor performance</u> • All are currently tracking to targets, both funding and quality • 3 are RAG rated as amber simply because they are new this year <u>3, 2025/26 Partner List</u> • No new subcontractors proposed for next year. • Report provides intended contract values • This information is declared to the GLA and DfE. Deadline for this is 31st September 2025 Committee asked whether the college is exploring any additional activity with new subcontractors e.g. Juventus Academy and how has the first year of partnership worked. Deputy Principal indicated a positive experience whilst acknowledging some challenges. Intention is to grow numbers next year with three groups rather than one. Some good relationships developing between curriculum manager and marketing teams. Believe it will be a strong partnership which will support growth. <u>4, Sub-Contracting Fees and Charges Policy</u> • This is a mandatory annual policy that must be published on the college website. • College will be audited on subcontracting management next year.	

	AGREED to: A, Note the content of the update provided. B, Recommend that the board approve the 2025/26 Sub-Contractor list C, Recommend that the board approve the 2025/26 Sub-Contracting Fees and Charges Policy as presented.	
6	**2025/2026 Budget and 3 Year Financial Commentary** Key matters highlighted by the Interim CFO were: • College must submit 3 Year financial forecast (CFFR) to the DfE by 31st July 2025. This is current year, 2025/26 budget and then 2026/27 forecast. • Section 4 summarises the key movements between 2024/25 and 2025/26. A welcome increase in 16-19 income. In addition to what is reported, college has now been advised there will be a further £600k increase. • This means further 16-19 growth funding • Adult income slightly reduced • No other substantive income changes in 2025/26 • Staffing costs – includes a 4% pay award assumption. This is a decision for governors but has been modelled. • Additional new staffing post costs. Detailed appendix 4 which shows the movement from this year to next. • Non-pay costs – assumption of 2.5% increase for inflationary elements. One off dilapidation cost for Edmonton Green included at £200k but it may be lower. Interim CFO then drew attention to the 'sensitivities' outlined on page 38 • Table attempts to summarise but the college is complex. These are the most likely sensitivities • Adult income and franchise activity – college has its allocation and will deliver as much in house as possible. If it can't deliver internally then it will use partners which will mean increased costs. If however, the college delivers more in house, then there will be savings. • Staffing costs – a lot is discretionary. Influenced by vacancies, new posts and salary increases. • New staff posts – budget assumes costs for all from the start of the year, but this won't happen for practical reasons therefore a likely benefit. ELT may still refine the list based upon need and prioritisation. • Non-pay – could see an inflation spike but this isn't budgeted. Could be some localised over expenditure or alternatively efficiencies. Committee asked what the NI cost increases versus additional grants expected are. Interim CFO confirmed that the funded position is circa 80% and the college will have to make up the difference as an additional cost. Committee chair asked if there is an in-built vacancy factor/percentage. Interim CFO advised that when planning for	

	2024/25 there were no vacancies budgeted for which has been helpful as this provided a contingency. Team has not been this pessimistic for 2025/26 and has budgeted £700k, this is based upon the April 2025 position as a 'typical month'. This is a prudent approach. Whilst vacancies are good from a financial perspective, they are not good operationally i.e. quality and student experience. Committee asked what the 'buffer' level is within the proposals. Interim CFO advised that there is no explicit contingency within the budget but that there are several prudent assumptions which are likely to lead to a cushion e.g. - New posts recruitment delay - Vacancies - Non-pay Governors referred to Appendix 1 which suggests a deficit of £28k in 2025/26 and then a £174k deficit in 2026/27 and asked whether two consecutive deficits trigger any external scrutiny. Interim CFO provided assurance that this isn't the case. For a college the size of BSC this is very modest and almost break even. Challenge from the committee was that, irrespective of external scrutiny, the board should not feel comfortable approving a deteriorating performance trajectory and/or deficit. It was suggested that this is not a trend we should accept. Believe we can plan for the position not getting worse over the planning period. Staff agreed to look at the assumptions and review as many are 'worst case' and just check they are not being overly cautious. CFO advised that just a few days ago the college received updated 16-19 allocations, and these will impact upon the income assumption made in relation to this. There will be a further £600k income on top of the current proposed budget. Interim CFO confirmed that the college can use some of this to balance the budget and then suggested setting aside the rest as a contingency to offset risks. Committee Chair asked whether there are any sector specific consequences in relation to having a deficit versus a break-even budget. Interim CFO advised that there are no direct consequences associated with one or the other. No risks that the college will be excluded from any external funding. There is however a wider point to discuss regarding presentation as the college is on the cusp between 'good' and 'outstanding' financial health and there are some disadvantages to being judged as having outstanding financial health. One governor asked how many of the additional posts have been approved. It was explained that ELT have discussed all the posts and would like to progress with them, but some are more progressed than others. ELT acknowledge that they can only recruit within the budget which is eventually approved by the board. Governors and ELT need to be comfortable with the 'cost envelope' and within this there is flex. Some are internal shifts and changes. All are intended to invest in capacity and the college is	

	clear what the intended impact is for each post. ELT are developing targeted outcomes which can be monitored and measured. Challenge from the committee was that this investment should lead to an element of student growth and therefore additional income. With this in mind, it would be right to plan for this which would avoid a deficit/declining forecast. Interim CFO accepted this but reminded of the impact of lagged funding. He also indicated that, even with a proposed budget for 2025/26 which is 'in the black' it will be a declining trend compared to current year. Committee accepted this but commented that the current year position is influenced by some significant upsides which could not have been foreseen and it is reasonable to assume that these would not necessarily be repeated. Challenge from the committee was to 'look at the slack' within current assumptions and update the budget so that the 2025/26 and 2026/27 years have bottom line figures which do not decline and are much closer together. All agreed that it would be helpful to agree high level 5 year aims, what have previously been referred to as 'guard rails'. Governors agreed that it would be useful to get a better sense of timescales for 'payoff' when looking at the staffing investment proposed i.e. when will the college see the upsides. Committee all agreed that what was presented today was a good budget that sets firm foundations and, with the small changes suggested, is a forecast the board would be able to support and endorse. All agreed that what has been suggested today are small improvements. AGREED, subject to the committee steer in the meeting, to recommend that the board approve the 2025/26 budget and updated 3 Year forecast.	
7	**Financial Regulations – Annual Review** Interim CFO highlighted the proposed changes which are very few, except for procurement provisions. He explained that the college has worked with procurement partners to update and refresh to ensure compliance with new procurement regulations. AGREED to recommend that the board approve updated Financial Regulations as presented.	
8	**Questions for this committee arising from the 20th March 2025 Development Day** Committee all agreed that there is merit in looking to establish high level 5-year financial objectives/aims. Acknowledging that FEC benchmarks will form part of this but also include such things as: • Setting a balanced/black budget • Improving year on year financial trend	

	• Percentage capital investment These caveats will help to inform investment decisions. Committee asked the Executive to look to develop proposals on this once the new CFO is in post (Executive, October 2025).	*
9	**Data Protection Policy – Update** Director of Governance presented a minor amendment proposal on behalf of the interim MIS Director. She explained that there has been one change to the version previously approved, this is the addition of an appendix which is a staff guide. This sets out the steps that need to be followed if a data protection disclosure is necessary. AGREED to recommend that the board approve the policy amendments as presented. Following a query raised, it was confirmed that the MIS manager also has responsibility for ensuring that the ILR funding returns to the DfE are accurate.	
10	**Committee Annual Review** Director of Governance confirmed that this item is an opportunity to look back on 2024/25 and plan for 2025/26. Governors were invited to identify any aspects that may need to change. Key matters discussed were: • Intention to use AI to support the self-assessment process for the first time • Committee terms of reference remain fit for purpose • Current membership is strong • Hannah Sheath now concluded her term of office as a governor and therefore a potential vacancy on this committee to fill. • Contact to be made with Rocco Huesch to see if he can still give the time required to be a committee co-optee given his absence this year • Comprehensive work plan proposed for 2025/26 but add in the opportunity to look at and agree the 5-year view re goals/aims/guardrails. With 3 years being the 'medium term' view and 5 years the 'longer term'. CEO asked that it be recorded that the college has, over the last 18 months had four interim CFOs, and that through this time this committee has been consistent in terms of support and challenge. Through the work of this committee, it has been possible to 'keep the ship steady' and in fact move forward positively. He asked that this be acknowledged, and he expressed his thanks and appreciation.	
11	**AOB** None for this meeting.	

	Committee Chair took the opportunity to pass on thanks and appreciation to the Interim CFO as this will be his last Finance Committee meeting before he hands over to Sarah Surrey.	
12	**Date and time of next meeting** This was confirmed as Thursday 9th October 2025. Meeting closed at 7.15pm	