

Minutes of the Finance & Resources Committee Meeting at 4.30pm on 04 December 2023

Present: Shahalam Ali, Huw Chapman, Graham Goddard, Tim Jackson, Anne Murphy (via Teams) & Rob Nitsch (Chair)

Apologies: Alex Dartmouth

In Attendance: Katy Quinn	Principal & CEO
Paola Schweitzer	Director of Governance
Maria Vetrone	COO
Mickiela Blake	Director of People Strategy & Organisational Development

Minutes

Rob stated that the focus of the meeting was financial sign offs and to move towards a more collaborative space concerning HR and health & safety.

154 Attendance and Participation

Alex Dartmouth sent his apologies.

155 Declarations of Interest

There were no declarations of interest.

156 Minutes

Huw had sent his apologies to the last meeting but had submitted questions and asked that this was recorded in the minutes. This practice was encouraged with the caveat that questions didn't stray into management issues. With this amendment, the minutes of the meeting held on 02 October 2023 were **Agreed** as a correct record.

157 Matters Arising

Minute 139: Budget 2023/24 & One Year Financial Forecast & Pay Review: The final North Harbour rent review before the lease ended would take effect on 19 December 2023. A 15% increase was anticipated and had been budgeted in 2023-24. Governors **Noted** that all actions were either complete or on the agenda.

158 HR Update including Dashboard (paper 501/23/F&R)

The HR update covered the first three months of 2023/24. Highlights were vacancies were being filled but some areas required further review and sickness absence was better than the same period in 2022 but remained high compared to the sector. Investment in staff and recruitment posed the biggest risks to achieving the strategy.

Tim noted L&Q Committee had seen the negative impact of staff recruitment on the quality of education. He welcomed the reduced turnover of new staff and asked if higher sickness absence was an ongoing concern. Mickiela reported that it was mainly colds and flu but the reporting sickness absence process was weak and would be strengthened through training in January. Mickiela confirmed that there were no risks arising from complaints and grievances at this time.

Rob noted that HR was stabilising and asked that to facilitate purposeful discussions, future HR updates report by exception and focus on reputational issues and those negatively impacting the strategy, with data in appendices. There was a discussion about the governance framework in which Committees considered risk from their different perspectives with information triangulated at board level through the Principal & CEO's report, thereby ensuring that Corporation had oversight of key issues and risks. The risk register, owned by Audit Committee and considered at Corporation, alerted governors to major threats. Governors **Noted** the HR update and dashboard.

159 Health & Safety (H&S) Report (paper 509/23/F&R)

This report provided an update on H&S activity to date in 2023/24. Governors were assured that the College was discharging its responsibilities however ELT believed external expertise was required to develop and strengthen H&S. An independent specialist review would therefore be commissioned in the new year. Graham, H&S lead governor, noted that significant improvements had been made and agreed there was room for improvement. In response to a question, Maria confirmed that recommendations from an internal audit of H&S in 2020/21 had been implemented and that this review would have a different focus. Governors supported this approach and asked that Corporation were updated on the next steps. Rob asked that future H&S reports include compliance with the regulatory framework, evaluation of the safety record and data trends indicating threats to the College's safety culture and reputation. Governors **Noted** the H&S report.

160 Financial Statements & Annual Report 2022/23 (paper 502/23/F&R)

As part of its duty to oversee the College's financial performance and to ensure its financial sustainability and solvency, Corporation was required to submit an audited annual report and financial statements including the Corporation's statement of regularity, propriety and compliance and the reporting accountant's assurance report on regularity to the ESFA by 31 December 2023.

The financial statements covered the College Group which included subsidiary companies. The Group posted an underlying operating deficit of £436k excluding FRS, achieved against a planned underlying operating deficit of £878k. Total income was £30.83m, up from £28.57m in 2021/22. Total expenditure was £31.34m (£32.39m 2021/22) meaning the Group generated an operating deficit after other gains and losses of £577k (£3.82m deficit 2021/22) including FRS 102 adjustments. The Group achieved all budgeted measures and targets and exceeded the financial health score target of *Requires Improvement* to achieve *Good* financial health. Performance against the national benchmark for EBITDA was still weak and was being addressed through the development and implementation of a new five-year financial strategy.

The College Group had adequate resources to continue in operational existence for the foreseeable future and going concern had therefore continued to be adopted. Principal risks had been considered in reaching this conclusion. Student recruitment in 2023/24 was in line with ambitious curriculum plans and there was no reason why there

would be a decline in 2024/25 student recruitment. The curriculum offer was comprehensive, underpinned by market intelligence and aligned with skills needs. The College Group has met its high level and operational financial targets for 2022/23, having significantly reduced the operating deficit to £577k from the previous year. An operating deficit of £1.48m was planned for 2023/24 whilst investment continued in improving the student experience and the quality of education. This was expected to turn into an operating surplus of £504k after interest, tax, depreciation and amortisation (ITDA) in 2024/25 if curriculum plans were delivered.

One governor noted that this was a good set of numbers and that it was pleasing to see income was up and expenditure down. Another governor noted that the College's financial position represented an excellent turnaround and welcomed the clarity of the financial statements. Rob thanked Maria and her team for their hard work. Governors **Agreed** to recommend the draft audited Group financial statements and the Notes to the accounts to Audit Committee for review and approval by Corporation.

161 External Audit Management Letter & Letter of Representation (paper 503/23/F&R)

The 2022/23 external audit management letter confirmed audit findings and the external audit opinion. Appended to the report were the standard draft letters of representation confirming that information submitted for external audit was accurate and that all material information had been disclosed. Corporation was required to submit the external audit management letter to the ESFA by 31 December 2023.

The external audit opinions were unqualified and there were no audit recommendations or management letter points. Highlights confirmed that the business had good operational and management controls; Alliot's were satisfied with the assumptions applied to inform going concern as well as the basis of accounting adopted and the disclosures included within the financial statements; and no matters of significance were highlighted that indicated non-compliance with ESFA guidance. Katy noted that these unqualified opinions and no matters arising were a phenomenal achievement for a college coming out of intervention and a Financial Notice to Improve (in previous years the external audit management letters had identified a series of issues). She acknowledged the work undertaken by Maria and her team and noted the assurance given by the positive outcome of the recent FEC visit. Governors **Noted** the external auditor's management letter, particularly the audit opinions, and **Agreed** to recommend the letters of representation to Audit Committee for review and onward approval by Corporation.

162 Student Union Report & Accounts 2022/23 (paper 504/23/F&R)

The 2022/23 Student Union (SU) report and accounts showed a deficit of income over expenditure of £195.40 with a closing bank balance of £2,571.43. Governors noted the small size of the budget and discussed the SU's added value within the student voice framework, as well as from an Ofsted and HE perspective. The matter would be considered by senior managers and brought to governors as appropriate. Governors **Agreed** the 2022/23 Student Union report and accounts.

163 Subsidiary Accounts (paper 505/23/F&R)

Corporation was required to submit audited accounts of non-dormant subsidiary companies to the ESFA by 31 December 2023. The College Group had three principal subsidiary companies and Highbury College (Nigeria) Limited:

- City of Portsmouth College Enterprises Limited, the only active subsidiary, was 100% owned by the College and was included in the College Group financial statements. The draft audited financial statements and draft letter of support were appended to the report. Its net liabilities were provided for in the accounts.
- The other two subsidiaries were dormant and in the process of being dissolved.

Legal action in Nigeria to recover monies owed to Highbury College (Nigeria) Limited had concluded, with c£5k of the £872k total debt recovered. There was no prospect of recovering any more funds. Given the shareholder arrangements, it was agreed that further advice was sought from the DfE and Alliotts prior to closing the company. Further information would be brought to the Committee as appropriate.

Governors **Agreed** to recommend the draft audited financial statements for City of Portsmouth College Enterprises Limited for the year ended 31 July 2023 and the associated letter of comfort to Corporation for approval.

164 Management Accounts: October 2023 (paper 506/23/F&R)

The management accounts at 31 October 2023 indicated an operating surplus of £135k. This was favourable to year to date (YTD) budget by £193k. The forecast outturn indicated an operating deficit of £1,039k, which was favourable to the full year budget by £436k. The forecast outturn income was favourable to budget by £1,008k. The full impact of additional funding had not been realised in the financial forecasts because of the downgrading of income forecasts for apprenticeships due to continued slow pipeline starts and additional withdrawals. Cash at bank at 31 October 2023 was £4,597k (49 cash days). The College continued to forecast *Good* financial health.

Tim asked for the College's latest RO4 position. Maria responded that there were 3178 students against the target of 3166. Huw asked about management's action plan to address the apprenticeship risk, in particular early leavers. Tim noted that L&Q Committee had discussed the actions being taken to address poor performance and the high number of out of funding apprentices (OOFs). They were comfortable with the decision to focus on only delivering where there was sufficient quality and to either complete or withdraw OOFs as quickly as possible. There was now an individual plan for each OOF. Governors were reassured with the focus on apprenticeships and noted that the issue would continue to be monitored by governors. They asked for an update at Corporation on 12 March 2024, supported by a paper if the situation had not improved. There was a discussion about balancing reducing the financial operating deficit with investing in the quality of education. Anne acknowledged the danger in eliminating the deficit to the detriment of investing in provision but believed the College was on the right track as the reduction in the deficit was a side effect of last year's investment and this year's performance.

Governors **Noted** the October 2023 Management Accounts.

165 Capital Programme 2022/23 (paper 507/23/F&R)

The paper provided a summary of the College's 2022/23 capital programme as at 21 November 2023. The total value of budgeted capital expenditure for building refurbishment/replacement works and capital equipment was £2.79m inclusive of capital grant funding. Governors **Noted** the capital programme 2022/23.

166 Capital Programme 2023/24 (paper 508/23/F&R)

The paper provided a summary of the College's 2023/24 capital programme for the year ending as at 21 November 2023. The programme totalled £4.253m, of which £2.831m was for building refurbishment and replacement works and £1,422 for capital equipment. The College's total contribution from its own cash reserves was £433k. Governors **Noted** the capital programme 2023/24.

167 Statutory Settlement Payments (paper 510/23/F&R)

From 01 August 2023 to 17 November 2023 the College made statutory settlement payments to staff to the total of £72,770.02. Governors **Noted** the statutory settlement payments, in particular compliance with Treasury *Managing Public Money* (MPM).

168 Procurement & Contract Management Policy (paper 511/23/F&R)

This was the College's first Procurement and Contract Management Policy and it provided clear direction on how activity with third-party suppliers should be undertaken. It complied with all relevant legislation. In response to a question, Maria confirmed that conflicts of interest were managed by carrying out due diligence on all new suppliers and staff were asked to register any interests. Procurement had recently been internally audited. Governors **Agreed** the Procurement & Contract Management Policy.

169 FE Fees Policy 2024/25 (paper 512/23/F&R)

The updated FE Fees Policy 2024/25 set out the framework under which the College set its fees with the aim of ensuring that when public funding was taken into account, the College was able to at least cover the full costs of each programme of study. No major changes had been made to the policy. In response to a question Maria confirmed that the College carried out a competitive analysis for each course and agreed that in future, changes to the policy would be highlighted. Governors **Agreed** to recommend the FE Fees Policy 2024/25 to Corporation for approval.

170 Estates & Sustainability Committee Minutes

Tim outlined the situation regarding the Arundel 1 lease and Katy confirmed that a paper would be brought to Corporation the following week.

Minute 171 was confidential

The meeting ended at 7.05pm.