City of Portsmouth College

Minutes of the Finance & Resources Committee Meeting Held Virtually at 5pm on 27 September 2022

Present: Alex Dartmouth, Katie Hill (staff governor), Tim Jackson & Paul Quigley (Chair)

Apologies: Shahalam Ali

In Attendance:	Katy Quinn	Principal & CEO
	Paola Schweitzer	Director of Governance
	Maria Vetrone	COO

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M i n u t e s

1 – Standing Items

075 Attendance and Participation

Shahalam Ali sent his apologies (he had hoped to join the meeting by phone).

076 Declarations of Interest

There were no declarations of interest.

077 Minutes

The Minutes and Confidential Minutes of the Meeting on 12 July 2022 were **Agreed** as a correct record.

078 Matters Arising

Governors **Noted** that the matters arising had been completed.

079 2022/23 Student Numbers Position Statement (paper 223/22/F&R)

Maria presented the latest 2022/23 student numbers.

Student enrolment had been taking places across all College campuses since the 26 August 2022 with enrolments being processed and managed via the new College student records system (EBS). Although most enrolment activity had taken place, the

College was still supporting late applicants and those wishing to change options or transfer from another education provider. This activity would continue until October half term. Enrolment numbers were therefore fluid. As at 16 September 2022:

- The College had enrolled 2736 students including 19-24 year old students with an Education Health Care Plan.
- The College set an ambitious course planning target of 3105. The current projection was that the College would be 48 students short of this target.
- Tangier Road Campus enrolment had been strong and was projected to be 91 above target. This was on the back of lower recruitment in 2021/22 which meant the 2022/23 2nd year cohort was smaller than usual.
- Enrolment at the Highbury and North Harbour Campuses was 139 students below target.
- The College's current funding allocation was 2948 students. The projection was that the College would have an additional 109 students in 2022/23. This would be reflected in the 2023/24 funding allocation.

Maria stated that these numbers were very positive and if they stayed the same the College would receive lagged funding of £18.3m in 2023/24 (up from £17.8m in 2022/23). However, student withdrawals were likely and the report outlined the associated financial impact for example 96% retention meant a loss of £478,587. This underlined the importance of retention and the College had strategies in place to mitigate this risk for example providing free breakfasts. As of 26 September 2022, the College had enrolled 3090 students and there had been 55 withdrawals. Maria clarified that the number of students enrolled at day 42 would determine funding the following year (lagged funding). Whilst students were obviously able to leave at any time, leaving after day 42 would affect College data, something Ofsted paid careful attention to.

In response to a question, Maria confirmed that work had started to interrogate the data at course level and that market intelligence on enrolment and retention at course level and student movement would be brought to the Committee in due course. Tim asked if, now there was a single college for the city, staff were signposting students to appropriate courses across all campuses. Katy confirmed that a clear message had been sent to staff about signposting and this was happening, with the central admissions team referring students as appropriate. Maria confirmed that there were opportunities throughout the year through January enrolment, NEET programmes and The Prince's Trust to enrol new students and bring those that had withdrawn back to the College. Tim was reassured by the effort being undertaken by staff with students to support retention.

Governors **Noted** the 2022/23 Student Numbers Position Statement.

080 HR Update including People Strategy & Recruitment Policy (paper 222/22/F&R)

Karen joined the meeting and presented the HR and policy update. She drew governors' attention to the key areas.

The **People Strategy** would be brought to the Committee's next meeting. The 12 HR priorities identified in 2021/22 had become the operational workstreams underpinning the strategy.

HR systems: A great deal of work had taken place to cleanse the data held on Zellis and the next stage was to develop systems to hold CPD records (which could be taken with staff when they left) and support recruitment, onboarding and learning walks (providing data that could be triangulated). This was being done through different, but integrated products. Tim, who was the HR link governor in 2021/22, stated it was good to see HR reporting coming together and applauded the decision not to simply buy additional Zellis applications, but instead to reflect on what was actually required by the College and then source the best product.

Staffing: In common with all FE colleges and the wider job market, recruitment was challenging. A great deal of time had been spent to fill technical and vocational roles and the College was now in a better position than at the end of August. The staffing headcount was around 730 FTE in 2021/22 and turnover was slightly higher than the sector average. Exit interviews suggested that staff were leaving due to pay and rewards, career progression and personal reasons. Most leavers were positive about how much they enjoyed working at the College. It was not possible at this stage to identify if leavers joined other employers in the sector or left the sector completely but this would be captured in the future. Karen didn't believe there was a massive exodus to other colleges, but it obviously happened particularly with academic staff. Sickness absence was tracking close to the sector average.

The **Recruitment Policy** had been updated to include the Keeping Children Safe in Education changes namely the need to undertake an additional pre-screening process. There were also minor amendments referencing the Executive Management Team (ELT) and Senior Management Team (SMT).

The recent **Harpur Trust v Brazel** Supreme Court decision made it clear that all part-year workers were entitled to 5.6 weeks paid holiday annually. It also re-confirmed that workers whose pay varied, must have their holiday pay calculated in accordance with the formula set out in the Employment Rights Act 1996. Karen stated that this had implications for a lot of education providers and whilst initial research indicated that CoPC contracts aligned with this ruling, Portsmouth College contracts were likely to require amending. HR were seeking legal advice to review College contracts and advise on the necessary changes. In response to a question, Karen was unable to estimate the potential cost to the College but when the costs were known, a judgement would be made on budgetary and risk implications.

Governors **Noted** the HR Update and, whilst the Recruitment Policy had not been circulated prior to the meeting, based on the amendments outlined at the meeting, governors **Agreed** to recommend it to Corporation for approval. Paola would circulate the policy to governors after the meeting as well as sending it to Prue, as safeguarding lead and Chair of Learning & Quality Committee.

081 Management Accounts: July 2022 (paper 224/22/F&R)

Maria presented the July 2022 management accounts.

As at 31 July 2022, the College was still tracking close to the full year budget with a full year actual operating deficit of £2,002k (£164k adverse to budget). The forecast final outturn indicated an operating deficit of £1,919k (£83k adverse to budget), the difference from actual numbers being mostly accruals. The forecast final outturn operating deficit had deteriorated by £10k from June 2022. Total forecast final outturn income was favourable against the budget by £318k. Total forecast final outturn pay expenditure was showing cost savings of £888k, mainly from curriculum staffing, vacant posts and the requirement for fewer teaching hours than forecast. Total forecast final outturn non-pay expenditure was showing an overspend of £1,289k, mainly due to additional costs associated with Covid-19, higher examination and registration fees, significant additional premises maintenance costs and significant additional unbudgeted costs.

Maria drew governors' attention to key elements in the report including:

- Total **income** for the year was budgeted at £28,197k. As at 31 July 2022, income was £28,473k (£276k higher than budgeted). The main reasons for this was additional income from the ESFA (16 - 19 tuition) and local authority (high needs students), Net Zero and catering. However, apprenticeships and tuition fees had continued to underperform.
- Total **pay expenditure** was £878k favourable to budget (£18,721k against a budget of £19,599k). Pay costs in academic areas were lower due to vacant posts and the requirement for fewer teaching hours from final timetabled hours. Pay costs in support areas were showing an adverse variance of c£741k mainly due to unbudgeted in-house catering staff costs and learning assistants' costs being posted into the support category.
- Total **non-pay expenditure** was £11,754k (£1,319k adverse to budget of £10,435k)
- **Positive and negative variances** in all budget lines, some of which were due to tidying up the finance system following coding errors.
- The revaluation of the Tangier Road Campus had improved the **College's balance sheet.** The Tangier Road Campus was valued at £8.3m at 31 July 2021 and revalued to £15.5m at the date of merger; an increase in net book value of £7.2m. The College's total fixed assets were now valued at £48.5m at 31 July 2022. With a change in the College's depreciation policy to extend the useful life of all asset types, there was also now a cost saving on depreciation in the income and expenditure account of £87k for the year.
- As at 31 July 2022, the College had £3.2m **cash reserves** in the bank.
- The financial KPIs indicated that the College was still *Requires Improvement*.

Tim reflected on the Committee's previous meeting in July and was pleased to see that this set of management accounts did not contain any surprises. He noted that apprenticeships had not been as good as hoped and asked if governors should be aware of any other adverse changes. Maria noted that the management accounts were still being developed at a granular level to enable early warning and intervention where necessary. Maria explained that with improved forecasting, there should be few surprises and little movement in the forecast numbers from month to month.

Alex noted that the provision for bad debt was extreme and asked if there was a specific reason for this. Maria stated that this bad debt concerned the College's subsidiary companies and intercompany balances and a journal had just been put through for the year end. She noted that all but two subsidiary companies were being closed. Alex then asked if the EBITDA was a standard position for colleges that had recently merged. Maria responded that the benchmark figures for the sector indicated where the College was and noted that the merger had been achieved without any central government funding. She believed the College had done well to absorb the merger costs from within its own resources and within budget. Maria was working on a five year financial strategy with the intention that the College's financial health would improve to *Good* in 2024/25. Tim remarked that the Department for Education had given £3m to manage the merger he had overseen in 2007. He believed completing the Portsmouth merger without government funding underlined governors' views that the merger was the right thing to do, irrespective of funding. Katy noted that North Harbour cost approximately £1.5m per annum in rent and running costs and it was therefore essential to find a long term solution to release the College from this cost.

Governors **Noted** the Management Accounts for July 2022.

082 Capital Programme 2021/22

Maria presented paper 225/22/F&R setting out the 2021/22 capital programme.

A new capital expenditure programme for the year ended 31 July 2022 was developed during the year to allow visibility of the College's capital expenditure plans and associated costs (This analysis had not previously existed). The College's finance system had been re-configured to account for capital expenditure and the management accounts now reported capital expenditure separately. A new Capital Expenditure Policy had been established to ensure that expenditure requirements were clearly identified, planned and authorised.

The capital expenditure budget for 2021/22 had been set as a headline figure of £1.25m with no detail. It included a range of projects across the College estate to the budgeted value of £3.93m including grant funding. Grant funding made up £2.46m, with the remaining £1.48m funded from the College's cash reserves. There was therefore an immediate adverse variance at the budget line of £227k. In response to a question, Maria confirmed that cost savings had been made from one or two projects which would feature in the 2022/23 programme.

Governors **Noted** the 2021/22 capital programme.

083 Capital Programme 2022/23

Maria presented paper 226/22/F&R setting out the 2022/23 capital programme.

The 2022/23 capital programme included a range of planned building refurbishment and replacement works across the estate to the total budgeted value of £1.456m. This included capital building projects that were capital grant funded to the value of just over £1m. Other capital building projects to the value of just over £455k would be funded from College resources. A separate budget for capital equipment was in place for £1.234m for the upgrade of IT infrastructure and classroom equipment. The total value of all budgeted capital expenditure in 2022/23 for building refurbishment/replacement work and capital equipment was £2.69m inclusive of capital grant funding. The capital programme had been carefully constructed and responded to feedback from students and staff regarding facilities and infrastructure. Maria confirmed that actual spend to date was approximately £27k.

Tim noted that at the College tour last week it had been pleasing to see the investment at North Harbour and the clear link to a business opportunity. Katy stated that Penny Mordaunt MP would visit the College on 07 October 2022 to open the T Level hospital ward in the Tower and governors were welcome to attend.

Governors **Noted** the 2022/23 capital programme.

Minute 084 was confidential

085 Regularity Self-Assessment Questionnaire

Maria presented paper 237/22/F&R setting out the Regularity Self-Assessment Questionnaire.

The College had appointed a reporting accountant to provide an assurance report on regularity each financial year. The reporting accountant had to undertake the engagement to provide 'limited assurance' only. Limited assurance engagements were defined as those concluding whether, based on the procedures performed and evidence obtained, nothing had arisen that suggested information was materially misstated. For Corporations, the reporting accountant provided limited assurance that expenditure disbursed and income received have been applied to the purposes intended by Parliament, and that the financial transactions conformed to the authorities which governed them. The reporting accountant was required to set out any material matters within their assurance report on regularity. Any other findings arising from the engagement had to be set out in their management letter to the Corporation, including any concerns over propriety. There were no major changes to the self-assessment questionnaire from last year other than the addition of confirmation of the completion of an annual governance self-assessment.

The College had reported compliance for all questions raised in the Regularity Self-Assessment Questionnaires for the year ended 31 July 2022 (evidence was kept in a separate folder). There were no matters to raise. Once agreed by Corporation, the College's external auditor and reporting accountant, Mazars, would review the Regularity Self-Assessment Questionnaire as part of the annual financial statements Regularity audit procedures for 2021/22.

In response to a question, Maria confirmed that the College's financial regulations covered capital disposals. Governors on the tour of the College estate the preceding week reported that some electrical equipment at North Harbour had been disposed of. Maria would investigate further.

Governors **Approved** the Regulatory Self-Assessment Questionnaire and the Principal/CEO and Chair **Agreed** to sign it.

Minute 086 was confidential.

The meeting ended at 6.30pm.

Date of next meeting: 5pm 22 November 2022