

Minutes of the Finance & Resources Committee Meeting at 4.50pm on 25 November 2024

Present: Alex Dartmouth, Tim Jackson (Chair) & Anne Murphy

Apologies: Shahalam Ali, Naomi Beer (staff governor) & Rob Nitsch

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

Minutes

211 Attendance and Participation

Shahalam Ali, Naomi Beer (staff governor) & Rob Nitsch sent their apologies. Tim chaired the meeting.

212 Declarations of Interest

There were no declarations of interest.

213 Minutes

The minutes of 08 and 16 July 2024 meetings were **Agreed** as correct records.

214 Matters Arising

Governors **Noted** the matters arising.

215 HR Update including dashboard (paper 680/24/F&R)

The report provided an update on the people strategy's KPIs and highlighted strengths, weaknesses, potential strategic risks and the quality improvement plan. Mickiela drew governors' attention to key points of concern to the Committee, including the gender pay gap where the College was underperforming against national targets and the length of time it took to recruit and how both might be improved. Low staff engagement in staff surveys etc was a threat to achieving the people strategy and work was ongoing, for example through the newly created Staff Forum, to embed and develop engagement. In response to a query, Mickiela confirmed that exit strategies provided more insightful information now they were face to face. There was a discussion about levels of staffing and retention of specific trade-based skills teaching staff which remained high on the risk register, with governors recognising the challenge of attracting teaching and support staff into the sector. Governors asked that future reports tabulate and unify data which was presented in several styles in the report, particularly the dashboard of progress with colours and upward/downward arrows indicating trends. Governors **Noted** the HR update including dashboard.

216 Financial Statements & Annual Report 2023/24 (paper 681/24/F&R)

Colleges are required to submit audited financial statements to the ESFA by 31 December. F&R Committee reviewed the financial components of the statements, with Audit Committee reviewing the governance statements and audit opinions prior to final signature at Corporation. The accounts included the College's subsidiary company: City of Portsmouth College Enterprises Ltd. In response to a query, Maria confirmed the accounts were compliant with the standard FE Casterbridge model.

The College Group achieved an underlying operating surplus of £322k, excluding dilapidations provision for the Birmingham accommodation and FRS LGPS adjustments, for the year ended 31 July 2024. This was achieved against a planned underlying operating deficit of £1.475m. Total income was £32.74m and total expenditure was £31.55m meaning the Group posted a surplus for the year of £1.12m including FRS 102 LGPS adjustments which amounted to a net credit of £919k. The College had exceeded the financial health score target of *Requires Improvement* to achieve *Good* financial health. As at 31 July 2024 there was £6.3m in cash reserves (69 days). The external auditors agreed with the College's assessment that for twelve months from the signing of the accounts, the College was an operational and sustainable going concern.

There was a wide-ranging discussion, with governors noting the following:

- The College continued to focus on controlling costs, demonstrated by the fact that whilst the cost base had increased, it was proportionally less than income.
- ESFA KPIs: the College Group had met its 2023/24 targets except for adjusted current ratio which was slightly behind target but had still performed strongly. The narrative in the financial statements would be amended accordingly.
- Provision had been made for dilapidations when the lease on the College's Birmingham property expired in June 2025.
- Apprenticeship income was relatively small in terms of the Group's total income and therefore posed a relatively low financial risk.
- Energy and carbon reporting showed an improvement on the previous year from a number of measures implemented by management which also included technology outlined in the capital report later in the meeting.
- The proposal that government underwrite the LGPS would eliminate the risk of colleges defaulting on payments and so would decrease their risk profile and reduce LGPS employer contributions and potentially COPC's in future.

Having scrutinised the draft audited College Group financial statements and the notes to the accounts, governors **Noted** the final outturn and commentary and **Agreed** to recommend them to Audit Committee for review and final approval by Corporation. Governors noted that the statements provided a rich overview of the College's journey and gave confidence that it was a going concern in all aspects.

217 External Audit Management Letter & Letter of Representation 2023/24 (paper 682/24/F&R)

Corporation was required to submit the External Auditor's Management Letter confirming the audit findings and external audit opinion to the ESFA by 31 December. Alliot's confirmed that significant matters were known and being addressed and assumptions applied to inform going concern and the disclosures in the financial statements were accurate. There was a brief discussion about COPC Enterprises Ltd with governors recognising that once the Birmingham lease ended the College would

need a clear rationale for maintaining the subsidiary in accordance with Managing Public Money requirements. The letter of representation, signed on behalf of the Corporation by the Chair of Corporation, confirmed that information submitted for external audit was accurate and that all material information had been disclosed. Having scrutinised both letters, governors **Noted** the External Auditor's Management Letter, particularly the work carried out and conclusions, and **Agreed** to recommend the Letters of Representation to Audit Committee for review and for onward final approval by Corporation.

218 Student Union Report & Accounts (paper 683/24/F&R)

The report outlined the Student Union Report & Accounts 2023/24 and showed a deficit of income over expenditure of £270 with a closing bank balance of £2,301.43 on 31 July 2024. There was a discussion about the Student Union and governors supported S&G Committee's review of student engagement models including the purpose, activities and value of the Student Union. Paola would work with Matt Phelps and Jo Shankland. Governors **Agreed** the College's Student Union financial statements for the year ended 31 July 2024.

219 Subsidiary Companies Update including Accounts (paper 684/24/F&R)

The Committee noted that the Corporation was required to submit a signed copy of the audited accounts of all non-dormant subsidiary companies to the ESFA by 31 December 2024. The report to the Committee provided an overview of the current position of the College's two subsidiary companies. COPC Enterprises Ltd accommodated the College's leased property in Birmingham. The £1.2m intercompany debt had been provided for and required a letter of comfort. The dissolution of Highbury College (Nigeria) Limited was expected to be completed by 31 December 2024. Governors **Agreed** to recommend COPC Enterprises Ltd's draft audited 2023/24 financial statements and the associated letter of comfort to Corporation for approval, and **Noted** the update on Highbury College (Nigeria) Ltd.

220 Management Accounts (P02 October 2024) (paper 685/24/F&R)

The October 2024 management accounts included year to date (YTD) actuals and showed a break-even operating position favourable to YTD budget by £357k. The forecast outturn indicated an operating deficit of £170k, favourable to the full year budget by £98k. Key points included:

- 16 – 19 in-year growth funding estimates of £775k meant that total forecast outturn income was favourable to budget by the lesser sum of £407k due to income shortfalls elsewhere.
- Total forecast outturn pay expenditure was aligned with the budget.
- Total forecast outturn non-pay expenditure was adverse to budget by £309k mainly due to the impact on the College's estate and infrastructure, teaching support and student materials of higher than expected student numbers.
- The College's financial health at 31 October 2024 was graded *Good* and was expected to remain so in 2024/25.
- Cash at 31 October 2024 was £5.79m (51 days). Cash balances ranged between £5.3m and £3.4m (48 - 35 days) between YTD and June 2025.

Governors noted the exceptional in year growth funding anticipated in the spring though also offset by T Level funding clawback. Detailed modelling including increased employer National Insurance costs and the national living wage increase were included in the accounts and governors discussed the risk to colleges if the government did not

fund these employer contribution increases. There was a discussion about debtors over 90 days and how this was being managed. Katy confirmed that whilst Portsmouth City Council had paid the element 3 High Needs funding for 2023/24, funding was not yet agreed for 2024/25. To mitigate this risk the College was strengthening its relationship with the Council's finance team.

Anne asked when management actions to address apprenticeships would show financial benefits and sought assurance that this would continue to be a focus for activity. Maria responded that financial planning and associated assumptions would be remodelled and that any financial improvements were likely by the end of the academic year. Katy assured Anne that the Executive Leadership Team (ELT) would continue their focus on this area. She acknowledged that improvements in this area had been too slow but needed to be considered in the context of the huge volume of matters of greater importance and impact that had had to be prioritised. The pay cost budget included a consolidated staff pay award of 2%. Maria advised that the Association of Colleges (AoC) pay recommendation was for 2.5% or £750 pay award, whichever was greater. Backdating a 2.5% pay award to October 2024 as originally anticipated would cost an additional £110k beyond the budget provision and was not affordable. Paying the AoC recommended pay award to all staff in January 2025 was affordable and was put forward as the proposal.

Governors scrutinised the College's financial position including KPIs, adverse variances and operating deficits, forecasts to year end, emerging financial risks and **Noted** the P02 October 2024 management accounts. Governors also **Agreed** to recommend a 2.5% staff pay award or £750 whichever was greater from January 2025 to Corporation for approval.

221 Capital Programme & Estates Update 2023/24 (paper 686/24/F&R)

The report summarised the College's 2023/24 capital programme including energy efficiency initiatives and planned expenditure for building refurbishment and replacement works to the total budgeted value of £2.831m. The College's separate capital equipment budget contained a further £1.422m. Total capital expenditure totalled £4.253m, of which £433k was from the College's cash reserves.

The capital programme was currently forecasting an underspend of £90k which if remaining unspent, could be clawed back by DfE. One governor asked what was slowing the spending towards the deadline for all expenditure, to which Maria responded that the deadline was March 2026 and that there was sufficient time to spend the capital grant funding. Another governor asked for assurance that the H&S and fire prevention activity was proceeding at an appropriate speed and not presenting any risks. Katy confirmed that most of the activity was at the Sixth Form Campus where the fire alarms worked but required rewiring. Governors scrutinised and **Noted** the report, particularly the revised delayed timelines for the delivery of a number of projects and financial variances against budget. They recognised the huge amounts of work in managing and monitoring the complex capital programme and congratulated Maria and her finance and estates teams.

222 Capital Programme & Estates Update 2024/25 (paper 687/24/F&R)

The College's 2024/25 capital programme included a range of planned expenditure for building refurbishment and replacement works as well as associated works across the estate to the total budgeted value of £2.468m (£998k of which was College funded

capital expenditure). The programme would require careful monitoring and management. Governors **Noted** the 2024/25 capital programme in particular the revised delayed timelines for the delivery of a number of projects, financial variances against budget and the impact on the College's cash flow forecasts.

223 Health & Safety Report & External Review Action Plan (paper 688/24/F&R)

The paper provided an update on H&S arrangements and progress against the independent external review actions. The focus of activity continued to be to ensure that the College had comprehensive control measures in place to maintain a safe place to work, visit and study. Maria explained that following the actions reported in the paper, in particular the new legal compliance register, College management were reasonably satisfied that the College was meeting its H&S compliance obligations. A new H&S Management System enabling staff to report near misses and incidents was expected to be fully operational by the end of term. Significant improvements including the creation of a H&S framework had been made over the last 12 months but much work remained and this was being negatively impacted by staffing challenges linked to those with specialist H&S knowledge and competence. Governors suggested a possible tactic to address this shortage of the use of administrators upskilled to carry out risk assessments, with periodic auditing of their assessments by more specialised H&S colleagues Katy agreed, confirming that staff responsibilities were being addressed through the behaviours and expectations piece currently underway. Having scrutinised the report, particularly concerning legal compliance, data and the current position relating to H&S risk assessments and workplace inspections, governors **Noted** the H&S report and external review action plan.

224 FE Fees Policy 2025/26 (paper 689/24/F&R)

The College set tuition fees to ensure that, taking into account public funding, it was able to at least cover the full costs of each programme of study. No significant changes were proposed to the existing FE Fees Policy, only clarifications and the streamlining of fees payable by international students. Governors **Agreed** to recommend the 2025/26 FE Fees Policy to Corporation for approval.

225 Summary of Statutory Settlement Payments (paper 690/24/F&R)

Governors **Noted** the settlement payments to staff in settlement of £70,755.64 and that redundancies were aligned to curriculum planning.

The meeting ended at 7.15pm.