City of Portsmouth College

Minutes of the Finance & Resources Committee Meeting Held Virtually at 5pm on 12 July 2022

Present: Shahlam Ali, Katie Hill (staff governor), Tim Jackson, Paul Quigley (Chair) & Paul Walton

Apologies: Lily Camacho (student governor)

In Attendance:		
	Paola Schweitzer	Director of Governance
	Maria Vetrone	COO

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M i n u t e s

1 – Standing Items

055 Attendance and Participation
Lily Camacho (student governor) sent her apologies. Paul Q observed the number of papers and noted that the cover sheets were essential reading, with the supporting documentation providing further information if required.

Paul Q, Katy and Maria had a constructive meeting with the DfE's financial improvement team the previous week. DfE's objective was to remove the College's *Financial Notice to Improve* status by the end of the calendar year. This was in line with FEC's objective to lift the College's intervention status.

056 Declarations of Interest
There were no declarations of interest.

057 Minutes
The Minutes of the Meeting on 26 April 2022 were **Agreed** as a correct record.

058 Matters Arising
Governors **Noted** that the matters arising had been completed.

059 HR Update (paper 182/22/F&R)

Karen joined the meeting and presented an update on Human Resources.

The Transitional People team structure was operational, with recent changes improving the HR operational service delivery model and providing high quality people partner support and guidance to senior and middle managers.

The HR/People Strategy was underpinned by twelve priorities. Staffing and staffing structures were being reviewed to ensure effective delivery of tutorial provision in 2022/23. The strategy would be brought to the Committee in the autumn term.

Full time equivalent (FTE) and overall staffing numbers were similar in May 2022 to August 2021. During 2021/22 staffing numbers, headcount and FTE increased before declining, with headcount peaking in November 2021 and FTE peaking in February 2022. The number of staff with less than 12 months service was increasing (almost 20%). Staff turnover, including those with less than 12 months service, was above the AoC benchmark. In response to a question, Karen confirmed there were systemic induction failings, with some areas relying on long-standing staff rather than documented procedures. Work was underway to improve knowledge transfer. An *Aspiring Managers* programme was being rolled out to enhance support offered by managers.

35.5% of staff responded to the May 2022 employee engagement survey (slight increase on the previous survey). 91% of staff supported the College's strategic aims and objectives, 64% felt confident about the future of the College and 69 % were happy working at the College. Staff satisfaction had dropped in some areas for example only 45% of respondents agreed that communication within the College was good, 53% felt that senior managers provided clear direction and leadership and 54% felt they had enough information to understand why change was happening. Tim noted that the results of the survey were not surprising given the College's newly merged status and asked if there were any signs that staff satisfaction, particularly at Tangier Road, was beginning to improve. Karen stated that anecdotally the downs seemed to be less marked than previously. Maria agreed, noting the positive feedback from the recent staff awards event at Tangier Road. Katie believed the lack of senior management representation at Tangier Road was contributing to staff dissatisfaction. In response to a question, Karen stated that a version of the survey had been shared with staff. The survey results, along with the pulse survey results, were being used to create an action plan to inform the HR/People strategy. Katie asked what further action could be taken to improve the response rate, to which Karen responded it was an ongoing challenge and whilst 35.5% was not great, it was usual for the sector.

Work was underway with staff to review the pre-merger College values and to agree updated values and mission for the College. Generally staff were supportive of the values but wanted them to be shorter.

Governors turned their attention to the four revised HR/people policies. The aim was to create clearer policies to better support work life balance and to enhance the College's employer value proposition. The policies had been through an internal review and consultation process with Trade Unions. Policies would apply to all employees, except for those with enhanced TUPE protected contractual terms.

- The *Family Friendly policy* had been amended to align entitlements to the sector and provisions in Portsmouth College policies.
- The *Flexible Working* policy was fully revised, based on the ACAS model policy.

- Under the *Absence Management* policy occupational sickness pay entitlements had been simplified and aligned to the sector and provisions found in Portsmouth College policies.
- The *Planned Absence & Special Leave* policy had improved provision for planned absence to support work life balance and to improve the College's employee value proposition.

There had been positive feedback from the Trade Unions to the proposed changes and Karen was comfortable with the consultations. In response to a question, Karen confirmed there would not be any changes to entitlements protected by TUPE but that all other staff would be affected by the changes including staff with older contracts. She noted that the College had discretion to review the impact of changes on a case by case basis. Paola noted Remuneration Committee's views that all policies should reference senior postholders and should, as a rule, apply to them, stating any variations as appropriate.

Governors **Noted** the HR Update and **Agreed** to recommend the Family Friendly, Flexible Working, Sickness Absence Management and Planned Absence & Special Leave policies to Corporation.

Karen left the meeting.

060 Management Accounts

Maria presented paper 186/22/C setting out the May 2022 management accounts.

Maria drew governors' attention to the first table in the report which showed the College's performance to date against the budget, alongside the full year approved budget and updated forecast for 31 July 2022. As at 31 May 2022, the College was tracking close to the Year To Date (YTD) budget with a YTD operating deficit of £1,281k, which was £151k favourable to the YTD budget. The position had improved since the last report to the Committee and indicated a YTD operating deficit of £603k, being £2k adverse to the YTD budget. Total income was adverse against the YTD budget by £39k. Pay expenditure was showing cost savings of £903k YTD, mainly from curriculum staffing and associated under-enrolment with some courses not running as planned. Non-pay expenditure was showing an overspend of £714k YTD, mainly due to additional costs associated with Covid-19, higher examination and registration fees and significant additional premises maintenance costs. The year-end final outturn forecast was set at £32k adverse to budget (previous report £76k favourable to budget) with an operating deficit of £1,868k at 31 July 2022 (previous report operating deficit of £1,761k at 31 July 2022).

In response to a question, Maria clarified that exams fees featured twice as the first figure was payments from students to the College and showing as income; and the second was payments to exam boards by the College. Tim asked why the apprenticeship achievement funding target had dropped to 55%. Maria stated that whilst the apprenticeship team had undertaken a great deal of work to close down apprenticeships that were of low quality and insufficient financial contribution, as well as identifying out of funding apprentices that needed to be re-engaged and completed, a 65% achievement rate was no longer believed to feasible. Paul Q noted the adverse variance on maintenance of the College estate and asked if all the work had now been completed. Maria stated that urgent health and safety defects had been addressed over the last six months but a great deal of further backlog maintenance work was planned in the 2022/23 budget. The RAG rated KPIs used by the ESFA to measure college performance showed that the College was being managed broadly in alignment with the budget for 2021/22 but was significantly behind sector norms and the FEC benchmarks. The College's automated financial health grade was '*Requires Improvement*'.

Governors thanked Maria for the clear presentation of the management accounts, in particular the supporting documentation allowing governors to drop into greater detail if they wished. Governors **Noted** the May 2022 Management Accounts.

061 Budget 2022/23 & One Year Financial Forecast including pay review

Maria presented paper 183/22/F&R setting out the 2022/23 budget and one year financial forecast.

As part of the ESFA's ongoing review of college financial health and budget forecasting, Corporation was required to approve, by 31 July, a budget for the College Group for the coming year as well as a three year financial plan and detailed budget commentary. Corporation was required to consider all relevant data to determine whether it was financially sustainable and to assess key risks. The model included analysis of all income and expenditure, balance sheet and cashflow items and produced an analysis of financial ratios and assessment of the College's financial health score. The budget summary for the College Group included Highbury Apprenticeships (Birmingham) Limited although all apprenticeships were now delivered from Portsmouth and the only transactions through this subsidiary company were lease costs and subletting income.

Total budgeted income in 2022/23 was set to increase from total budgeted income in 2021/22 by £3,465k (12.29%) and from forecast Outturn 2021/22 by £3,529k (12.55%). There were some variances between the forecast Outturn 2021/22 and the Budget 2022/23 due to format changes in the College's Management Accounts. The growth in total income was mainly from increased ESFA 16-19 core grant funding of £814k due to the increase in the funding rate, increased delivery of Apprenticeship funding of £1,303k and increased Full Cost income of £597k due to expansion of the curriculum offer to meet the local need for skills.

Total budgeted pay expenditure in 2022/23 was set to increase from total budgeted pay expenditure in 2021/22 by £198k (1.01%) and from forecast Outturn 2021/22 by £1,172k (6.29%). The growth in pay costs arose from posts which were vacant and would be recruited to of £830k across teaching and support areas, new posts to increase capacity of £418k to service the College and to support planned growth and the implementation of a new personal tutor model to improve quality as part of the new Curriculum Strategy, a net increase of £65k. The adverse variance for permanent teaching staff of £2,141k was due to corrections in the classification of staff.

Total budgeted non-pay expenditure in 2022/23 was set to increase from total budgeted non-pay expenditure in 2021/22 by £2,307k (22.11%) and from forecast Outturn 2020/21 by £1,367k (12.02%). Costs had increased in almost all expenditure lines to reflect increased costs of goods and services, particularly utilities, IT subscriptions and licencing and an increase in depreciation charges due to capital expenditure required in 2022/23.

The operating deficit from 2021/22 was more than halved in 2022/23 and was expected to turn into an operating surplus of £660k in 2023/24. The risks associated with the 2022/23 budget were high, with little contingency built in. The College was heavily reliant on revenue growth from apprenticeship provision and from new commercial provision such as Net Zero and was planning to increase 16-19 recruitment from recovery of market share. The 2022/23 budget included urgent capital investment across the College estate and significant capital investment in IT infrastructure.

Maria noted that the ESFA were satisfied with the College's progress to date, with the planned steady reduction of the operating deficit and improvement in the financial health indicators through to 2023/24. The College would have been in a much stronger financial position in 2022/23 if it were not for an increase in gas and electricity costs of £1m which were not previously fixed and are on variable rates for the foreseeable future. The College remains autograded as *Requires Improvement* for financial health in 2022/23 but all metrics were expected to steadily improve, including the adjusted current ratio which was an indicator of solvency. Maria drew governors' attention to cash reserves which were expected to become overdrawn in March/April 2023 and March/April 2024 and would require careful management (a later agenda item concerned an overdraft facility which was likely to be required). Maria confirmed that inflation had been accounted for, along with a proposed 1% pay award and that there was a small contingency. In response to a question, Maria believed it to be a stretching but achievable budget and predicated on the achievement of planned student numbers. Paul Q asked on what basis the budget had been compiled, to which Maria responded that it had been started from scratch using a brand new detailed budgeting model and based on curriculum plans and specific student number targets. All budget owners were now clear about and accountable for their income lines, pay costs and non pay expenditure budgets.

Tim noted that if the anticipated growth didn't happen, then neither would some costs. He stated the public sector was mooting pay increases in excess of the 1% in the budget. Maria stated she had had lengthy discussions with the Trade Unions who understood the pressures experienced by the College. Katie believed there was a certain amount of good will within the College as long as there wasn't an excessive number of high salary jobs advertised. She suggested that pay scales link to annual reviews. Maria had discussed this with Trade Unions and it would be reviewed in the autumn term after enrolment had been completed. Governors agreed that should the budget exceed current expectations, a further pay award for staff would be considered.

Governors confirmed they were comfortable with the budget and its underlying assumptions and gained a great deal of comfort that curriculum planning now linked directly to planned student numbers, teaching costs and direct non pay costs which produced clear targets for financial contribution required at course level. They thanked Maria for her thorough and detailed papers, and also for her and her team's work in building up the budget from a zero base.

Governors **Agreed** to recommend the College Budget 2022/23, including a consolidated pay award of 1%, and One Year Forecast 2023/24 to Corporation for approval.

062 Curriculum Planning

Maria presented 2022/23 curriculum planning, highlighting the financial slides.

The funding allocation in 2022/23 was £22,607,743, an increase from £21,763,992 in 2021/22 (3.9%). Most of this increase was due to the ESFA study programmes, AEB and Advance Learner Loan facility. Assuming a 5% pre-qualifying period drop-out the ESFA study programme plan summary (including 16-18 years, 19-24 EHCP and 19 continuers) was 3,167 planned learners against an allocation of 2,950 in 2021/22 (R09), meaning the College had to recruit: 3,334 learners to reach its plan and 3,103 to reach its allocation. Maria believed this was stretching but achievable.

Maria drew governors' attention to data showing the curriculum contribution. The College was planning to achieve 58% financial contribution for overall FE but emphasised that this included maths and English. Apprenticeships were planned to achieve 64% financial contribution overall at curriculum planning level. The top three courses were computing (71%), multi trades (72%) and painting and decorating (76%). The bottom three courses were refrigeration and air conditioning (47%), catering (49%) and floristry (53%). Maria stated that it was not yet possible to manage the staff cost base at individual teacher level but that this would be possible by the start of the new academic year with reporting from the new management information system. Tim believed this data would make a huge difference to managing the College and that there would be some courses that didn't make a contribution and yet were still considered valid for non-financial reasons. In response to a question, Maria confirmed that this data would be available from the new EBS system which was on schedule for completion by the start of the academic year. Katie confirmed that she had recently done some training on the new system.

Governors **Noted** the curriculum planning presentation.

063 Capital Programme 2022/23

Maria presented paper 184/22/F&R setting out the Capital Programme for 2022/23.

The 2022/23 capital programme included a range of planned building refurbishment and replacement works across the estate totalling £1.456m (including capital building projects requiring capital grant funding to the value of just over £1m). Other capital building projects to the value of just over £455k would be funded from College resources. Capital grant funding had not yet been confirmed by the grant awarding bodies and was not included in the cash flow forecasts. A separate process for the capital equipment expenditure budget had been concluded and reported separately with a further £1.234m available for the upgrade of College IT infrastructure and classroom equipment. The total value of all budgeted capital expenditure in 2022/23 was £2.69m with capital grant funding or £1.689m without capital grant funding. The associated cash flows had been modelled and were tight but affordable from within the College's own cash reserves. A bank overdraft facility of £1m was in place should the College require additional temporary cash injection during the year. Maria drew governors' attention to the report's appendix which detailed costs against each project.

Governors **Agreed** the final draft of the capital expenditure programme for 2022/23.

064 Capital Bids 2022/23

Maria presented paper 185/22/F&R setting out the capital bids for 2022/23.

Capital bids contributing towards the achievement of the College's new strategic objectives were invited from across all curriculum and business support departments within the College as part of the new financial planning/ budgeting arrangements. A total of £1,234k for 2022/23 was agreed by the Senior Management Team covering capitalised furniture and equipment, predominantly for classrooms/teaching spaces and IT/computer equipment (these funds were distinct from capital building refurbishment and replacement works in the capital expenditure programme). The spreadsheet appended to the report contained details on the bids to be funded.

Tim believed the balance of capital spend particularly on IT, given it was one of the College's most significant risks, was correct. Governors **Agreed** the results of the capital bids and allocation process for 2022/23.

065 Bank Overdraft

Maria presented paper 187/22/F&R concerning a bank overdraft.

At its meeting on 17 August 2021 Corporation had given its in principle agreement to an overdraft facility with Barclays Bank Plc to a maximum limit of £1m. The facility was believed to be crucial in the light of the College's updated cash flow forecast which indicated low cash balances in 2022/23 and 2023/24, in particular March/April 2023 and March/April 2024. The cost of the overdraft was 2.5% per annum interest rate over the Bank of England rate and a fee of £1,875 per quarter. and associated agreement. The purpose of the forthcoming Corporation meeting was to consider, and if thought fit, to approve the entry by the Corporation into the terms of the agreement as set out in the documentation appended to the report namely to grant a legal charge in favour of Barclays Bank Plc over the Highbury Campus.

Governors agreed that it was essential to have the overdraft facility in place **Agreed** the draft Minute, draft Certificate and Legal Charge required for approval and signature by Corporation on 21 July 2022.

066 Subcontracting Supply Chain Fees & Charging Policy 2022/23

Maria presented paper 188/22/F&R setting out the draft Subcontracting Supply Chain Fees and Charging Policy 2022/23.

The College was required to have a subcontracting policy to ensure that subcontracting activity fell within ESFA funding guidelines. The decision to engage subcontractors to deliver learning programmes on behalf of the College was a strategic decision. The College recognised that subcontracted provision could play an important role in providing a broad and flexible mix of provision and so sought to engage suitable subcontractors to enhance existing provision. The College engaged with subcontractors who could demonstrate a high level of quality delivery following a due diligence process. The quality of provision was managed through existing College quality assurance processes and procedures. The standard College management fee was up to 20% of all funding drawn down, covering the cost incurred by the College in identifying, selecting and managing subcontracted provision.

It was a straightforward policy as the College had only one subcontractor: Pompey in the Community (PITC). PITC would deliver a 16-18 Study Programme in 2022/23 with an estimated value was £123,876, of which £24,775 (20%) would be withheld. Tim agreed that the document was appropriate and asked at what point the Board would be involved in any subcontracting decisions. Maria confirmed that she would bring all proposals to the Committee and then Corporation for agreement.

Governors **Agreed** the Subcontracting Supply Chain Fees and Charging Policy 2022/23.

067 ESFA Conditions of Funding Agreement (paper 189/22/F&R)

Maria presented the ESFA's Model Conditions of Funding Agreement providing the framework in which the College was required to operate in the year ending 31 July 2023. Each ESFA funded organisation had an agreement, the terms of which varied according to the type of education/training provision and the legal status of the entity. The agreement set out the provider's obligations and the circumstances in which the ESFA would intervene. The College had received the Model Conditions of Funding Agreement for Advanced Learner Loans and others were awaited from the ESFA (the conditions would be the same). There were no significant changes from the previous year. Maria stated that the responsibilities were delegated to SMT and reported against in the annual regularity self-assessment at year end.

Governors **Noted** the ESFA Model Conditions of Funding Agreement 2022/23.

068 ESFA Funding Rules 2022/23 (paper 190/22/F&R)

Maria presented the ESFA Funding Rules 2022/23 stating that the ESFA had published separate funding rules for each programme area for 2022/23 ie 16-19 young people's funding, Adult Education Budget (AEB), Advanced Learner Loans, apprenticeships and subcontracting. There were no significant changes from the previous year in any of the programme funding rules although there were some changes to rules relating to apprenticeships and the College would amend its processes and procedures to ensure compliance with them. In response to a query, Maria confirmed that the College had been audited by KPMG on behalf of the ESFA in 2020/21 and was found to be compliant. Tim noted that falling foul of the rules could result in clawback which was potentially catastrophic.

Governors **Noted** the ESFA Funding Rules 2022/23.

069 Mazars Financial Statements Audit Planning Memorandum (**paper 191/22/F&R)**

Maria presented Mazars Financial Statements Audit Planning Memorandum summarising the external auditor's approach to the financial statements audit for 2021/22. The strategy highlighted significant audit risks and areas of key judgements and provided details of the external audit team. The memorandum, including timelines and fees, had been provisionally agreed with the COO and Audit Committee had subsequently agreed to recommend it to Corporation.

Governors **Agreed** Mazars Financial Statements Audit Planning Memorandum and the audit fee.

070 Joint Audit Code of Practice (**Paper 192/22/F&R)**

Maria presented the Joint Audit Code of Practice setting out the common standard for the provision of assurance in relation to funding of post-16 providers. The Code was published in April 2022 and applied to the accounting period ending 31 July 2022. The report identified key changes to the Code as well some of the characteristics of providers where the ESFA had identified regularity concerns. These related to College governance and management and included ineffective governance structure, weaknesses in the Corporation's approach to holding management to account, inadequate record keeping and ineffective implementation of policies and procedures.

Governors **Noted** the Post-16 Audit Code of Practice.

Minute 071 was confidential.

072 Committee Terms of Reference & Business Plan

Paola presented paper 194/22/F&R evaluating performance against the Committee's Terms of Reference in 2021/22 and setting out the Committee's 2022/23 business plan. Governors **Agreed** the Committee's Terms of Reference and performance against them in 2021/22 and **Noted** the Committee's 2022/23 Business Plan.

073 Estates & Sustainability Committee Minutes 24 May 2022

Minutes were tabled to ensure synergy between the two Committees. At Tim's request, Paola had circulated the Capital Programme 2022/23 paper to Estates &

Sustainability Committee members for comment. Governors **Noted** the Estates & Sustainability Committee Minutes 24 May 2022.

The meeting ended at 7.30pm.

Minute 074 was restricted confidential

Date of next meeting: 5pm 27 September 2022