City of Portsmouth College

Minutes of the Finance & Resources Committee Hybrid Meeting at 4.30pm on 17 July 2023

Present: Shahalam Ali, Huw Chapman, Katie Hill (staff governor), Tim Jackson & Rob Nitsch (Chair)

Apologies: Alex Dartmouth

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

Minutes

135 Attendance and Participation

Alex Dartmouth sent his apologies.

136 Declarations of Interest

There were no declarations of interest.

137 Matters Arising

Following the last meeting Paola had circulated the tracked version of the Financial Regulations. Governors **Approved** the Financial Regulations and **Recommended** them to Corporation for approval.

138 Management Accounts (paper 397/23/F&R)

Maria presented the management accounts as at 31 May 2023.

The College was tracking ahead of the year to date (YTD) budget but behind the full year budget. The YTD actual operating deficit of £280k was £100k favourable to the YTD budget of £380k. The forecast outturn indicated an operating deficit of £1,157k, which was £279k adverse to the full year budget of £878k. There had been a favourable change to the forecast outturn operating deficit from the last report of £143k. Total forecast outturn income was adverse against the budget by £1,132k. Total forecast outturn pay expenditure was indicating cost savings of £739k against the full year budget. Total forecast outturn non-pay expenditure was showing a favourable variance of £114k against the full year budget. There were several financial risks including under achievement of apprenticeships new starts and increasing withdrawals, under-enrolment against Net Zero and commercial curriculum plans, inefficiency in staff utilisation and managing the non-pay cost base. The College was implementing a recovery plan to manage risks and minimise the adverse financial impact.

Maria drew governors' attention to the table showing performance against the budget and highlighted several points. The shortfall in income was mainly due to the downgrading of apprenticeship income forecasts. The forecast outturn against pay expenditure indicated cost savings mainly due to vacant posts (there had been a freeze on non-essential recruitment in the last quarter) and the forecast outturn against non-pay expenditure showed a favourable variance mainly due to the impact of cost saving measures (there had been a freeze on all non-critical spend in the last quarter). Maria then highlighted the numbers in the variance analysis, noting that the larger adverse variances concerned apprenticeships. Performance against sector and FEC benchmarks was improving, except for EBITDA which had markedly improved from 2021/22 but remained weak overall. Assuming the positive trajectory continued the financial health grade forecast for 2022/23 would improve from *Requires Improvement* to *Good*. Governors discussed cash days, believing 112 for the sector was too high although it was noted that this figure was distorted due to additional in year funding to colleges, but more than 25 cash days was prudent. Maria believed that 70 – 90 cash days was optimal for a college of CoPC's size.

Governors **Noted** the improvement to the budget forecast outturn and **Noted** the May 2023 management accounts.

139 Budget 2023/24 and One Year Financial Forecast & Pay Review (paper 398/23/F&R)

Rob reminded the Committee that they were making a budgetary recommendation to the Corporation. He explained that he had been pre-briefed on the proposal and felt able to support it in the circumstances and that, whilst not wishing to constrain the Committee's ability to act, the College was very close to the point of committal.

The ESFA required Corporation to approve the College Group's 2023/24 budget by 31 July with a one year forecast and budget commentary. The model included an analysis of income and expenditure, balance sheet and cashflow and produced an analysis of financial ratios and a financial health score up to 2024/25

Maria drew governors' attention to the table setting out headline income and expenditure for the 2022/23 forecast outturn, 2023/24 budget and one year forecast for 2024/25 with 2021/22 final outturn comparators. A deficit budget of £1.475m was proposed. Income was projected to grow to £33.167m with total pay expenditure increasing and non-pay costs mostly static. Maria noted that the College continued to carry c£1.5m per annum in leased building rental and running costs. The 2024/25 budget was a roll over from 2023/24 with inflation and 1% pay increase. The College's financial health grade would drop to *Requires Improvement* in 2023/24 whilst the College invested in permanent and unified staffing structures and facilities and infrastructure and improve to *Good* in 2024/25. The financial risks associated with the budget were high and there was little contingency. The three key risks were: not achieving the student numbers in the curriculum plan; not contracting the staff base quickly enough if student numbers were not delivered; and low cash days.

The leases at Arundel Street and in Birmingham ended in September 2024 and June 2025 respectively. At present there was no provision for Arundel Street dilapidations in the financial plans. Termination costs for Birmingham would be absorbed into the capital programme. Anne asked about the risks and possible options associated with Arundel. Maria replied that one option was to extend the lease to 2028 to align with the second leased Arundel property. Tim believed it would be preferable to bring provision to the Highbury Campus but the availability of cash meant this was probably not possible. Discussions were underway for the North Harbour Campus rent review and risks had been mitigated in the budget. Further information would be brought to Corporation in December 2023.

Huw asked about the risks concerning apprenticeships, particularly retention. Maria stated that she was confident in the numbers as they had been reduced following the curriculum planning process. Modelling provided for early leavers. Tim sought assurance that the growth in learner numbers was not over optimistic. Katy believed the curriculum planning process had generated realistic growth assumptions. Close monitoring would take place using the new data systems and action taken as required. The College was investing in the student experience so did not anticipate losing students as happened last year.

There was a discussion about the pay budget and how this would be managed if anticipated growth failed to materialise. Katy stated that work was already underway to ensure staff costs were managed efficiently and effectively. Pay as a percentage of income increased in 2023/24 due to investment in more permanent and unified staffing structures as well as staffing up for growth and was anticipated to reduce the following year. A pay award had not been built into the 2023/24 budget as there was no government funding to cover it. The government had recently announced additional funding for FE colleges to target towards staff recruitment and retention but there were insufficient details at present. Further information would be brought to governors in due course.

Governors **Agreed** to recommend the proposed 2023/24 College budget alongside the 2024/25 one year forecast to Corporation for approval.

140 Capital Programme 2023/24 (paper 400/23/F&R)

Maria presented the capital programme for 2023/24 which included capital building refurbishment and replacement projects as well as funding for the procurement of capital equipment to support the College's development.

The capital programme was constructed following feedback from students and staff regarding facilities and infrastructure as well as utilising DfE capital grant funding. Capital expenditure totalled £2.997m (excluding T Level Wave 5 capital grant funding). £433k (£95.3k buildings and £338.1k capital equipment) of which would be from the College's cash reserves where essential capital works and upgrades could not be funded from capital grant allocations. Capital funds would be released to align with cash days. Tim asked what the consequences of not investing £433k would be, to which Katy responded that this money was critical to improve the quality of learning and the student experience. Tim was assured by the detailed and thorough programme and agreed that the consequences of not investing in capital infrastructure would impact on student retention. Costs would be monitored closely and there were no significant building works so the likelihood of requiring contingency funds was reduced.

Governors **Agreed** to recommend the draft 2023/24 capital programme to Corporation for approval.

141 Capital Bids 2023/24 (paper 401/23/F&R)

Maria outlined the annual capital bids and resource allocation process and the outcome for 2023/24.

Capital bids to the value of £3.716m had been submitted from across the College for 2023/24. Capital bids totalling £1.858m, £433.4k of which would be resourced from the College's cash resources had been agreed. A decision had now been communicated to the College regarding T Level Wave 5 capital funding. The College had been successful with its bids for Hair & Beauty and Legal and Finance, but not for Catering and Hospitality. Additional capital funding of £1.2m was forthcoming.

Governors **Agreed** to recommend the results of the capital bids and resource allocation process for 2023/24 and the 2023/24 capital bids to Corporation for approval.

The meeting ended at 5.50pm.