

Minutes of the Finance & Resources Committee Meeting at 4.30pm on 16 July 2024

Present: Shahalam Ali (Teams), Alex Dartmouth, Graham Goddard, Tim Jackson, Anne Murphy & Rob Nitsch (Chair)

Apologies: Naomi Beer (staff governor) & Tennant Hayter (student governor)

In Attendance: Prue Amner	Governor (Teams)
Pauline Tiller	Governor
Ashley Cullen	Governor (Teams)
Katy Quinn	Principal & CEO
Paola Schweitzer	Director of Governance
Maria Vetrone	COO

Minutes

206 Attendance and Participation

Naomi Beer (staff governor) & Tennant Hayter (student governor) sent their apologies Rob welcomed governors to the meeting, particularly those who were not Committee members and stated that the outcome of the meeting was to scrutinise the budget and to recommend it to Corporation for approval.

207 Declarations of Interest

There were no new declarations of interest.

208 Budget 2024/25 and One Year Financial Forecast including Pay Review (paper 621/24/F&R)

The College was required to submit a three year financial plan, the College Financial Forecast Return (CFFR), along with a detailed budget commentary to the ESFA by the end of July 2024. The plan included analysis of income and expenditure, balance sheet, cashflow, financial ratios and financial health score/rating.

Budget headlines in the statement of income and expenditure included:

- Operating deficit of £269k followed by an operating surplus of £112k in 2025/26.
- Total income was set to increase in 2024/25 due mainly to increased funding rates and 16-19 student numbers.
- Total pay expenditure was set to increase with vacant posts being recruited to, additional posts to deliver additional activity in the curriculum plan, 2% pay award and incremental pay increases as well as other uplifts and adjustments.

The College was required to eliminate its operating deficit in 2025/26. The Financial Notice to Improve (FNtI) was expected to be lifted imminently. The ESFA KPIs showed an improving EBITDA and *Good* financial health score in 2024 and 2025. Maria

highlighted the budget's six financial risks and the College's cash reserves (average of 26 days in 2024/25).

Governors asked about the impact of not receiving Element 3 high needs funding from Portsmouth City Council (PCC) and the College's approach to managing this debt. Maria confirmed the debt concerned at least £200k in anticipated funding rate increases to cover the College's costs in 2023/24 and expected to rise further in 2024/25 with a higher value due to increased student numbers. Katy clarified that the funding in question was additional, as opposed to core, high needs funding and that conversations with PCC concerning the funding formula and 2023/24 allocation had been taking place since May 2023. The College anticipated receiving confirmation at the end of the week and believed the outcome would be in line with its assumptions. Governors acknowledged their fiduciary responsibility to the College and believed the College needed to take a robust approach towards PCC given that services had already been delivered, for which payment was expected to cover the College's costs. This would be raised at Corporation the following week.

Anne noted that the growth in income was dependent on growth in student numbers and asked about optimism bias when budget setting. Maria stated that the College had a robust, evidence-based curriculum planning process culminating in realistic but stretching curriculum plan. Maria also confirmed that 2023/24 curriculum plan student numbers had been achieved. Pauline noted that the internal auditors had been impressed with the College's curriculum planning process. L&Q Committee had considered the curriculum plan.

Graham noted that reduced income from apprenticeships and full cost provision had negatively impacted the 2023/24 budget and asked for assurance concerning these areas in 2024/25. Management were confident the figures were robustly constructed but noted these areas still represented a risk, and if they weren't achieved the College would need to discuss the viability of this provision. Mitigating actions were in place and remedial actions would be taken as necessary. Anne noted that apprenticeships posed a relatively small financial risk overall within the context of the College's total income and within the context of its provision, and that the Committee was looking to see greater stability and reliability in apprenticeship projections in 2024/25.

Governors discussed the 5.9% increase in total pay expenditure (which included a 2% pay award) and, in response to a question, Maria stated this investment was necessary to deliver the College's People Strategy's objective to be the employer of choice across Portsmouth and the region and that it was affordable. Governors recognised the importance of offering a pay award but noted that not offering one would eliminate the College's operating surplus. It was agreed that Corporation would be asked to agree the pay award in principle but decide when it would be awarded at its December 2024 meeting.

Anne asked for assurances that senior leaders were being effectively performance managed to ensure curriculum areas were well managed. Katy outlined measures including strengthening staff utilisation and work in HR to ensure a robust project management framework. Pauline noted that actions identified in the internal auditor's review of staff utilisation would support this area.

Having scrutinised the report, in particular the 2% pay review and financial headlines, governors **Agreed** to recommend the College Budget 2024/25 and the One Year Forecast 2025/26 to Corporation for approval. Rob summarised that the Committee

had explored PCC Element 3 high needs funding and apprenticeships risks and would continue to monitor these areas carefully as well as considering the return on the investment in marketing activity to drive increased market share. He also noted that the pay review would be discussed by Corporation.

209 Capital Bids 2024/25 (paper 603/24/F&R)

Bids to the total value of £6.3m were submitted as part of the College's 2024/25 capital bidding process, of which projects to the value of £998,005 were approved. These would be funded from the College's cash resources. Resources were focused primarily on strategy implementation and health & safety but also supported curriculum innovation/expansion and increased business efficiency. The College had also received £229,300 in Specialist Equipment Allocation (SEA) to support T level wave 5 building projects. In response to a question, Katy stated that the College environment (the look of the building, furniture etc) was still a high priority for the College to address but that funding remained challenging. Maria assured governors that funding covered the areas identified in the strategic risk register, in particular H&S work, and was spread across all campuses although some capital grant funding could not be spent on the College's leased properties. Having scrutinised the capital bids, noting alignment with the College's strategic priorities, assessment criteria and audit trail of decision-making, governors **Agreed** to recommend the results of the capital bids and resource allocation process for 2024/25 to Corporation for approval.

210 Capital Programme 2024/25 (paper 623/24/F&R)

The 2024/25 capital programme totalled £2.698m: £998,005 from the College's cash reserves, £229,300 from the SEA to supplement T level wave 5 building projects (see Minute 209) and £1,470,275 from the FE Capital Transformation Fund Allocation.

Anne noted that like last year's programme, there was no contingency. Maria stated there was a contingency built into some of the larger capital projects but that overall there was no contingency as this was not affordable. Instead, projects would be very carefully managed to be delivered within the overall capital budget. Maria noted that a recent internal audit of capital projects delivered a positive and clean outcome. Governors were pleased to see investment in social spaces, particularly at North Harbour. Having scrutinised the final draft of the capital expenditure programme for 2024/25 governors **Agreed** to recommend the capital programme 2024/25 to Corporation for approval.

Rob thanked Maria for her hard work and governors for the productive discussions.

The meeting ended at 6.15pm.