

## Finance Committee MINUTES

|             |                            |             |             |
|-------------|----------------------------|-------------|-------------|
| <b>Date</b> | 6 <sup>th</sup> March 2023 | <b>Time</b> | 14:00-16:00 |
|-------------|----------------------------|-------------|-------------|

|              |  |
|--------------|--|
| <b>Venue</b> | Virtual Meeting – <a href="#">MS Teams</a> |
|--------------|--|

|              |             |
|--------------|-------------|
| <b>Chair</b> | Mark Fisher |
|--------------|-------------|

**Membership** – Mark Fisher (Committee Chair), Priscilla Kendall (Committee Vice Chair), Rebecca Conroy (CEO & Principal), Ian Mehrtens, Tom Sanderson (Co-opted Member)

**In Attendance** – Hannah Caldwell (Chief Operating Officer), Sam Brasier (Executive Director – Finance), (Deputy – CEO & Principal), Belle Howard (Director of Governance – *minutes*)

**Quorum:** The meeting was quorate throughout.

**Apologies:** Mark Fisher, Tom Sanderson, Mark Wardle (Deputy – CEO & Principal)

| #     | Item  | Action   |                               |        |          |       |    |  |                               |  |
|-------|---|--|-------------------------------|--------|----------|-------|----|--|-------------------------------|--|
| 1)    | <p><b>WELCOME &amp; APOLOGIES</b> <span style="float: right;"><b>14:05</b></span></p> <p>1.1 In the absence of the Committee Chair, the Committee Vice Chair opened the meeting at 14:05 with a warm welcome to colleagues.</p> <p>1.2 Apologies were received and accepted from Mark Fisher, Tom Sanderson and Mark Wardle.</p>  |  |                               |        |          |       |    |  |                               |  |
| 2)    | <p><b>DECLARATIONS OF INTEREST</b> <span style="float: right;"><b>14:06</b></span></p> <p>2.1 All Governors declared an interest related to item 8 on the agenda – ‘SPH &amp; Governor Expenses’.</p>   |  |                               |        |          |       |    |  |                               |  |
| 3)    | <p><b>MINUTES OF LAST MEETING &amp; MATTERS ARISING</b> <span style="float: right;"><b>14:07</b></span></p> <p><b>3.1 Approval</b></p> <ul style="list-style-type: none"> <li>• Governors considered the minutes from the following meetings: <ul style="list-style-type: none"> <li>○ Finance Committee – 5<sup>th</sup> December 2022</li> <li>○ Joint Finance Committee &amp; ARaC Committee – 5<sup>th</sup> December 2022</li> </ul> </li> <li>• <b>Governors agreed that the minutes were a true and accurate record of what was discussed.</b></li> </ul> <p><b>3.2 Matters Arising</b></p> <ul style="list-style-type: none"> <li>• <b>Finance Committee Meeting – 5<sup>th</sup> December 2022:</b></li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Item</th> <th>Owner</th> <th>Action</th> <th>Due Date</th> </tr> </thead> <tbody> <tr> <td>3.2.1</td> <td>RC</td> <td>Draft a paper outlining the college’s strategy for the international learning provision, with a view to share an update at the next meeting.</td> <td style="color: green;"><b>Complete</b><br/>– Item 3.2</td> </tr> </tbody> </table> | Item   | Owner                         | Action | Due Date | 3.2.1 | RC | Draft a paper outlining the college’s strategy for the international learning provision, with a view to share an update at the next meeting. | <b>Complete</b><br>– Item 3.2 |  |
| Item  | Owner   | Action   | Due Date                      |        |          |       |    |  |                               |  |
| 3.2.1 | RC  | Draft a paper outlining the college’s strategy for the international learning provision, with a view to share an update at the next meeting. | <b>Complete</b><br>– Item 3.2 |        |          |       |    |  |                               |  |

| Item  | Owner | Action  | Due Date               |
|-------|-------|---|------------------------|
| 3.2.2 | BH    | Include 'Five Year Plan' on the agenda for the next meeting.  | Complete               |
| 3.3.1 | RC/HC | Provide further details on the substantive financial costs and associated processes for managing the college's subcontracting partnership arrangements. | Complete<br>– Item 3.3 |
| 3.3.2 | RC/BH | Environmental, Social & Governance Statement to be shared with all committees, prior to consideration by the Board in the Spring Term.                  | In Progress            |
| 4.1.1 | HC    | Share an update on the impact to utility usage (and associated cost savings) as a result of the recent implementation of the ground source heat pumps.  | Complete<br>– Item 3.4 |
| 7.1.1 | RC/HC | Draft a report outlining the potential financial implications to the college, following the recent ONS reclassification of FE colleges.                 | Complete<br>– Item 9.1 |

• **Joint Finance Committee & ARaC Committee Meeting – 5<sup>th</sup> December 2022:**

| Item  | Owner | Action  | Due Date |
|-------|-------|---|----------|
| 5.1.1 | MP    | Update Page 15 of the 'ESCG Financial Statements' document to reflect that Mark Fisher was in his second term of office as an Independent Governor. | Complete |

**3.3 International Strategy Summary – 2022-23**

- The CEO & Principal shared the following update:
  - Following a request from Finance Committee members at the last meeting, a report on the College's International Strategy had been drafted by the Assistant Principal, International.
  - The report:
    - Evidenced the profitability of the College's international provision.
    - Detailed some of the potential new markets currently being explored.
    - Outlined priority programmes on offer, which included foundation year courses, A Level infills and a range of higher education opportunities.
- The following discussion then occurred:
  - **The Committee Vice Chair noted that the report referenced 'budgeted contribution to overheads' and asked – was this measure adopted in the oversight of other areas of the college's provision?** The CEO & Principal explained that this approach had been adopted with varying levels of success, particularly in assessing the value of individual courses. That said, a more consistent framework may be needed for some areas of the provision, e.g. oversight of the adult education budget. The Executive Director of Finance also confirmed that a budgeted contribution was routinely assessed at the course level, as part of the curriculum planning process. Whilst there was broad expectation of an average contribution of 50% to ensure essential costs were covered, this varied for some courses.

- The Executive Director of Finance noted that the budgeted contribution of 22% reported for the international provision, may also vary at the course level due to host family income.
- **The Chair of the Board asked – did some courses remain on offer within the provision for non-financial reasons, despite only breaking even (or even making a loss)?** The CEO & Principal reflected that there was an expectation for most courses to cover their costs. That said, whilst financial viability was an important priority, other qualitative factors were also considered. For example, some community learning programmes were only expected to break even.
- The Chair of the Board reflected on the need to recognise the cultural benefits that certain courses or groups of students brought to the college, particularly in the context of the college’s corporate social responsibility. [Governors agreed.](#)
- The CEO & Principal reflected on the growth of the college’s Inclusion Programme, which was a complex and costly provision that operated outside of the usual budgeted contribution criteria. However, it remained an important priority for the college to offer this support to its students.
- The Chair of the Board explained that at universities, budgeted contribution was typically managed at a faculty rather than course level, to provide additional capacity for social responsibility in course and programme decision making.
- **The Committee Vice Chair asked – to what extent did Curriculum Managers understand the delicacies of ‘budgeted contribution’ for their respective areas of oversight?** The Executive Director of Finance explained that budget packs were used to outline contribution levels, split by curriculum teams, senior leaders, individual sites and campuses. Curriculum planning meetings provided an opportunity for broader discussion beyond the raw data, and therefore enabled a balanced approach to decision making. Other key data points considered included both establishment and teacher utilisation.
- The CEO & Principal reflected that the culture of the college had significantly evolved to look at the broader picture, rather than adopt a transaction-based approach, with each course considered in isolation.

### **3.4 Partnership Framework**

- The CEO & Principal shared the following update:
  - The college’s Partnership Framework had been developed in line with the ESFA’s Subcontracting Standard.
  - The framework outlined the criteria by which any partnerships of subcontracting arrangements would be assessed, with particular focus on local delivery and meeting the skills need.
  - The Partnership Framework had been directly aligned with the Environmental, Social & Governance Statement.

- In recent years, there had been a targeted strategy to reduce the number of subcontracting arrangements in place at the college, with a view to ensure greater focus on value. As a result, some key strategic partnerships had since been established in the field of green technology, with a number of associated benefits and pipelines for the college, particularly within the adult education provision.
- The following discussion then occurred:
  - **The Committee Vice Chair noted the statement ‘any partnerships or subcontracting arrangements are subject to full due diligence and approval by the East Sussex College Board’, and asked – should this be managed through the Committee structure or via the Board?** Governors noted that Internal Audit had indicated that subcontracting arrangements needed to be approved at Board level. The Chief Operating Officer explained that the ESFA Subcontracting Standard included new requirements for 2023, against which Internal Audit would assess the college. As such, there was a requirement for ‘*the business case to be presented and approved at Executive/Board level*’.
  - The CEO & Principal noted that subcontracting arrangements were reviewed initially by the Finance Committee and Curriculum & Standards Committee, prior to Board approval. The Chief Operating Officer suggested that for the next academic year, the Curriculum & Standards Committee should approve the learning provision aspect of new subcontracting arrangements before the Finance Committee recommended approval of the associated financial planning aspects. [Governors agreed.](#)
    - **Action 3.3.1 – Ensure that the Cycle of Business for 2023-24 takes into consideration the timing of Committee review/approval of subcontracting arrangements, i.e. ensuring submission to the Curriculum, Skills & Quality Committee, prior to the Resources, Culture & Impact Committee.**
  - The Chair of the Board reflected on the additional benefit from subcontracting arrangements, which enabled learners to supplement their student experience by accessing learning opportunities outside of the college. [Governors agreed.](#)
    - **Action 3.3.2 – Update the ‘ESCG Partnership Framework’ document to include an additional point related to the opportunity for students to supplement their learning experience through the college’s subcontracting relationships.**
- **Governors noted the paper titled ‘ESCG Partnership Framework’.**

BH

RC

### **3.4 Utility Costs Update – Salix Funded Decarbonisation Project**

- The Chief Operating Officer shared the following update:
  - Completion of the Salix Funded Decarbonisation Project had been delayed from March 2022 due to the global supply issues related to the air source heat pumps.
  - The handover and commissioning date for all campuses was 16<sup>th</sup> January 2023 and as such, the heat pumps had only been in operation for 6-7 weeks.

|    |   |  |
|----|---|--|
|    | <ul style="list-style-type: none"> <li>○ As such, a more detailed report would be provided in the Summer Term, which would include 3-4 months of utility cost data.</li> <li>● The following discussion then occurred: <ul style="list-style-type: none"> <li>○ In light of the ongoing energy crisis, Governors reflected on the need to monitor utility costs closely, particularly in the run up to the next winter season. The Chief Operating Officer confirmed that would continue to be tracked carefully by the college.</li> <li>○ Additionally, an update would also be shared at the next meeting on a proposal to utilise the recently secured DfE funding to install a new boiler system. These funds were currently ringfenced for energy efficient projects, though there was some flexibility in its usage.</li> </ul> </li> <li>● <b>Governors noted the paper titled ‘Utility Costs Update – Salix Funded Decarbonisation Project’.</b></li> </ul>  |  |
| 4) | <p><b>FINANCE UPDATE – MARCH 2023</b> <span style="float: right;"><b>14:21</b></span></p> <p><b>4.1 January Management Accounts &amp; Budget Forecast</b></p> <ul style="list-style-type: none"> <li>● The Executive Director of Finance presented the following update:</li> </ul> <hr/> <p><b>EXEC SUMMARY</b></p> <ul style="list-style-type: none"> <li>■ Corporation agreed the Original Budget in July 2022 and Governors agreed a revised budget in December 2022.</li> <li>■ The current forecast surplus for the College is £1.993m which is £0.257m less than the revised budget position.</li> <li>■ The main movements on income are a reduction in Apprenticeship and an increase in AEB and Other Income. Current income forecast is £0.419m over the revised budget.</li> <li>■ The main movements on expenditure are an increase on staffing costs (in line with run rate) and utility costs. Current expenditure forecast is £0.776m over the revised budget.</li> <li>■ The year end cash position is currently forecast to be £4.15m at the end of July of which £1.4m is capital allocations received by the DfE in year. Current cashflow assumes this allocation will remain unspent at year end.</li> <li>■ In year capital allocations continue to be spent and the College was able to commit its T Level capital allocation of £0.7m.</li> </ul> <ul style="list-style-type: none"> <li>● The following discussion occurred: <ul style="list-style-type: none"> <li>○ <b>The Chair of the Board asked – would the format of the Management Accounts be refreshed moving forward?</b> The Executive Director of Finance advised that the current format would be retained to the end of the current financial year, with a new format to be introduced from 2023-24. This format would be simpler, though the core information would be retained.</li> </ul> </li> </ul> |  |

- The Committee Vice Chair reflected that it would be helpful for the new reporting format to incorporate summary data along with key information presented in a graphical format. [Governors agreed.](#)
- The Executive Director of Finance advised that there had been a £200K increase in utility costs. When the contract for utility services was put in place last October, a budget cap was agreed at that time. However, over the last three months, there had been significant volatility in both usage and pricing.
- **The Chair of the Board asked – had there been volatility in usage across the sites/campuses?** The Executive Director of Finance confirmed that this was the case.
- **The Chair of the Board asked – were smart meters currently in place at the college?** The Executive Director of Finance advised that these were already in place for some sites and being explored for others. There was a minimal cost associated with transitioning to a smart meter of just 25p per day. However, it would also be important to ensure effective reporting and use of this information, and thereby smooth price fluctuations moving forward.
- The Executive Director of Finance clarified that the current utility contract had been established via a brokerage using separate gas and electricity suppliers, to enable the college to future hedge on utility supply prices. As such, the college had the option to future buy/sell its energy, with a view to make additional savings.
- **The Chair of the Board asked – had the college investigated the feasibility of purchasing energy from the local authority, as they typically purchased their energy in bulk as part of a consortium?** The CEO & Principal confirmed that this had been explored with Eastbourne Borough Council. However, the Executive Director of Finance advised that the college was currently tied into a three-year contract with its current supplier, though reflected that the college’s exit strategy would be considered, should a more favourable option be feasible via the local authority.
  - **Action 4.1.1 – Explore the potential cost saves resulting from purchasing energy from the local authority, with a view to share an update at the next meeting.**
- **The Chair of the Board asked – regarding the adult education budget (AEB), how secure was the projection of 96%?** The CEO & Principal confirmed that this was relatively secure, with a high level of confidence that this would be achieved. The Executive Director of Finance referenced the income tracker which was established in October 2022 and explained that the current AEB forecast of £4.83m related to the ‘amber’ position, though explained that there was only a difference of £150K between the ‘amber’ and the ‘green’ projection. The Chair of the Board reflected that this was a significant achievement for the college in realising this position.
- The Committee Vice Chair requested that year-on-year comparison data also be included moving forward, with a view to provide further assurance that the college was not contracting. [Governors agreed.](#) The Executive Director of Finance advised that this information was currently included within the Management Accounts, though reflected that this was not easy to identify and advised that summary information would be provided moving forward.

SB

- **Action 4.1.2 – Include year-on-year comparative summary data information in the next Management Accounts update, ideally within the Executive Summary.**

- The Chief Operating Officer advised that the ESFA had recently announced that earnings for AEB would be increased by up to 2.2%. There would also be a further increase by up to 20%, for certain sectors of delivery against AEB. Additionally, the threshold would be increased above 100% for AEB pay for the next two years.

- The Executive Director of Finance presented the following update:

### KPI'S

| Strategic Financial KPIs                        | Target FY23          | FY23 Forecast | RAG |
|---|----------------------|---------------|-----|
| Financial Health Grade                          | Requires Improvement | Good          | ✓   |
| EBIT DA as a % of income                        | 9.98%                | 8.13%         | ✓   |
| Staff costs as a % of income*                   | 62.00%               | 66.85%        | !   |
| Total borrowing as a % of income*               | 11.86%               | 13.18%        | ✓   |
| Subcontracting as a % of total generated income | 8.22%                | 6.75%         | ✓   |

| Other Financial Indicators | Target FY23 | FY23 YTD | RAG |
|----------------------------|-------------|----------|-----|
| AEB Delivery to Target     | 100%        | 92.35%   | !   |
| Number of 16-18 learners   | 4,421       | 4,353    | !   |
| Number of HE learners      | 1,094       | 775      | !   |
| Current ratio              | 0.90        | 0.90     | ✓   |
| Cash days in hand          | 30          | 35       | ✓   |
| Creditor days              | 45          | 3.1      | ✓   |
| Debtor days                | 60          | 8        | ✓   |
| Bank covenant met/breached | Met         | Met      | ✓   |

Please Note - 16-18 Learners the ratio for R04:R14 is 1.018 at ESCG. Therefore our funded learner numbers for 2023/24 are forecast to be 4,431 (4,353 x 1.018)

- The following discussion then occurred:
  - The Executive Director of Finance noted that 'staff costs as a % of income' was currently trending at 67%.
  - **The Chair of the Board asked – why had staff costs increased, proportionate to income?** The CEO & Principal explained that this percentage had increased following a drop in relative income. As a result, all staff vacancies were being tightly managed, though where appropriate, associated staffing costs would need to be eliminated more promptly moving forward. The Executive Director of Finance also explained that this would stabilise as the college's income was confirmed and noted that the college was not significantly above the sector norm of 65% for this key performance indicator (KPI).
- The Executive Director of Finance then presented a summary breakdown of income and expenditure, with a view to outline the revised budget.
- The Executive Director of Finance advised that AEB, apprenticeships and adult learning loans had been forecast to the year end, per the Income Tracker 'amber' position.

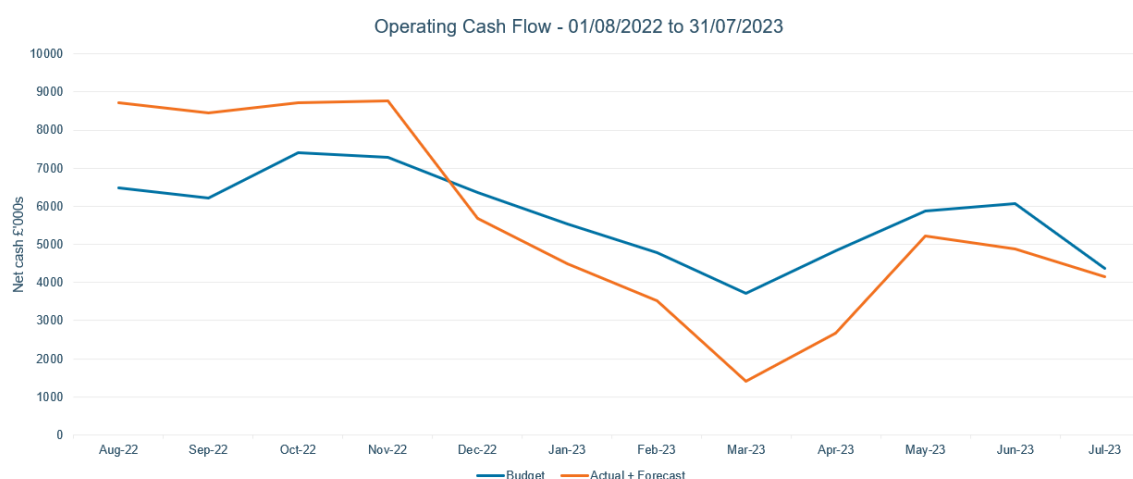
- The following discussion then occurred:
  - **The Chair of the Board asked – can you provide further details on the restructuring costs that were agreed in the prior financial year?** The Executive Director of Finance explained that restructuring costs were due to be paid over a three-year period. However, only the first year of these costs were captured in the last set of financial accounts. Conversations were ongoing with the External Auditors to confirm the associated provision for the remaining two-year period. There were no cashflow implications anticipated from this approach.
  - The Executive Director of Finance then presented an overview of the ‘green’ and ‘amber’ forecast positions for AEB and apprenticeships, which was being closely monitored against the Income Tracker.
  - **The Chair of the Board asked – would it be possible to amend the format of the Income Tracker to more clearly report ‘low, medium and high’ risks?** The Executive Director of Finance confirmed that this was feasible.

- **Action 4.1.3 – Amend the format of the Income Tracker to report ‘low, medium and high’ risks (rather than RAG).**

SB

- The Executive Director of Finance then presented the following update:

## CASHFLOW



- The following discussion then occurred:
  - The Executive Director of Finance explained that the cashflow projection would likely be much flatter in the next academic year, as a result of a smoother funding position.
  - [Governors agreed that the Management Accounts \(January 2023\) would be included in the Board papers, as a link to the Resource Centre.](#)
- **Governors thanked the Executive Director of Finance for a clear and informative update.**



|    |   |  |
|----|---|--|
| 5) | <p><b>INTER-COMMITTEE REFERRAL</b> <span style="float: right;"><b>14:42</b></span></p> <p><b><i>5.1 Inflationary Risk &amp; Mitigation</i></b></p> <ul style="list-style-type: none"> <li>• The Chief Operating Officer shared the following update: <ul style="list-style-type: none"> <li>○ This item had been referred to the Finance Committee from the ARaC Committee, following a discussion on rising inflation, how the college was managing this and the impact on the Risk Register.</li> <li>○ The impact of rising inflation had been identified as a risk to the effective management of non-pay resources, in line with the revised budget set in October 2023.</li> <li>○ The January management accounts currently forecast a full year adverse variance of £200k against the revised budget. This forecast increase related exclusively to the cost of utilities, which represented the most significant risk within the non-pay budget.</li> <li>○ Risk in relation to other non-pay areas was primarily being managed in-year through regular meetings between Finance Business Partners and Budget Holders, to understand performance against budget and any variance.</li> <li>○ The Executive Director of Finance was currently undertaking an analysis of inflation statistics and unit prices over time to model and monitor the impact and inform the budget setting process.</li> <li>○ This analysis was particularly focussed on the following costs: <ul style="list-style-type: none"> <li>▪ Food and drink</li> <li>▪ Building materials</li> <li>▪ IT equipment</li> <li>▪ Stationary</li> </ul> </li> <li>○ Planned costs relating to the Capital Transformation Programme were being carefully scrutinised to ensure that due regard and provision was made for areas where inflationary impacts were likely to be felt. A Cost Consultant had been appointed to support this effort.</li> </ul> </li> <li>• The following discussion then occurred: <ul style="list-style-type: none"> <li>○ The Chair of the Board reflected on a recent meeting with the Managing Director at Hastings Borough Council (HBC) regarding the college’s local capital projects, and noted that with early engagement, the college may be able to secure additional funding from HBC to reduce the impact of rising inflation on these projects.</li> <li>○ <b>The Chair of the Board asked – had additional funding since been secured?</b> The CEO &amp; Principal advised that the Director of Capital Projects was currently working closely with HBC to explore the feasibility of obtaining additional funding from the Hastings Town Deal.</li> </ul> </li> </ul> |  |
|----|---|--|

**6) BUDGET – 2023-24**
**14:53**

6.1 The Executive Director of Finance shared the following business planning timeline:

| Date                         | Activity  |
|------------------------------|---|
| By 24 February               | Curriculum plans to be updated with funding and staffing information                                  |
| By 28 February               | Curriculum and non-curriculum budget packs uploaded to SharePoint                                     |
| Between 6 and 17 March       | Initial curriculum budget pack reviews to take place. Meetings booked, APs to attend with HoCs.       |
| Between 20 March and 4 April | Initial non-curriculum budget pack reviews to take place. Finance Business Partners to book meetings. |
| 31 March                     | Capital bids deadline   |
| By 31 March                  | ESFA allocations received   |
| Between 17 and 28 April      | Final review of budget packs to take place  |
| 27 April                     | Capital Bids Decision Meeting   |
| 15 June                      | Budget presented to Finance Committee   |
| 3 July                       | Budget presented to Board   |

6.2 The Executive Director of Finance then outlined the following budget setting assumptions:

| Assumption type | Detail  |
|-----------------|---|
| Overall         | A budgeted surplus position that can be Monitored against FEC Benchmarks.   |
| Income          | Continued reliance on government funding. Funding allocations received Feb/Mar with 16-18 showing a 2% increase to rates.   |
| Income          | Likely modest 16-18 growth in line with demographics and growth in T Levels. Determined via curriculum planning.  |
| Income          | Continued recovery of adult provision and development of provision in response to LSIP priorities. Determined via curriculum planning. 2022/23 delivery forecast as 92% |
| Income          | Continued reduction of subcontracted provision (apprenticeships) and growth of internal delivery in niche markets   |
| Income          | Continued delivery of HE and International provision. HE potential increase in sub contractor numbers.  |
| Expenditure     | Incremental (fixed) and forecast annual pay increases both based on a refreshed up to date version of the establishment list  |
| Expenditure     | Accurate forecasting of utility costs and usage to mitigate risk on a significant spend for the College.  |
| Expenditure     | Capital and maintenance budget to match college priorities  |

6.3 The following discussion then occurred:

- **The Chair of the Board asked – had the Corporation’s risk appetite level been considered? and had a level of risk been accepted in the assumptions made?** The Chief Operating Officer reflected that some consideration had been given to risk appetite in developing the list of assumptions. For example, it had been assumed that there would continue to be a modest increase in the level of income for the 16-19 provision.
- The Chair of the Board reflected that the list of assumptions should also reference the Corporation’s risk appetite, as this would be an important consideration when the budget was submitted for approval. **Governors agreed.**
  - **Action 6.3.1 – Include reference to the Corporation’s risk appetite in the list of budget assumptions.**

**SB/HC**

|  | <ul style="list-style-type: none"> <li>• Governors reflected that the Board’s risk appetite was an important consideration in developing the college’s Five-Year Financial Plan. The Executive Director of Finance also noted that assessment of risk was an important element of curriculum planning. <ul style="list-style-type: none"> <li>○ <b>Action 6.3.2 – Consider the process by which the Board determines its level of risk appetite, with a view for this to inform the Five-Year Financial Planning Process.</b></li> </ul> </li> </ul>  | <b>IM</b> |             |                            |  |                            |  |                           |   |                              |   |  |   |  |
|--|---|-----------|-------------|----------------------------|--|----------------------------|--|---------------------------|---|------------------------------|---|--|---|--|
| 7)                                       | <p><b>FIVE YEAR FINANCIAL PLAN UPDATE</b> <span style="float: right;"><b>15:02</b></span></p> <p><b>7.1 Framework, Risks &amp; Assumptions</b></p> <ul style="list-style-type: none"> <li>• The Chief Operating Officer shared the following update: <ul style="list-style-type: none"> <li>○ The college’s annual curriculum and business planning process was well underway, with a view to produce a budget for the 2023-24 academic year.</li> <li>○ The Five-Year Financial Plan would be informed by the following: <ul style="list-style-type: none"> <li>▪ The college’s Strategic Plan (2021-24).</li> <li>▪ The College Financial Forecast Return (CFFR).</li> <li>▪ The annual budget setting process.</li> </ul> </li> <li>○ The Five-Year Plan would detail the resources required to deliver the college’s strategic plan and enable the Executive Team and Board to identify, manage and mitigate risk.</li> <li>○ It would be particularly important to manage the risk to operational cash flow presented by the significant capital project to transform the Eastbourne and Lewes campuses.</li> <li>○ A number of assumptions had been outlined, linked to income and expenditure.</li> <li>○ The Five-Year Plan would also take into consideration the six FEC Benchmarks, which were published in April 2022.</li> <li>○ <b>Timeline:</b></li> </ul> </li> </ul> <table border="1" data-bbox="359 1684 1348 2123" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #f4a460;"> <th style="text-align: center;">Date</th> <th style="text-align: center;">Description</th> </tr> </thead> <tbody> <tr> <td>6<sup>th</sup> March 2023</td> <td>Framework for Five-Year Plan agreed by Finance Committee</td> </tr> <tr> <td>15<sup>th</sup> June 2023</td> <td>2023/24 Budget and Draft Five-Year Plan recommended to Board for approval by Finance Committee</td> </tr> <tr> <td>3<sup>rd</sup> July 2023</td> <td>2023/24 Budget and Draft Five-Year Plan approved by Board</td> </tr> <tr> <td>September 2024 – August 2026</td> <td>Procurement/delivery period for capital transformation of Eastbourne and Lewes campuses</td> </tr> <tr> <td>Summer Term 2024 and annually thereafter</td> <td>2024/25 Budget and revised Five-Year Plan approved by Finance Committee and Board</td> </tr> </tbody> </table> | Date      | Description | 6 <sup>th</sup> March 2023 | Framework for Five-Year Plan agreed by Finance Committee | 15 <sup>th</sup> June 2023 | 2023/24 Budget and Draft Five-Year Plan recommended to Board for approval by Finance Committee | 3 <sup>rd</sup> July 2023 | 2023/24 Budget and Draft Five-Year Plan approved by Board | September 2024 – August 2026 | Procurement/delivery period for capital transformation of Eastbourne and Lewes campuses | Summer Term 2024 and annually thereafter | 2024/25 Budget and revised Five-Year Plan approved by Finance Committee and Board |  |
| Date                                     | Description   |           |             |                            |  |                            |  |                           |   |                              |   |  |   |  |
| 6 <sup>th</sup> March 2023               | Framework for Five-Year Plan agreed by Finance Committee  |           |             |                            |  |                            |  |                           |   |                              |   |  |   |  |
| 15 <sup>th</sup> June 2023               | 2023/24 Budget and Draft Five-Year Plan recommended to Board for approval by Finance Committee  |           |             |                            |  |                            |  |                           |   |                              |   |  |   |  |
| 3 <sup>rd</sup> July 2023                | 2023/24 Budget and Draft Five-Year Plan approved by Board   |           |             |                            |  |                            |  |                           |   |                              |   |  |   |  |
| September 2024 – August 2026             | Procurement/delivery period for capital transformation of Eastbourne and Lewes campuses   |           |             |                            |  |                            |  |                           |   |                              |   |  |   |  |
| Summer Term 2024 and annually thereafter | 2024/25 Budget and revised Five-Year Plan approved by Finance Committee and Board   |           |             |                            |  |                            |  |                           |   |                              |   |  |   |  |

|    |   |    |
|----|---|----|
|    | <ul style="list-style-type: none"> <li>• The following discussion then occurred: <ul style="list-style-type: none"> <li>○ <b>The Chair of the Board asked – would the Five-Year Plan be refreshed on a rolling annual basis?</b> The Chief Operating Office advised that would be the preferred approach, which would need to be reflected in the assumptions. The Executive Director of Finance suggested that for subsequent years, the Five-Year Plan should be refreshed as output of the annual budgeting process. <b>Governors agreed.</b> <ul style="list-style-type: none"> <li>▪ <b>Action 7.1.1 – Update the list of assumptions associated with the Five-Year Plan to indicate an annual rolling review approach.</b></li> </ul> </li> <li>○ Governors proposed that the Autumn Term 2023 Strategy Day should focus on risk appetite and how this would inform the five-year planning process moving forward.</li> </ul> </li> <li>• <b>RESOLUTION – The Finance Committee agreed to approve the framework, assumptions &amp; risks for the Five-Year Financial Plan.</b></li> </ul> | HC |
| 8) | <p><b>SPH &amp; GOVERNOR EXPENSES</b> <span style="float: right;"><b>15:11</b></span></p> <p>8.1 The Executive Director of Finance advised that there had been a slight uplift in expenses following an increase in face-to-face meetings. Participants noted that moving forward, SPH &amp; Governor expenses would be reported on an annual basis.</p> <p>8.2 The following discussion then occurred:</p> <ul style="list-style-type: none"> <li>• <b>The Chair of the Board considered Governor and SPH expense claims for travel by car and asked – do the Financial Regulations take into consideration claims submitted for travel by electric vehicles?</b> The Executive Director of Finance advised that the Financial Regulations could be updated to reflect this at its next review. <ul style="list-style-type: none"> <li>○ <b>Action 8.2.1 – At its next review, update the Financial Regulations to include travel cost claims for users of electric vehicles.</b></li> </ul> </li> <li>• Governors noted the paper titled ‘SPH &amp; Governor Expenses’.</li> </ul>            | SB |
| 9) | <p><b>ONS RECLASSIFICATION – IMPLICATIONS &amp; NEXT STEPS</b> <span style="float: right;"><b>15:16</b></span></p> <p>9.1 The Executive Director of Finance directed participants to the associated paper and shared the following update:</p> <ul style="list-style-type: none"> <li>• The paper had been produced leveraging guidance resources from the college’s External Auditors, MacIntyre Hudson.</li> <li>• Further clarification was still awaited on the handling of capital receipts, which would impact future land sales and had implications for reinvestment.</li> <li>• The ESFA’s College Financial Handbook was due to be drafted in Autumn 2023, published in Spring 2024 and would come into effect from 1<sup>st</sup> August 2024.</li> </ul>  |    |

|     |  |       |
|-----|--|-------|
|     | <ul style="list-style-type: none"> <li>• A significant issue for the FE sector was the proposed change to the financial year end date, given the expectation for colleges to align with the Government’s schedule, i.e. 31<sup>st</sup> March. This was currently being challenged by the Association of Colleges.</li> <li>• As a result of the ONS college reclassification, the college had subsequently cancelled its revolving credit facility of £2.5m and its overdraft of £1m.</li> </ul> <p>9.2 The following discussion then occurred:</p> <ul style="list-style-type: none"> <li>• The Chief Operating Officer reflected on the potential cashflow impact as a result of the removal of the college’s borrowing facilities and reiterated the need for careful cost management, particularly in the month of March, i.e. the lowest point of the college’s cashflow forecast.</li> <li>• The Chair of the Board noted the new DfE approval process regarding land sales which would come into effect from 2025, and reflected on the need to progress the Estates Transformation Programme to ensure that this would not be detrimentally impacted.<br/><a href="#">Governors agreed.</a></li> <li>• <b>Governors thanked the Executive Director of Finance for providing a comprehensive update.</b></li> </ul>  |       |
| 10) | <p><b>ANNUAL SUBCONTRACTING REPORT (2022-23)</b><br/><i>Joint oversight with the Curriculum &amp; Standards Committee</i></p> <p>10.1 The Chief Operating Officer directed participants to the associated paper and shared the following update:</p> <ul style="list-style-type: none"> <li>• Higher Education (HE) had been included as a subcontractor in this report, given the validating partner relationship with the college. However, the report predominantly focussed on the ESFA funding provision.</li> <li>• The number of subcontracting relationships with the college continued to decrease, in line with the college’s strategy to focus on development of the college’s internal provision. This approach had resulted in a significant number of rundown contracts with partners for apprenticeships and no subcontracting of the adult provision.</li> <li>• There was currently only one subcontracting provider (GFTS) that was eligible to take on new students.</li> <li>• Subcontracting had impacted favourably on the college’s qualification achievement rates.</li> <li>• The report detailed a full list of the college’s subcontracting arrangements for 2022-23, which included a projected outturn for the year. As highlighted by the recent Governance Audit led by RSM, there was a requirement for the Board to approve subcontracting arrangements on an annual basis.</li> <li>• ESFA subcontracting reforms stated that from 2022-23 onwards, subcontracting must not exceed 25% in any given funding stream and that any delivery beyond the 25% threshold required express permission by the DfE.</li> </ul> | 15:26 |

|     |  |    |
|-----|--|----|
|     | <ul style="list-style-type: none"> <li>For the current academic year 2022-23, the college had secured permission from the ESFA for apprenticeship subcontracting above 25%. This was necessary due to the large number of subcontractors on run-down contracts and the slow growth of the college’s internal apprenticeship provision.</li> </ul> <p>10.2 The following discussion then occurred:</p> <ul style="list-style-type: none"> <li><b>The Chair of the Board asked – would the college continue to retain its subcontracting relationship with GFTS?</b> The Chief Operating Officer confirmed that it would as GFTS provided a niche provision for the college.</li> <li><b>The Chair of the Board asked – would it be possible for GFTS to establish a local base in East Sussex, with a view to transition to a partnership, rather than a subcontracting relationship?</b> The CEO &amp; Principal reflected that this may be feasible and in turn could support the college’s objective to extend its local partnership relationships. <ul style="list-style-type: none"> <li><b>Action 10.2.1 – Explore the feasibility of GFTS establishing a local base in the East Sussex area, with a view to transition from a subcontracting to partnership relationship moving forward.</b></li> </ul> </li> <li><b>RESOLUTION – The Finance Committee agreed to recommend the Annual Subcontracting Report (2022-23) to the Board for approval.</b></li> </ul> | HC |
| 11) | <p><b>POLICIES</b> <span style="float: right;"><b>15:38</b></span></p> <p><b>11.1 Staff &amp; Governor Expenses Policy</b></p> <ul style="list-style-type: none"> <li>Governors noted the proposed changes to the Staff &amp; Governor Expenses Policy, as detailed in the Policy Change Summary Sheet.</li> <li><b>RESOLUTION – The Finance Committee agreed to recommend the Staff &amp; Governor Expenses Policy to the Board for approval.</b></li> </ul> <p><b>11.2 Tuition &amp; Fees Policy</b></p> <ul style="list-style-type: none"> <li>Governors noted the proposed changes to the Tuition &amp; Fees Policy, as detailed in the Policy Change Summary Sheet.</li> <li><b>RESOLUTION – The Finance Committee agreed to recommend the Tuition &amp; Fees Policy to the Board for approval.</b></li> </ul>  |    |
| 12) | <p><b>ANY OTHER BUSINESS</b> <span style="float: right;"><b>15:42</b></span></p> <p><b>12.1 FE Capital Transformation Fund</b></p> <ul style="list-style-type: none"> <li>The Chief Operating Officer shared the following update: <ul style="list-style-type: none"> <li>Earlier this year, £1.5bn had been ringfenced for the FE Capital Transformation Fund.</li> <li>In the first round, all colleges received a funding allocation, of which approximately £1m was allocated to ESCG.</li> </ul> </li> </ul>  |    |

|     | <ul style="list-style-type: none"> <li>○ In the second round, funding was allocated to targeted projects, for which the 16 colleges with premises in the worst condition were identified.</li> <li>○ The third, was a competitive round, in which ESCG was unsuccessful in its funding bid. The colleges that were identified had been through a specialist restructuring process with the ESFA and as a consequence had benefited from additional funding.</li> <li>○ £285m now remained within the FE Capital Transformation Fund, which the ESFA would allocate to those colleges with buildings in the poorest condition.</li> <li>○ It was anticipated that the basis for subsequent funding decisions would be the Condition Reports that were commissioned by the ESFA in 2019.</li> <li>○ However, the Condition Report for ESCG included several areas that had been marked as unseen and contained various incorrect information.</li> <li>○ Advice was currently being sought to determine whether the ESFA would accept an independent condition survey which the college had subsequently undertaken as further evidence of the current condition of the estate.</li> <li>○ A final decision would be taken by the end of March 2023, with a view for funding to be received in the current academic year.</li> </ul> <p><b>12.2 DfE Capital Loans Scheme</b></p> <ul style="list-style-type: none"> <li>● The CEO &amp; Principal advised that there had been a recent DfE announcement on capital loans and the feasibility of capital borrowing was currently being explored by the college.</li> <li>● The Chief Operating Officer advised that the college had previously submitted a request to the DfE to continue borrowing, which at that time had been unsuccessful. However, there may be an opportunity for the college to reapply at a later date.</li> </ul> |              |                     |        |    |   |             |    |  |             |    |  |             |    |  |             |    |  |             |    |   |             |    |                                      |             |    |                                      |             |              |
|-----|---|--------------|---------------------|--------|----|---|-------------|----|--|-------------|----|--|-------------|----|--|-------------|----|--|-------------|----|---|-------------|----|--------------------------------------|-------------|----|--------------------------------------|-------------|--------------|
| 13) | <p><b>DATE OF NEXT MEETING</b></p> <p>8.1 Governors noted that the next meeting was scheduled for <b>15<sup>th</sup> June 2023, 10:00-12:00.</b></p>  | <b>15:50</b> |                     |        |    |   |             |    |  |             |    |  |             |    |  |             |    |  |             |    |   |             |    |                                      |             |    |                                      |             |              |
| 14) | <p><b>LIVE COMMITTEE SELF-ASSESSMENT</b></p> <p>14.1 Survey responses were received from Governors, live via a Google Form:</p> <table border="1"> <thead> <tr> <th>#</th> <th>ASSESSMENT QUESTION</th> <th>RESULT</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Did the agenda and papers arrive seven days in advance?</td> <td><b>100%</b></td> </tr> <tr> <td>2.</td> <td>Were the agenda and papers written with clarity?</td> <td><b>100%</b></td> </tr> <tr> <td>3.</td> <td>Were the issues considered at the meeting appropriate?</td> <td><b>100%</b></td> </tr> <tr> <td>4.</td> <td>Did you have all the information you needed to fully participate in the discussion and decision?</td> <td><b>100%</b></td> </tr> <tr> <td>5.</td> <td>Was sufficient time available for thorough debate?</td> <td><b>100%</b></td> </tr> <tr> <td>6.</td> <td>Were you satisfied that the decisions were arrived at in a proper manner?</td> <td><b>100%</b></td> </tr> <tr> <td>7.</td> <td>Were you able to express your views?</td> <td><b>100%</b></td> </tr> <tr> <td>8.</td> <td>Was the meeting chaired effectively?</td> <td><b>100%</b></td> </tr> </tbody> </table>  | #            | ASSESSMENT QUESTION | RESULT | 1. | Did the agenda and papers arrive seven days in advance? | <b>100%</b> | 2. | Were the agenda and papers written with clarity? | <b>100%</b> | 3. | Were the issues considered at the meeting appropriate? | <b>100%</b> | 4. | Did you have all the information you needed to fully participate in the discussion and decision? | <b>100%</b> | 5. | Was sufficient time available for thorough debate? | <b>100%</b> | 6. | Were you satisfied that the decisions were arrived at in a proper manner? | <b>100%</b> | 7. | Were you able to express your views? | <b>100%</b> | 8. | Was the meeting chaired effectively? | <b>100%</b> | <b>15:51</b> |
| #   | ASSESSMENT QUESTION   | RESULT       |                     |        |    |   |             |    |  |             |    |  |             |    |  |             |    |  |             |    |   |             |    |                                      |             |    |                                      |             |              |
| 1.  | Did the agenda and papers arrive seven days in advance?   | <b>100%</b>  |                     |        |    |   |             |    |  |             |    |  |             |    |  |             |    |  |             |    |   |             |    |                                      |             |    |                                      |             |              |
| 2.  | Were the agenda and papers written with clarity?  | <b>100%</b>  |                     |        |    |   |             |    |  |             |    |  |             |    |  |             |    |  |             |    |   |             |    |                                      |             |    |                                      |             |              |
| 3.  | Were the issues considered at the meeting appropriate?  | <b>100%</b>  |                     |        |    |   |             |    |  |             |    |  |             |    |  |             |    |  |             |    |   |             |    |                                      |             |    |                                      |             |              |
| 4.  | Did you have all the information you needed to fully participate in the discussion and decision?  | <b>100%</b>  |                     |        |    |   |             |    |  |             |    |  |             |    |  |             |    |  |             |    |   |             |    |                                      |             |    |                                      |             |              |
| 5.  | Was sufficient time available for thorough debate?  | <b>100%</b>  |                     |        |    |   |             |    |  |             |    |  |             |    |  |             |    |  |             |    |   |             |    |                                      |             |    |                                      |             |              |
| 6.  | Were you satisfied that the decisions were arrived at in a proper manner?   | <b>100%</b>  |                     |        |    |   |             |    |  |             |    |  |             |    |  |             |    |  |             |    |   |             |    |                                      |             |    |                                      |             |              |
| 7.  | Were you able to express your views?  | <b>100%</b>  |                     |        |    |   |             |    |  |             |    |  |             |    |  |             |    |  |             |    |   |             |    |                                      |             |    |                                      |             |              |
| 8.  | Was the meeting chaired effectively?  | <b>100%</b>  |                     |        |    |   |             |    |  |             |    |  |             |    |  |             |    |  |             |    |   |             |    |                                      |             |    |                                      |             |              |
| 15) | <p><b>CLOSE</b></p> <p><b>15.1 The meeting closed at 15:52.</b></p>   | <b>15:52</b> |                     |        |    |   |             |    |  |             |    |  |             |    |  |             |    |  |             |    |   |             |    |                                      |             |    |                                      |             |              |

## Action Summary

| Item   | Owner | Action   | Due Date                   |
|--------|-------|--|----------------------------|
| 3.3.1  | BH    | Ensure that the Cycle of Business for 2023-24 takes into consideration the timing of Committee review/approval of subcontracting arrangements, i.e. ensuring submission to the Curriculum, Skills & Quality Committee, prior to the Resources, Culture & Impact Committee. | 15 <sup>th</sup> June 2023 |
| 3.3.2  | RC    | Update the 'ESCG Partnership Framework' document to include an additional point related to the opportunity for students to supplement their learning experience through the college's subcontracting relationships.  | 15 <sup>th</sup> June 2023 |
| 4.1.1  | SB    | Explore the potential cost saves resulting from purchasing energy from the local authority, with a view to share an update at the next meeting.  | 15 <sup>th</sup> June 2023 |
| 4.1.2  | SB    | Include year-on-year comparative summary data information in the next Management Accounts update, ideally within the Executive Summary.  | 15 <sup>th</sup> June 2023 |
| 4.1.3  | SB    | Amend the format of the Income Tracker to report 'low, medium and high' risks (rather than RAG).   | 15 <sup>th</sup> June 2023 |
| 6.3.1  | SB/HC | Include reference to the Corporation's risk appetite in the list of budget assumptions.  | 15 <sup>th</sup> June 2023 |
| 6.3.2  | IM    | Consider the process by which the Board determines its level of risk appetite, with a view for this to inform the Five-Year Financial Planning Process.  | 15 <sup>th</sup> June 2023 |
| 7.1.1  | HC    | Update the list of assumptions associated with the Five-Year Plan to indicate an annual rolling review approach.   | 15 <sup>th</sup> June 2023 |
| 8.2.1  | SB    | At its next review, update the Financial Regulations to include travel cost claims for users of electric vehicles.   | 15 <sup>th</sup> June 2023 |
| 10.2.1 | HC    | Explore the feasibility of GFTS establishing a local base in the East Sussex area, with a view to transition from a subcontracting to partnership relationship moving forward.   | 15 <sup>th</sup> June 2023 |