Finance Committee
MINUTES

Date	15th June 2023	**Time**	14:00-16:00
Venue	Virtual Meeting – MS Teams		
Chair	Priscilla Kendall *(Committee Vice Chair)*		

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

In Attendance – Andy Davy (Independent Governor – *observer*), Hannah Caldwell (Chief Operating Officer), Sam Brasier (Executive Director – Finance), Mark Wardle (Deputy – CEO & Principal), Nathan Haffenden (Director of Capital Development & Assets), Belle Howard (Director of Governance – *minutes*), Marilyn Hawkins (ETF – *Observer*)

Quorum: The meeting was quorate throughout.

Apologies:

#	Item	Action
1)	**WELCOME & APOLOGIES** **10:01** 1.1 The Finance Committee Vice Chair opened the meeting at 10:01 with a warm welcome to colleagues. 1.2 The Finance Committee Vice Chair particularly welcomed Marilyn Hawkins from ETF, who would be observing the meeting as part of the external governance review process. Participants introduced themselves. 1.3 Governors also noted that Andy Davy (Independent Governor) would be observing the meeting as well. 1.4 The Finance Committee Vice Chair noted the recent resignation of Mark Fisher from the Board and advised that she would Chair the meeting in the interim of transitioning to the new committee structure in the Autumn Term 2023. 1.5 There were no apologies as all participants were in attendance.	
2)	**DECLARATIONS OF INTEREST** **10:02** 2.1 There were no new declarations of interest received.	
3)	**MINUTES OF LAST MEETING & MATTERS ARISING** **10:03** ***3.1 Approval*** • Governors considered the minutes from the last meeting on 6th March 2023. • **Governors agreed that the minutes were a true and accurate record of what was discussed.**	

3.2 Matters Arising

- ***6th March 2023:***

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.	**Complete**
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.	15th 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.	**Complete** – to be addressed verbally in Item 3.
4.1.2	SB	Include year-on-year comparative summary data information in the next Management Accounts update, ideally within the Executive Summary.	**Complete** – addressed in Item 4.1.
4.1.3	SB	Amend the format of the Income Tracker to report 'low, medium and high' risks (rather than RAG).	**Closed** – will be addressed in the 2023-24 new format management accounts.
6.3.1	SB/HC	Include reference to the Corporation's risk appetite in the list of budget assumptions.	**Complete** – addressed in Items 6.1 & 7.1.
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.	**Complete** – The Board will consider its risk appetite at the Strategy Day in October 2023. There will be a final review of the 5 Year Financial Strategy once this has been determined.
7.1.1	HC	Update the list of assumptions associated with the Five-Year Plan to indicate an annual rolling review approach.	**Complete** – addressed in Items 7.1
8.2.1	SB	At its next review, update the Financial Regulations to include travel cost claims for users of electric vehicles.	**Pending** – review of the College Financial Regulations has been deferred to the Autumn Term.
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.	**Complete** – to be addressed verbally in Item 3.

- ***5th December 2022:***

Item	Owner	Action	
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.	

3.3 The Executive Director of Finance shared the following update on **Action Item 5.1.1**:

- The VAT Specialist had identified certain adjustments to the college's partial exemption rate as output of his annual review and a full report would follow shortly.
- The coffee shop at the Hastings Station Plaza site had recently been relocated, so that it was now readily accessible by the public and no longer primarily, limited to use by just staff and students.
- The VAT Specialist would be engaged to develop an appropriate methodology, to manage the VAT implications for purchases made by the public moving forward.
- That said, this issue was not expected to impact on previous VAT quarterly returns.
- This action item therefore remained open, and a further update would be shared at the next meeting.

3.4 Energy Supplier Cost Saves

- The Executive Director of Finance shared the following update:
    - An existing contact was in place with the current energy provider through to September 2025.
    - The provider would continue to hedge prices through to the end of the contract.
    - An agreement was shortly due to be provided regarding charges for the winter period (between October 2023 and March 2024), at rates of 25p per kilowatt hour for electricity and 8pm per kilowatt hour for gas. This would equate to a reduction when compared to the same period in the prior year and therefore value for money.
    - There was currently less volatility in the energy marketplace, though predictions remained challenging moving forward.
    - Consideration was currently being given to whether to extend the current contract, pending further review.
- The Chair of the Board reflected on the need for budget certainty and noted that the opportunity to secure a fixed rate contract that was lower than previous arrangements was reasonable and preferable. Governors agreed.
- The Executive Director of Finance also noted ongoing efforts to reduce usage levels as another means of reducing associated costs.

3.5 GFTS Subcontracting Relationship

- The Chief Operating Officer shared the following update:
  - At a recent meeting with the Vice Principal – Business Development, the subcontracting arrangements with GFTS were carefully considered.
  - GFTS were a national provider and currently the college's sole recruiting subcontracting partner for apprenticeships.
  - GFTS operated in a relatively niche field, with their Head Office based in Bradford. As such, the college was able to recruit learners from a relatively wide geographical area, when compared with other providers.
  - For this reason, it was determined that GFTS would not be inclined to relocate to the East Sussex area, particularly in view of the national nature of their provision.
  - Consequently, GFTS would remain as a subcontracting partner at the current time.

4) **INTER-COMMITTEE REFERRAL** **10:10**

4.1 There were no items for inter-committee referral raised for discussion.

5) **FINANCE UPDATE – APRIL 2023** **10:11**

5.1 April 2023 Management Accounts & Budget Forecast

- The Executive Director of Finance presented the following update:

EXEC SUMMARY

- Corporation agreed the Original Budget in July 2022 and Governors agreed a revised budget in December 2022.
- The current forecast surplus for the College is £1.406m which is £0.844m less than the revised budget position.
- Forecast income has increased by £1.05m compared to the revised budget with the main movements being:
  - Reduction in Apprenticeship income £0.5m
  - Reduction in Tuition Fee delivery £0.414m, mainly through expected Co-Funded students being Fully Funded
  - Increase in AEB delivery £0.585m
  - Increase in HE delivery, mainly sub-contract £0.824m
  - Increase in Other Income £0.965m including SDF2 and Multiply projects
- The main movements on expenditure are an increase on staffing costs £0.6m (in line with run rate) and operational costs (incl. Utilities) £1.03m. Overall expenditure forecast is £1.9m over the revised budget.
- The year end cash position is currently forecast to be £4.87m at the end of July of which £3.8m is capital & T-Level allocations received by the DfE in year. Current cashflow assumes this allocation will remain unspent at year end.

  - The May Management Accounts would also be available imminently and would be distributed to all Governors via the Director of Governance.

- **Financial Health Grade** – this continued to be forecast as 'Good', which would be challenged in the College Financial Forecasting Return (CFFR) that was due for submission at the end of July 2023.

- **Earnings Before Interest, Taxes, Depreciation & Amortisation (EBITDA)** – now forecast at 6.78%, as expenditure had increased over and above income, when compared to the revised and original budget.

- **Staff Costs as a % of Income** – this had increased and were now forecast at 67.31%. There were currently several vacant positions at the college, which had enabled cost savings this academic year.

- **Total Borrowing as a % of Income** – this remained reasonably stable, and the college continued to meet its capital and interest repayments.

- **Subcontracting as a % of Total Generated Income** – this continued to decrease, primarily due to ongoing efforts to discontinue various apprenticeship and AEB subcontracting arrangements.

- **AEB Delivery** – this was forecasted at 91.87%. Whilst this was below the 100% target, this was a significant improvement on the prior year.

- **Number of 16-18 Learners** – this was relatively stable at 4,353. The funding allocation for next year was expected to largely be in line with the current year, with a slight increase. In particular, there was an increase expectation around T Level numbers.

- **Number of HE Learners** – this had increased, and the May Management Accounts would report this as closer to 1,100.

- **Creditor & Debtor Days** – a correction to the calculation was required and would feature in the May Management Accounts. As such, these metrics were expected to show a forecast that was closer to the target. Creditors were broadly paid on time and the level of debt at the college continued to be managed.

• The following discussion occurred:

  - **The Co-opted Member reflected that staff costs as a percentage of income seemed relatively high against the original target for 2022-23 and asked – what was the driver for this?** The Executive Director of Finance explained that the budget proposed for the next academic year would set this KPI at closer to 70%. The FEC benchmark for this metric was currently 65%, which meant the original ESCG target of 62% was below the FEC benchmark and therefore difficult to achieve. Peers at other colleges had already indicated plans to set their target for next year at closer to 70%, i.e. above the current benchmark level. As such, the current forecast position of 67.3% was reasonable and working towards 62% was not achievable without an operational impact for the college, particularly in view of plans to offer a pay award for staff next year.

- **The Chair of the Board considered the reduction in EBITDA and asked – what assurance can you provide that expenditure was under control?** The Executive Director of Finance advised that expenditure levels were under control, though acknowledged that there had been several reforecasts in the management accounts over the last few months. There had been extensive work with the Estates Team to manage costs, along with ongoing efforts to closely manage energy prices, which was a significant contributor to non-pay expenditure. Efforts were also ongoing to ensure careful management of procurement processes to ensure value for money. Consequently, there was much greater clarity on renegotiation processes and timelines for key contracts. The Executive Director of Finance reflected that the current expenditure position was now more realistic and the draft budget for 2023-24 had been directly aligned to this approach, with a small increase in non-pay expenditure in response to inflationary measures. Whilst some management actions arose from this, the recent Procurement Audit was relatively positive. As such, the college was on the right path to stabilising its expenditure, with a clearer understanding of costs and ensuring value for money.

- The Chair of the Board reflected that the expectations of the budget for 2022-23 may have been overly ambitious. The Executive Director of Finance agreed and referenced the comprehensive business planning process that had recently been completed with budget holders to develop the 2023-24 budget. The CEO & Principal also noted that there had been targeted focus on those budgetary areas where significant levels of volatility were anticipated, to ensure careful cost management moving forward.

- **The Finance Committee Vice Chair asked – how were existing staff vacancies being managed?** The Executive Director of Finance explained that each vacancy had been carefully considered and challenged as part of the budget setting process. The college currently had in excess of £1m of staff vacancies.

* The Executive Director of Finance then shared the following update:

    - **Income** – There had been a high amount of fluctuation against several funding lines, when comparing the current forecast against the original and revised budgets. That said, this had stabilised over the last few months, with the forecast currently totalling £47.3m. The May 2023 Management Accounts were expected to show a further increase of £50K, following receipt of additional apprenticeship funding.

    - **Expenditure** – The year end forecast position for non-pay costs remained a challenge and further movement was anticipated in the May 2023 Management Accounts. There was particular pressure on the exams and administration budget lines. The surplus was therefore expected to reduce from £1.4m to £1.25m.

    - **Variance** – There remained a level of volatility in the forecast, which was expected to increase again. As such, it was anticipated that a surplus of £0.5m should be planned for next year's budget.

	• The following discussion occurred: ○ **The Co-opted Member asked – were there any key costs, other than utilities, that were significantly impacting the Operations & Maintenance budget line?** The Executive Director of Finance advised that the Operations & Maintenance budget line was made up of utilities and other costs incurred by the Estates Team. Given that actuals for 2021-22 totalled £5.2m, it was now unclear why a budget of £3.9m was initially set. That said, such high levels of volatility in energy costs had not been anticipated at that time. ○ The CEO & Principal reflected that there had been an overestimation of the savings that could be made from investments associated with the Salix Grant, which were not fully tested. That, coupled with significant volatility in energy costs, had subsequently resulted in a significant variance between the budget and current forecast. ○ **The Chair of the Board asked – how sophisticated was the model for the college's expenditure profile, i.e. did this accommodate volatility in movements from month to month?** The Executive Director of Finance advised that moving forward, work would be undertaken to profile the budget. Historical data from 2022-23 would provide a helpful guide to support this profiling process. That said, data from the years immediately preceding then would be less useful, given the impacts of the Covid-19 pandemic at that time. A management action from the recent Key Financial Controls Audit, specifically related to ensuring an effective profiling process was put in place, with a view for this to feed through to the management accounts and improve the effectiveness of year-to-date analysis. It was expected that the budget for next year would be much more stable. ○ The Executive Director of Finance advised that the Income Tracker provided a key data point to enable effective forecasting across the college. ○ **The Chair of the Board asked – could the colour coding system in the Income Tracker be amended to make the position clearer for Governors, particularly from an accessibility perspective?** The Chief Operating Officer explained that the intent of the current format had been to indicate the level of risk in any assumptions. The Executive Director of Finance confirmed that the format would be amended. ▪ **<u>Action 5.1.1</u> – Amend the colour coding system in the 'Income Tracker' to ensure this is both clearer and fully accessible to readers, whilst continuing to take into consideration the level of risk.** • The Executive Director of Finance then shared the following update: ○ **Cashflow** – next year, the funding allocations process would change, where equal twelfths would be received each month, and thereby help to smooth cashflow across the year. Work was currently underway to develop a detailed cashflow forecast for 2023-24. ○ **Tasks** – a RAG rated status update was shared on priority tasks for the Finance Team.	**SB**

- The following discussion then occurred:

  - **The Co-opted Member considered the cashflow forecast and asked – would this be projected into the future over an 18-month period?** The Executive Director of Finance advised that the Management Accounts currently reported actual cashflow for the year-to-date, as well as a 12-month rolling cashflow position. Moving forward, a high level cashflow aligned to the Five-Year Financial Plan, would also be reported as well.

  - **The Co-opted Member asked – would it be helpful to include an update on cashflow within the Executive Summary?** The Executive Director of Finance advised that the format of the Management Accounts was currently being redesigned and advised that updates on cashflow would appear more clearly in the new format from the start of the next academic year.

  - The Co-opted Member reflected that the newer format Executive Summary was particularly helpful and informative. Governors agreed.

  - **The Co-opted Member considered the college's Pension Scheme and asked – could you clarify the variance in the general reserve?** The Executive Director of Finance advised that a further update could be shared at a subsequent meeting. An FRS102 Report was due to be received from East Sussex County Council, which would include all of the associated calculations related to the Pension Scheme. The Executive Director of Finance provided assurance that the college continued to meet its monthly Local Government Pension Scheme and Teacher's Pension obligations from a cash perspective, which was routinely reconciled, audited and reported on.

  - The Co-opted Member reflected on the need for the college to be clear on its provisions on future liabilities as far as the college's pensions reserve was concerned. Governors agreed.

  - The Finance Committee Vice Chair suggested that further details on the college's pension position be sent through to the Co-opted Member for consideration.

    - **Action 5.1.2 – Share further details on the college's pensions provision and general reserves with the Co-opted Member.** **SB**

6) **DRAFT FINAL BUDGET – 2023-24** **10:45**

6.1 Draft Final Budget & Target Setting 2023-24

- The Executive Director of Finance shared the following headline updates:

  - The draft 2023-24 budget had been completed as part of the business planning process within the business planning timeline.
  - The budget was linked to the Curriculum planning process followed by the College.
  - Overall income, pay and non-pay was expected to be higher in 2023-24, compared to the forecast outturn for 2022-23.
  - Budgeted income was in line with ESFA funding allocations received for 2023-24.
  - Budgeted pay had been based on a defined establishment list, expected curriculum delivery and included provision for a pay award.

	◦ Budgeted non-pay had taken into account inflationary increases and mitigated risk around utility costs. • The Executive Director of Finance then outlined the business planning timeline, before sharing a summary slide on the draft budget for 2023-24. • The following discussion then occurred: ◦ **The Finance Committee Vice Chair asked – would it be possible for an extra column to be included illustrating the percentage variance between the draft budget and the FY23 forecast?** The Executive Director of Finance confirmed that this was feasible. ▪ **<u>Action 6.1.1</u> – Update the draft budget summary slide to include details of the percentage variance between the draft budget and the FY23 forecast.**	**SB**
	• The Executive Director of Finance then outlined the assumptions linked to the draft budget. • The following discussion then occurred: ◦ **The Chair of the Board reflected on the relatively small budget surplus and asked – what degree of certainty was there in the income forecast?** The Executive Director of Finance shared the following update: ▪ There were relatively high levels of certainty in receipt of the **16-18** funding, due to the lagged funding model applicable for this provision. ▪ The **Adult Education Budget (AEB)** had been set in alignment with the curriculum plan and was slightly lower than the current outturn for 2022-23, so it was anticipated that this was at an achievable level. ▪ The increase in forecast income for the **Higher Education provision** had been based upon an estimated increase in the subcontracting provision, which had also been accounted for in non-pay costs. ▪ **Tuition Fees** – this had been estimated based upon assumptions around co-funding, partly through the AEB and partly through student payments. If a greater proportion of students were in fact fully funded, a proportion of these tuition fees may be lost. That said, there was a margin of error within the AEB allocation available to address any shortfall. ▪ **Other Income** – this remained broadly similar to the prior year. ▪ Overall, there was a degree of challenge within the income forecast, though this had been set at relatively modest levels. ◦ The Executive Director of Finance again noted the current level of vacancies across the organisation, as well an ongoing focus on close cost management of the non-pay budget. ◦ The Chief Operating Officer advised that the budget remained ambitious, with significant levels of growth forecast within the apprenticeship provision, particularly related to the college's ongoing relationship with larger scale employers, such as SGN. Confidence levels remained high with regards to achieving growth targets in this particular area. • The Executive Director of Finance then shared a comprehensive update on the Income, Pay and Non-Pay Budgets.	

	• The following discussion then occurred: ○ **The Co-opted Member considered the Pay Budget and asked, could the Full Time Equivalent (FTE) establishment headcount also be included?** The Executive Director of Finance confirmed that this was feasible. ○ The Chair of the Board noted that there was a defined establishment list with vacancies fully costed, which included an overall 1% vacancy factor, and reflected that 1% was likely to be quite a modest assessment of the current situation. The Executive Director of Finance agreed. ○ The Chair of the Board considered each of the key non-pay budget lines and noted that whilst the total non-pay budget was largely the same year on year, there were some variances for individual budget lines. ○ **The Chair of the Board asked – do we have any benchmarking data from other colleges regarding the percentage of spend for each of the non-pay budget lines, as a point of comparison?** The Executive Director of Finance advised that historic benchmarking data from other colleges was being leveraged, though noted that not all colleges used the same non-pay budget categories and there was some variance in the allocation approaches adopted. Additionally, the structure and number of campuses would create further variances in approach, even for colleges of a relatively similar size. That said, where possible, benchmarking data could be considered as a helpful point of comparison. ○ The Chief Operating Officer advised that the college continued to have access to mentoring support from the Deputy FE Commissioner and suggested that options for leveraging benchmarking data could be explored during their discussion. ▪ **<u>Action 6.1.2</u> – Explore options for benchmarking the college's non-pay costs in the draft final budget for 2023-24, following an alignment discussion with the Deputy FE Commissioner.** • The Executive Director of Finance outlined the associated risks and concluded their presentation with an overview of key considerations related to capital bids and capital decisions: ○ There had been 83 capital bid submissions, totalling £5.3m in value. ○ A total of £0.9m in capital bids had been approved, of which £0.4m was grant funded and £0.5m would be funded by the college. • The following discussion then occurred: ○ **The Co-opted Member asked – what were the key categories for capital expenditure in terms of establishing essential, desirable and discretionary spend?** The Executive Director of Finance advised that the college had adopted four key categories for capital spend – 'Desirable', 'Required', 'Urgent' and 'Critical'. There were also clearly defined definitions for each of these categories. • **RESOLUTION – The Finance Committee agreed to recommend the Draft Final Budget for 2023-24 to the Board for approval.**	**SB/HC**

7)	**FIVE YEAR FINANCIAL PLAN UPDATE** **11:19** 7.1 The Chief Operating Officer shared the following update: • The Five-Year Financial Plan remained under development and was therefore draft. • There had been targeted focus on developing assumptions, leveraging input from colleagues across the organisation. As such, the plan included further detail on the factors that underpinned each assumption. • A key placeholder in the plan, related to the commercial advice linked to the Estate Transformation Programme, for which an update would shortly be received from the Director of Capital Development & Assets. As such, pending a decision from the ESCG Board on how the programme would progress, the budget and associated cashflow was yet to be finalised. • There had been targeted focus on developing the assumptions and risks linked to income and expenditure. Further work would be needed, in terms of consideration of the year-on-year position. • For example, regarding the 16-18 provision, demographics had been utilised to determine estimates on the anticipated size of the cohort for 2023-24. However, further analysis would be needed regarding the proportion of this intake that would be completing T Level courses, as opposed to other study programmes for this age group. This was particularly significant, given that T Levels were more heavily weighted and therefore carried higher levels of funding. • Key Performance Indicators (KPIs) had been included within the draft plan, which had been based upon the FEC recommended six KPIs. An initial analysis of the current KPI position at the college had also been included. Similarly, a draft income and expenditure estimate had been included in the report. 7.2 The following discussion then occurred: • **The Finance Committee Vice Chair considered non-pay costs and noted the assumption that utility costs were expected to decrease between 2023-2026 and asked – was this realistic in the current climate?** The Executive Director of Finance advised that this assumption had been aligned with the current consensus from the energy broker. The Chief Operating Officer reflected that this should be revisited with the college's energy broker to gain further assurance, with a view to adjust the associated assumption as appropriate. ○ **<u>Action 7.2.1</u> – Revisit the assumption within the Five-Year Strategic Plan related to utility costs, having taken further advice from the college's energy broker.** • The Chair of the Board reflected that utility costs would also be offset by reduced energy usage as a result of embedding the Salix ground source heat pump project, and other green technology solutions currently in place at the college. The Chief Operating Officer suggested that this effort would also be supported by ongoing scrutiny of energy usage moving forward. • The Chair of the Board reflected that the format of the Five-Year Financial Plan was clear and succinct, with adequate information to enable strategic discussion and inform the budget planning approach moving forward. Governors agreed.	 **SB/HC**

	• The Chair of the Board outlined the following key next steps:
	
	  ○ To share the draft Five-Year Financial Plan with the Board at the July 2023 meeting.
	  ○ The Five-Year Financial Plan would then be developed further at the Strategy Day in October 2023, when careful consideration would be given to risk appetite.
	  ○ The Five-Year Financial Plan would then be finalised, with a view for this to be approved at the December 2023 ESCG Board meeting.
	
	• **RESOLUTION – The Finance Committee agreed that the draft Five-Year Financial Plan should be shared as a paper (to note) at the ESCG Board meeting on 3rd July 2023.**
	
	Nathan Haffenden joined the meeting at 11:25.	

8)	**ESTATE TRANSFORMATION PROGRAMME** **11:25**
	
	8.1 Commercial Advice
	
	• The Director of Capital Development & Assets presented on screen and shared the following update:
	
	  ○ An update would be shared on current progress on the Estate Transformation Programme, with a particular focus on key headlines from the recent commercial advice from Avison Young on potential delivery routes to market.
	
	  ○ Further to the last update to the Finance Committee in June 2022, the work being led by Willmott Dixon had been paused, pending a review of approach in the context of the economic and financial climate at that time. As such, a decision was taken to seek advice and conduct further due diligence before entering into a formal Pre-Construction Services Agreement with Willmott Dixon.
	
	  ○ Avison Young had been appointed by the college to complete three key stages of commercial and financial advice across the duration of the programme.
	
	  ○ Stage 1 of this advice was to set out the opportunities and financial risks involved in pursuing different types of commercial arrangements with developers, reviewing existing land offers, and identifying scenarios most suited to the College's finances and appetite for risk.
	
	  ○ The previous land offers had been obtained following a high-level soft market testing exercise led by Willmott Dixon. The proposal at that time had been for the college to fund the planned site development through land sale. A number of potential offers were identified at that time. However, these had been based on a variety of different assumptions that made comparison difficult.
	
	  ○ The commercial advice subsequently received from Avison Young proposed an alternative approach, with emphasis on reducing the level of risk to the college.
	
	  ○ Avison Young had identified the following potential delivery routes:
	
	    ▪ **Route 1** – College contracts directly with a development manager as part of a joint venture.	

- **Route 2** – Development partner contracts directly with the college and another public sector stakeholder.
- **Route 3** – Delivery partner enters into a development agreement with the college ***(preferred approach)***
- **Route 4** – To proceed with a conditional sale with or without planning.

- The associated risk and benefits for each option were outlined in detail. However, all but Route 3 would potentially expose the college to relatively high levels of risk, from a financial, inflationary and/or planning perspective.

- Various site observations for the Lewes and Eastbourne were outlined and the following summary conclusions were shared:

  - Following a careful review of the previously proposed delivery route, it had been determined that the college would take on too much risk exposure were it to proceed with this approach.

  - **Route 3** *(Development Agreement with a Development Partner)* was recommended to not only deliver the housing development, but also deliver the college works within the same agreement. This approach would pass the planning and delivery risk onto the private sector.

- The following next steps were then shared:

NEXT STEPS

- Capital Development Board to make recommendations to the ESCG Board to progress with route / option 3, subject to due diligence.
- ESCG Board to further consider the advice in more detail on 3rd July before taking a decision.
- Subject to approval by the Board, to develop an updated delivery programme based on the preferred delivery route as set out.
- To develop an estimate of pre-planning costs based on the preferred delivery route to be incorporated within the 5-year Plan. The use of existing capital development grants to support professional fees is being explored by the Chief Operating Officer.
- Finalise Reports on Title for each campus together, with full schedules of leases / licenses, to confirm either a 'clean title' or any legal implications to be considered.
- Progress the next stage of design to RIBA 3 (pre-planning) based on confirmed spaces.
- Submit formal pre-applications (Eastbourne first) to the planning authorities.
- Avison Young to support and manage further market engagement to secure new bids.

- The following discussion then occurred:

  - The Co-opted Member reflected that the college did not currently have the capability to pursue either Route 1 or Route 2 in a meaningful way. Governors agreed.

	○ **The Co-opted Member asked – had the college initially pursued the wrong approach for the Estates Transformation Programme?** The Director of Capital Development & Assets advised that the college had received support in the earlier stages from a construction partner, but subsequently took the decision to review its options in more depth, sourcing further advice and taking into consideration the risk appetite of the college. ○ **The Co-opted Member asked – what was the college's ability to manage the level of risk associated with the preferred delivery route?** The Director of Capital Development & Assets reflected that the core business of the college was to deliver an education provision, and as such the college's risk appetite needed careful consideration in delivery of the programme of works. Route 3 would serve to minimise risk, whilst enabling the college to fund the planned works from capital land receipts. ○ The Director of Capital Development & Assets also noted that the college's service level agreement with Eastbourne Borough Council had enabled it to secure specialist project management resource on a temporary basis. That said, the planned works would require careful management and oversight. A detailed specification of works would support this effort, along with the appointment of an experienced team of external professionals to deliver key aspects of the programme and thereby ensure value for money. It was, however, important to note that a residual level of risk would remain in delivering the programme of works, despite efforts to mitigate risk wherever possible. ○ The CEO & Principal advised that early on, the need to engage the Director of Capital Development & Assets had been identified, given his expertise as an experienced capital projects lead. Moving forward, both resources and costs would need to be carefully planned and managed. ○ The Chair of the Board advised that the Capital Development Board had carefully considered the commercial advice from Avison Young and had unanimously agreed to recommend Route 3 to the Board for approval, particularly in view of the risk mitigation that this delivery route afforded. Additionally, one of the key advantages of this pathway was a lower risk funding methodology for the early phases of the project. ○ **The Finance Committee Vice Chair thanked the Director of Capital Development & Assets for his update to the committee.** • **<u>Action 8.1.1</u> – Share a copy of the Avison Young Commercial Advice presentation slides with the Director of Governance, with a view for these to be distributed to Finance Committee Members.** **Nathan Haffenden left the meeting at 11:54.**		**NH**
9)	**SUBCONTRACTING & PARTNERSHIP ARRANGEMENTS – 2023-24** 9.1 The Chief Operating Officer shared the following update: • Further to the subcontracting arrangements update shared at the last meeting, this report had been updated to reflect the approach for the year ahead.	**11:54**	

	• The value of subcontracting arrangements continued to decrease in line with existing plans, retaining just one subcontractor in the apprenticeships funding line, who would be recruiting any new starters. • All other subcontractors were planned for rundown. • The college was now within the DfE threshold for subcontracting within the apprenticeship line. 9.2 The following discussion occurred: • Governors reflected that it remained positive that the number of subcontracting arrangements continued to be reduced. • **RESOLUTION - The Finance Committee agreed to recommend the Subcontracting & Partnership Arrangements for 2023-24 to the Board for approval.**	
10)	**INSURANCE CLAIMS UPDATE** **11:57** 10.1 The Executive Director of Finance shared the following update: • Per the update detailed within the associated report, insurance claims year to date had been immaterial. 10.2 The following discussion then occurred: • **The Chair of the Board asked – was it typical for the college to have this level of insurance claims?** The Executive Director of Finance confirmed that this was typical and in line with the prior year. Details of any significant claims would be brought to the attention of the Finance Committee outside of the annual update process, as needed. • **The Finance Committee Vice Chair noted that there had been one larger claim this year which had been marked as closed, but had also included the comment 'being reviewed by insurers' and asked – had this since been resolved?** The Executive Director of Finance agreed to share an update at the next meeting. ○ **<u>Action 10.2.1</u> – Confirm whether the 'Glass Plains' insurance claim had since been resolved.** • **The Co-opted Member asked – were there any reportable items that the committee needed to be aware of?** The Executive Director of Finance confirmed that there were not. • Governors noted the Insurance Claims update.	 **SB**
11)	**GOVERNANCE MATTERS** **12:03** ***11.1 RC&I Committee Terms of Reference*** • The Director of Governance shared the following update: ○ The terms of reference had been previously reviewed by both the People & Culture Committee and the Search, Performance & Remuneration Committee and any feedback had already been incorporated.	

- The terms of reference for all committees now had a standard format, with simpler language throughout.
- Additionally, any policies and key documents that had been delegated for committee level approval had been clearly defined in the terms of reference. This would enable a strategic approach to Board meetings as well as more balanced agendas moving forward.

- **RESOLUTION - The Finance Committee agreed to recommend the Resources, Culture & Impact Committee Terms of Reference to the Board for approval.**

11.2 Draft Cycle of Business 2023-24

- The Director of Governance advised that a similar approach had been adopted in drafting the Cycle of Business for 2023-24, with a view to ensure a consistent format, a balanced distribution of activity across the academic year and full coverage of statutory obligations.

- **RESOLUTION – The Finance Committee agreed to recommend the Resources, Culture & Impact Committee Cycle of Business for 2023-24 to the Board for approval.**

11.3 Draft Schedule of Meetings

- The Director of Governance shared the following update:
  - The schedule now clearly indicated the location and format of each meeting.
  - Additionally, the timing of all governance meetings had been standardised and RC&I Committee meetings had been scheduled to take place from 15:00-17:00 in most instances.

- The following discussion then occurred:
  - The Chair of the Board reflected on the value of continuing the practice of joint meetings with the Audit, Risk & Compliance Committee in the Autumn Term to review the annual financial accounts. Given the audit focus of these discussions, the Chair of the Board suggested that there may be limited value in this practice moving forward. As such, alignment conversations were underway with the proposed RC&I Committee Chair and the existing ARaC Committee Chair on the approach moving forward.

- **RESOLUTION – The Finance Committee agreed to recommend the Draft Schedule of Meetings for 2023-24 to the Board for approval.**

11.4 Governance Improvement Plan – Progress & Oversight

- The Director of Governance shared the following update:
  - The Governance Improvement Plan (GIP) would continue to be considered in depth by those committees with oversight responsibilities for one or more workstreams within the plan. This would ensure ongoing monitoring of progress moving forward.

	- The Finance Committee had oversight responsibility for the 'Five-Year Financial Strategy' in the Governance Improvement Plan. - At present, a **Green** RAG rating had been proposed, in view of the ongoing focus of the committee on this priority area. • The following discussion then occurred: - Governors noted that the 'Five-Year Financial Strategy' originally had a due date for completion by the end of the 2022-23 academic year. - Governors reflected that whilst a draft Five-Year Financial Strategy had been produced and an update would be shared at the next Board meeting, the plan had yet to be finalised. **Governors agreed that the RAG rating for this item should be amended to Green/Amber.** - **Action 11.4.1 – Update the Governance Improvement Plan to amend the RAG rating for the Five-Year Financial Strategy item to Green/Amber.**	**BH**
12)	**POLICIES** **12:06** 12.1 The Chief Operating Officer directed Governors to the Policy Summary Sheet and outlined the key changes that had been made to each of the policies due for review and approval. 12.2 The following discussion occurred: • **The Co-opted Member asked – were college policies subjected to a peer review process with other colleges?** The CEO & Principal reflected that this may be an area of opportunity for the college moving forward, though noted that best practice examples and guidance from the DfE was routinely leveraged in developing the college's policies. • **The Co-opted Member asked – what was the role of the committee in reviewing these policies?** The Director of Governance advised that this process enabled members to ask any questions, suggest amendments and gain assurance that policies were being appropriately applied in practice at the college. • **RESOLUTION – The Finance Committee agreed to recommend each of the following policies to the Board for approval:** - **Student Support Funds Policy** - **Risk Management Policy & Framework – *joint with ARaC Committee*** - **Treasury Management Policy** - **Disposal of College Assets Policy** 12.3 Governors noted that review of the **College Financial Regulations** had been deferred to the Autumn Term, pending publication of the updated College Financial Planning Handbook by the ESFA.	
13)	**ANY OTHER BUSINESS** **12:11** 13.1 The Chair of the Board thanked Priscilla Kendall for all of her contributions to the Finance Committee over the years, noting that from the next academic year she would be transitioning to the Curriculum Skills and Quality Committee *(subject to Board approval)*.	

	13.2 The Chair of the Board also thanked Thomas Sanderson for his contributions to the Finance Committee over the years in the capacity of a Co-opted Member.	
14)	**DATE OF NEXT MEETING** **12:12** 14.1 Governors noted that the first meeting of the Resources, Culture & Impact Committee (which would be replacing the Finance Committee) was **tentatively scheduled for 28th September 2023, 15:00-17:00**.	
15)	**LIVE COMMITTEE SELF-ASSESSMENT** **12:13** 15.1 One response was received from Governors, live via a Google Form as follows:	

#	ASSESSMENT QUESTION	RESULT
1.	Did the agenda and papers arrive seven days in advance?	100%
2.	Were the agenda and papers written with clarity?	100%
3.	Were the issues considered at the meeting appropriate?	100%
4.	Did you have all the information you needed to fully participate in the discussion and decision?	100%
5.	Was sufficient time available for thorough debate?	100%
6.	Were you satisfied that the decisions were arrived at in a proper manner?	100%
7.	Were you able to express your views?	100%
8.	Was the meeting chaired effectively?	0%

16)	**CLOSE** **12:14** **16.1 The meeting closed at 12:14.**	

Action Summary

Item	Owner	Action	Due Date
6.1.1	SB	Update the draft budget summary slide to include details of the percentage variance between the draft budget and the FY23 forecast.	3rd July 2023
6.1.2	SB/HC	Explore options for benchmarking the college's non-pay costs in the draft final budget for 2023-24, following an alignment discussion with the Deputy FE Commissioner.	28th September 2023
7.2.1	SB/HC	Revisit the assumption within the Five-Year Strategic Plan related to utility costs, having taken further advice from the college's energy broker.	28th September 2023
8.1.1	NH	Share a copy of the Avison Young Commercial Advice presentation slides with the Director of Governance, with a view for these to be distributed to Finance Committee Members.	Complete
10.2.1	SB	Confirm whether the 'Glass Plains' insurance claim had since been resolved.	28th September 2023
11.4.1	BH	Update the Governance Improvement Plan to amend the RAG rating for the Five-Year Financial Strategy item to Green/Amber.	Complete