BOARD OF MANAGEMENT

FINANCE AND PROPERTY COMMITTEE

Tuesday 11 September 2018 at 5.00pm
Y150, Gardyne Campus

AGENDA

1.	**WELCOME**		
2.	**APOLOGIES**		
3.	**DECLARATIONS OF INTEREST**		
4.	**MINUTES OF PREVIOUS MEETING**	Paper A for approval	
5.	**MATTERS ARISING**		
	5.1 ICT Resource Plan	Verbal update	CB
6.	**BUDGET MONITORING REPORT AND UPDATE**	Paper B for information	BF/CB
7.	**GOOD TO GREAT REVISED BUDGET & UPDATE**	Paper C for discussion	CB
8.	**FINANCIAL FORECAST RETURN**	Paper D for approval	CB/BF
9.	**VMWARE PROCUREMENT**	Paper E for information	CB
10.	**AUDIT SCOTLAND REPORT – COLLEGE POSITION**	Paper F for discussion	CB
11.	**CAPITAL**		
	11.1Estates Annual Report 2017/18	Paper G for information	BG
	11.2Estates Update	Verbal update	BG
12.	**VP CORPORATE SERVICES REPORT**	Paper H for information	CB

13. DATE OF NEXT MEETING - Tuesday 27 November 2018, Y150 Gardyne Campus (Joint Meeting with Audit & Risk Committee)

Agenda Item 4

FINANCE & PROPERTY COMMITTEE

Tuesday 11 September 2018

Minute of Previous Meeting

PAPER A

Status	Draft, confirmed by Chair

BOARD OF MANAGEMENT
FINANCE AND PROPERTY COMMITTEE MEETING

Minute of the Finance and Property Committee meeting held on Tuesday 22 May 2018 at 5.00 pm in Y150, Gardyne Campus.

PRESENT:	S Mill (Chair)	A McCusker
	D Fordyce	G Ritchie
	M Galloway	L Addison
	A O'Neill	
IN ATTENDANCE:	C Blake (Vice Principal)	S Hewitt (Vice Principal)
	S Taylor (Vice Principal and Secretary to the Board)	
	W Grace (Head of Estates)	B Ferguson (Head of Finance)

1. WELCOME

S Mill welcomed members to the meeting. It was noted that G Robertson had stepped in as Acting Chair of the Audit Committee and as a result would not bet a member of Finance and Property during this acting period.

2. APOLOGIES

There were no apologies.

3. DECLARATIONS OF INTEREST

A declaration of interest from G Bisset was noted and he did not attend the meeting.

4. MINUTES OF FINANCE AND PROPERTY COMMITTEE MEETING 6 MARCH 2018

The minute of the Finance and Property Committee meeting held on 6 March 2018 was approved as an accurate record.

5. MATTERS ARISING

C Blake noted that the ICT strategy would be brought to the September Learning, Teaching and Quality Committee with the related resource plan brought to the next Finance & Property Committee.

All other actions had been progressed or were included in the agenda.

6. BUDGET MONITORING REPORT

S Mill stated that there was now a forecast deficit of £433k, noting an adverse variance on budget of £775k.

B Ferguson summarised the budget monitoring report and commentary, highlighting that whilst there had been an overall deterioration, this related primarily to the expected increase in voluntary severance costs to £331k.

It was noted that the overall forecast was slightly improved on the Financial Strategy projection and B Ferguson summarised the key areas of movement impacting on this.

The potential need to supplement student support funds was highlighted and it was noted that this may reduce from the £150k forecast but was still estimated as around £125k. C Blake noted that there was a possibility that this could be covered by a further redistribution of funds by the Scottish Funding Council (SFC) but that this was not yet confirmed.

B Ferguson advised that the forecast included the revised costs for utilities following confirmation of revised 2018/19 prices.

Savings in respect of part-time variable staffing costs were discussed alongside income improvements and timing considerations in respect of the delivery of Flexible Workforce Development Fund contracts.

The reduction in forecast for part-time fees was noted (558k adverse variance to budget) and the paper produced in respect of this noted.

Improvements in senior phase activities and the inclusion of Good to Great project funding was noted.

B Ferguson noted the impact of the revised forecast on the projected cash flow and advised that cash flow was very tight (c£200k) as at 31 July, but did improve thereafter. It was noted that this may be supplemented significantly by receipt of advance EU Mobilities funding of c330k euros and that the timing of agreement on pay awards could also impact positively on this by c£400k.

B Ferguson stated that agreement was in place with SFC for payment of August grant-in-aid on 1 August should this be required to cover the loan repayment.

B Ferguson summarised the risk register, stating that a number of risks had either materialised or receded as the year progressed.

S Mill asked if there was a timescale for confirmation from SFC of any potential redistribution of student support funds. Discussions held were noted and it was advised that there was no set timescale but it was anticipated that this would be known within a week or so.

The factors impacting on the potential student support funds overspend were discussed and G Ritchie noted that this reflected good January recruitment, improved retention and attendance plus increases (c£153k) in entitlements for care experienced learners.

The timing of the in-year redistribution process was discussed and it was noted that this was submitted in advance of January recruitment being known.

A McCusker noted concern that this overspend had not been anticipated and stated that there needed to be improved planning of curriculum and spend, including reviewing student entitlements where possible. B Ferguson stated that forecasting was based on previous trends and noted that these trends had not materialised to the same extent this year. The negative impact on recruitment/retention of reducing student support was discussed.

A McCusker noted concern at the cash flow position and stated that she was worried that any unforeseen cost could cause a significant cash flow problem. S Mill stated that there was a need for the leadership team to look at contingency planning for such an eventuality over the coming months.

The loan payment was discussed and C Blake noted contingency arrangements in place with SFC for this as necessary. A McCusker stated that there should have been a plan in place to meet loan obligations. C Blake noted that this was the position, with a contingency in place and the requirement to generate sufficient cash underpinning the financial strategy.

The reduction in cash held over recent years was discussed and C Blake noted that the approach taken in respect of cash flow was consistent with that required of the College and other public sector bodies. A McCusker stated that this was recognised and noted that it was felt that future forecasting would need improving to avoid running out of cash given that almost all of the financial risks were detrimental.

6.1 Part-Time Fees Report/Action Plan

S Mill noted that the report produced had been requested as a result of the c£500k variance in part-time fees from budget and the request that work be put in to understand what had impacted on this and to develop new assumptions for future planning.

S Hewitt summarised the report, highlighting the impact of activities including the Flexible Workforce Development Fund and reduction in international student numbers.

Future plans to focus on a number of niche markets were discussed alongside improvements in arrangements to develop and plan part-time provision from 2018/19 onwards.

M Galloway asked about the reduction in engineering activity given improvements in the oil price and it was noted that this is an on-going trend. The impact of this on numbers from Angus Training Group was discussed alongside the significant drop in Design and Draughting apprenticeships.

The reduction in the 2018/19 budget target for part-time fees was discussed and it was noted that this was lower than the 2017/18 budget, but above the forecast out turn and was based on a realistic projection of numbers in respect of planned curriculum changes.

The update and actions taking place were noted.

6.2 Good to Great Budget Monitoring

C Blake summarised the routine schedule and confirmed the Q3 claim to be made to the Foundation. It was noted that the expenditure was still low, but that this would pick up as projects and activities moved beyond the initiation phase.

C Blake stated that a short update on the project had also been provided to the Foundation

The potential impact of expenditures on cash flow was discussed and D Fordyce queried the turnaround time between submission of a claim and payment. C Blake stated that because claims were submitted relative to a known timeline payment tended to be received within a few days.

S Mill noted the level of virement between the different headings within the original financial plan for Good to Great and asked if there was a need for an updated plan to the Board and / or Foundation. C Blake stated that a revised schedule had been provided alongside the claim, but noted that as the specific project details had become clearer it was challenging to match these directly back to the initial outline.

It was noted that work would be done to revise this as needed. A McCusker noted that any substantive change would need to go back to the Board for approval. This was recognised.

Expenditure changes within the digital strategy project were discussed and it was noted that this had resulted from changes in approach that had reduced the need for direct staffing support on digital skills promotion but an increased focus on specific approaches in areas such as robotics necessitated expenditure on more up to date equipment.
A McCusker stated that any significant changes of this type needed to be transparent in terms of the overall project development.

7. FINANCIAL STRATEGY/SAVINGS PLAN

C Blake summarised the paper produced, noting that this was a distillation of the financial elements of a much more detailed staff consultation document that had summarised the key steps and changes underpinning the savings plans. C Blake confirmed that the changes identified had resulted in planned savings of £968k for the 2018/19 budget.

S Mill noted that the savings required all seemed to be in place apart from the timetable savings and asked how this would be measured. It was noted that it was difficult to track the exact savings on this, but that this would be evident through the part-time variable budget and the total number of streams.

D Fordyce noted that the update and savings achieved was welcomed and stated that there was a concern that there was little else that could be done to reduce costs.

A McCusker asked how the travel plan savings would be achieved. B Grace noted changes in behaviour through the use of skype etc and noted work progressed to provide electric vehicles for staff use and better prioritisation of pool cars. L Addison noted examples of the use of skype to reduce travel for meetings.

S Mill noted his thanks to the Leadership team for the work that had been undertaken over a short time-frame to identify the 2018/19 savings.

8. 2018/19 BUDGET

S Mill noted the budget paper produced and highlighted that this outlined a £570k cash backed surplus and an almost £1 million difference from the 2017/18 outturn forecast.

C Blake stated that the budget reflected the agreed financial strategy and the savings target of £1 million that had been discussed under item 7.

C Blake explained the budget in detail and it was noted that no allowance had been made for in-year voluntary severance (VS) costs, but that £200k had been earmarked to supplement student support funds if required. S Mill stated that the decision not to include a sum for VS was recognised, but that this made the cash flow management of VS decisions and timing more important. This was accepted.

C Blake stated that the estimated costs associated with the support staff national job evaluation exercise had not been included within the budget, and neither had the related funding allocated from SFC. C Blake stated that it was anticipated that SFC would not allocate these funds until the job evaluation work had progressed.

The small contribution from Gardyne Theatre Limited (GTL) was discussed and it was noted that this did not include the full staffing costs for GTL operations as one staff member was employed directly by the College. A McCusker noted concern at this and asked that all costs associated with GTL be charged to them as had been agreed by the Board. This was agreed. C Blake to progress with GTL Board.

It was noted that this was likely to result in a recorded loss for GTL and potential arrangements for the accounting of this were discussed.

The budget risk register was discussed and particular risks around salary costs and cash flow were noted.

A McCusker stated that it was clear that money was very tight and noted that there was a need for some element of contingency to avoid potential cash flow issues. This was recognised and it was agreed that this would be further reviewed and a report brought to the next meeting. **C Blake to progress.**

S Mill noted the risk rating in respect of tuition fees in light current and previous year budget performance and, following discussion, it was agreed that this would be reviewed. **C Blake to progress.**

Arrangements in respect of the commercial stretch target were discussed alongside the need for earlier notification of any significant variances that might arise. C Blake stated that work would be undertaken to improve reporting from month 2. **B Ferguson/C Blake to progress**.

It was noted that improvements made to the overall budget process would support improved forecasting. This was welcomed.

The budget was approved for submission to the Board subject to changes discussed in respect of the risk register. **C Blake to progress**.

9. CAPITAL UPDATE

9.1 Capital Project Update

B Grace summarised his report noting that all current projects were progressing well and highlighting that work had started to fit the windows in the Kingsway campus.

It was confirmed that clarification had been received with regard to the prioritisation of capital funding for backlog maintenance and that this would be put towards a range of projects including the Kingsway window replacement. As a result, it was proposed that the funding request to the D&A Foundation for these works would be withdrawn. This was discussed and it was agreed that the withdrawal of a Foundation bid should follow a similar Board approval process as a bid. This was agreed. **C Blake to progress.**

Potential works in respect of a “plan b” approach to the Kingsway campus development were discussed and M Galloway queried whether plans such as the movement of Hair and Beauty would have a commercial income element to them. It was confirmed that there would be a commercial element, but that any potential development was at a very early stage.

The need for an overall vision for any “Kingsway plan b” was discussed and C Blake noted that specific projects may also need individual business cases to be developed.

9.2 Space Utilisation

S Mill stated that the document produced had arisen as a result of the outcome of an internal audit report, rather than as a direct request from the Committee. C Blake noted the report contents, confirming that this met the audit recommendations.

S Hewitt stated that the approach adopted was designed to inform both space utilisation and timetable efficiency and advised of work on-going to create a dashboard that would better present data of this type. B Grace noted that utilisation data would also inform developments to the estates strategy and had underpinned the work undertaken for the Kingsway outline business case.

The available data was discussed and it was agreed that further metrics, including credits per square metre, and areas of high and low occupancy would be provided. It was agreed that it would be useful for an annual property report to be produced, showing relevant metrics, external benchmarking and summarising estates developments/plans. **B Grace to progress.**

Room availability figures were discussed and it was confirmed that the “hours available” figure related to the 32 weeks of the academic semesters.

10. SINGLE SUPPLIER APPROVAL

C Blake outlined the request to progress a contract with Midland HR on a single supplier basis. The background and rationale for this was discussed and it the request was agreed for consideration by the Board at its June meeting. **C Blake to progress.**

Approaches to ensure best value and close management of systems implementation projects were discussed.

11. VP CORPORATE SERVICES REPORT

C Blake summarised her report, noting that the timeframe for the Financial Forecast Return (FFR) had been moved by SFC. This was now likely to be considered at the September Board meeting.

The audit risk in respect of the potential consolidation of the monies held by the D&A Foundation into College accounts was discussed and noted with concern. C Blake confirmed that this issue had been flagged up to the Foundation Trustees.

C Blake highlighted the item in respect of the licence renewal for the Virtual Desktop (VDI) environment and noted that this had arisen unexpectedly and had not gone through the normal approval arrangements. A McCusker asked if a licence renewal of this value should have been subject to Board approval. This was discussed and it was agreed that this would be reviewed and a report brought to the next meeting. **C Blake to progress.**

12. DATE OF NEXT MEETING

Tuesday 11 September 2018 in Y150, Gardyne Campus.

Action Point Summary		
Action	**Responsibility**	**Date**
ICT Resource plan to be developed relative to updated ICT Strategy	C Blake/K Oza	11 September 2018
Budget contingency plans to address potential cash flow issues to be developed and reported	C Blake	11 September 2018
Budget papers to be updated to reflect revised risk ratings as discussed.	C Blake	12 June 2018
Improved reporting and forecasting arrangements to be developed/adopted from month 2 onwards	C Blake/ B Ferguson	11 September 2018
Budget to be progressed for discussion/approval by full Board.	C Blake/ B Ferguson	11 September 2018
Paper to be prepared in respect of withdrawal of bid to D&A Foundation for Kingsway windows project funding.	C Blake	12 June 2018
Annual Property Report incorporating space utilisation metrics and benchmarking to be developed.	B Grace	11 September 2018
Single Supplier Approval to be progressed for consideration by full Board	C Blake	12 June 2018
Report on VDI licence issue and approaches required in respect of Committee/Board approval for large recurring expenditures	C Blake	11 September 2018

Agenda Item 6

FINANCE & PROPERTY COMMITTEE

Tuesday 11 September 2018

Budget Monitoring Report & Update

PAPER B

Draft Outturn for year to 31 July 2018 and forecast for 2018/19

Summary

1. The attached report presents, in Management Accounts format, our draft outturn for 2017/18 and an early forecast for 2018/19.

2. We continue to make adjustments to 2017/18 and further changes may arise through audit. We do not anticipate any material adjustments.

3. The Accounts also provide variance against budget, along with an adjusted variance which eliminates the inherently volatile movements arising from SFC Capital & Maintenance grant (C&M), Flexible Workforce Development Fund (FWDF) and Good to Great (G2G).

4. **The draft outturn for the year to 31 July 2018 is a consolidated cash backed surplus of £187K**, against a budget of £343K. This represents a substantial improvement from the Month 8 forecast deficit of £432K previously presented to Committee. This is due to significant increases in non-core income, lower pay costs and net under spends, particularly within staff and student costs and ICT. The table below summarises the most significant movements from forecast.

Analysis of the movement in cash-backed surplus/ deficit for 2017-18 is as follows:

	£'000
Month 8 forecast	**(432)**
Flexible Workforce Development Fund	(85)
Commercial income	183
Other income, net of direct costs	88
Academic pay award assumption	47
Teaching pay - variable savings	110
VS	(60)
Student Support Funds	150
ICT	131
Other net movements	55
Draft outturn for 2017/18	**187**

5. The 2018/19 forecast encompasses timing differences resulting in deferral of income and expenditure from last year, together with a re-evaluation of pay award assumptions.

6. **The early forecast for the year to 31 July 2019 is a cash backed surplus of £1,052K**, representing an improvement of £482K from budget. This is due to additional VS savings secured from late applications last year, together with favourable movements from pay award assumptions, and carry forward of FWDF activity from 2017/18, as previously anticipated.

	£'000
Budget	**570**
Academic pay award assumption	150
Additional VS savings	250
Flexible Workforce Development Fund	82
Forecast for 2018/19 at Month 0	**1,052**

Income

7. In 2017/18 Other SFC grants have reduced by a net £177K from previous forecast. £206K is attributable to C&M funding and FWDF, and is carried forward to enhance the forecast for 2018/19. Associated costs of £121K are deferred, and an additional net contribution of £82K is added to 2018/19.

8. Non-Core income for 2017/18 increases by £159K from the last forecast. SDS and other public sector contracts accounts for £126K (increasing £239K from budget). Commercial Work-Based is also up £58K since our Month 8 predictions which had remained unchanged from budget. Other movements are largely off-setting within income or matched by expenditure. No forecast adjustment is made for 2018/19.

9. Catering & other income income falls by £32K for 2017/18 since last reported, however this masks a net increase of £168K before factoring in an ALF reduction for G2G – now carried forward to 2018/19 – of £201K. Catering from all outlets has produced a further £98K for 2017/18 (£117K up on budget), with increases also secured from lets, enterprise activities etc., in addition to a Service Level Charge of £30K levied against Gardyne Theatre Ltd which has no net impact upon cash-backed surplus.

Pay

10. Established and Variable teaching pay combined has produced a favourable forecast variance of £183K for 2017/18, being an improvement of £137K from budget. In addition to carry forward of FWDF and G2G activity into 2018/19, a re-assessment of pay award assumptions contributes £47K to this favourable variance.

11. A total of £150K has been removed from Established and Variable teaching costs in the 2018/19 forecast to reflect the revised assumption for a non-consolidated academic pay award for FY1718.

12. Increased invoiced staff costs in 2017/18 arise largely from Service Design Academy (SDA) and FWDF.

13. VSS costs of £391K for 2017/18 exceed last forecast, but produce additional savings of £250K for the 2018/19 forecast, split £145K teaching and £105K support. The 2017/18 budget variance is inflated due to the budget being set as a net credit, producing savings spread across all pay categories in 2017/18.

14. A net total of £38K has been added to Pay in the 2018/19 forecast for the deferral of G2G activities and FWDF delivery.

15. Unfunded payments made monthly to pensioners of the two legacy colleges have been removed from Non-pay Staff related costs, and will now be shown under Pay.

Non-Pay

16. Staff related costs are similarly down against both budget and last reported forecast in 2017/18. G2G accounts for approx. £25K, to be carried into 2018/19, along with a significant reduction in foreign travel of £75K from budget, with correlating income reductions in mobility funding.

17. Consumables & Equipment show little overall net movement from our 2017/18 budget, but are down £94K from the Month 8 forecast. G2G accounts for £119K, and is added to the 2018/19 forecast.

18. Increases in 2017/18 Exam fees stem almost entirely from SQA charges. No consequential adjustment has been made for 2018/19 but this will require to be re-assessed for the next forecast.

19. Student Related costs are £39K down on budget in 2017/18, across a wide range of accounts. £150K previously forecast as a contingency for a student support fund shortfall was not required following the successful bid to SFC for additional in-year distribution.

20. Property costs in 2017/18 are down £21K since the Month 8 forecast; however a reduction of £78K is attributable to funded costs now deferred into 2018/19. Utility costs for 17/18 are up £116K on budget and £51K from forecast.

21. ICT & Telephony costs are under spent by £202K and £124K from budget and latest forecast respectively for 2017/18, due mainly to lower IT hardware and infrastructure spend, partially off-set by increases in cost of annual maintenance and licences. A decision was made to suspend further expenditure pending a strategy review. No consequential forecast adjustment is made for 2018/19 as the budget is considered adequate.

22. Professional fees have not moved significantly since last 2017/18 forecast; however adverse variance from budget is due both to Developing the Young Workforce (DYW) of £31K, which is funded, and additional bad debts of £28K.

23. General overheads have benefited in 2017/18 from the capacity provided by enhanced student support funding to recover print charges for bursary supported students.

24. Movement in Non-cash items in 2017/18 reflect a reduction in the untaken holiday pay provision but do not yet take account of pension charges.

Subsidiary company - Gardyne Theatre Limited

25. A deficit of £3K is recorded for 2017/18 after applying a Service Level Agreement charge, unchanged from the previous year, of £30K

Student Support Funds

26. A surplus of £18K is repayable to SFC for 17/18, following receipt of additional funding of £160K received in July. All possible costs have been applied against the funds. Expenditure forecast for 2018/19 is consistent with the provision for a £200K funding shortfall, however this will be re-assessed for the next forecast.

Cash

27. The positive operating movement has significantly improved the cash position at 31 July, with balances of £1.17m accumulated, despite a net negative working capital movement in keeping with previous predictions. The cash position for 2018/19 is not forecast to change significantly by July 2019; however this is predicated upon cautious assumptions, particularly around the timing of pay awards.

Budget contingency

28. At its meeting in May, FPC asked for budget contingency plans to address potential cash flow issues to be developed and reported. This was in response to the potential downside risks identified and the extremely tight cash position reported in the Month 8 management accounts, with forecasts for July 2018 and July 2019 of £213k and £212k respectively.

29. The July 2018 position is better than forecast because of the improved cash-backed surplus, along with a softer working capital movement. The July 2019 position benefits from additional VS departures which were approved after the savings plan was finalised, with these generating an additional £250k saving in 2018-19. It is worth noting that the 2018-19 forecast still includes £200k subsidy for student support funds, which we hope will not be required.

30. We will continue to pursue all available opportunities to create further headroom in order to protect ourselves against possible adverse movements in the operating position. These include close scrutiny of all post replacement requests and delaying non-pay expenditure until later in the year where possible, as well as securing short-term advantages from long-term savings measures, such as process automation and curriculum efficiency.

31. As discussed at the last meeting, the key to this is ensuring that our forecasting is as robust as possible. It is frustrating that we are unable to directly influence nationally negotiated pay increases, whether these are around harmonisation or cost of living, and that the largest element of our cost base is intrinsically difficult to forecast.

32. We believe significant improvements have already been made in reporting and forecasting but there is still room for further enhancement:

    - We will continue to improve the close liaison between finance on the one hand and budget-holders on the other, in order to understand cost and income trends and use these as best we can to forecast forward.

    - We will continue to develop our use of the risk schedule in the management accounts, both in terms of taking account of the potential impact of downside risks crystallising but also in terms of risk management and mitigation.

- We will ensure that there is enhanced scrutiny of cash forecasting, particularly at the two “pinch points” in the year, March and July.

Brian Ferguson
Head of Finance
3rd September 2018

Management Accounts

Draft Outturn for the year to 31 July 2018
and
Forecast for year to 31 July 2019

Registered Charity No: SC021188

Dundee and Angus College

Management Accounts for the year to 31 July 2018

Income and Expenditure Report

	2016/17	2017/18				2018/19			
	Actual	**Budget**	**Draft Outturn**	**Variance**	**Adj. variance**	**Budget**	**Forecast**	**Variance**	**Adj. variance**
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
SFC Credit income	24,285	24,928	24,929	1	1	26,412	26,412	-	-
SFC ESF Credits	1,223	1,223	1,243	20	20	1,154	1,154	-	-
Other SFC grants	1,381	1,458	1,970	512	18	2,129	2,332	203	82
SFC Total	**26,889**	**27,609**	**28,142**	**533**	**39**	**29,695**	**29,898**	**203**	**82**
Tuition Fees	4,046	4,232	3,699	(533)	(533)	3,893	3,893	-	-
Non-Core income	2,915	2,543	2,986	443	443	2,229	2,229	-	-
Catering & other income	1,784	1,627	1,908	281	141	2,092	2,284	192	-
Commercial Income Stretch Target	-	170	-	(170)	(170)	126	126	-	-
Total Income	**35,634**	**36,181**	**36,735**	**554**	**(80)**	**38,035**	**38,430**	**395**	**82**
Teaching Pay - established	12,498	12,981	12,976	5	16	13,231	12,968	263	265
Teaching Pay - variable	2,482	3,007	2,705	302	381	3,582	3,626	(44)	30
Part-time variable savings	-	(170)	-	(170)	(170)	(150)	(150)	-	-
Invoiced Staff Costs	117	119	224	(105)	(105)	208	208	-	-
Teaching Support Pay	1,452	1,482	1,506	(24)	(24)	1,553	1,553	-	-
Support pay	10,350	10,546	10,423	123	179	10,238	10,119	119	105
Apprenticeship Levy	31	105	95	10	10	100	100	-	-
VS Scheme	317	(125)	391	(516)	(516)	-	-	-	-
Unfunded pension payments	404	409	402	7	7	408	408	-	-
Total Pay Costs	**27,651**	**28,354**	**28,722**	**(368)**	**(222)**	**29,170**	**28,832**	**338**	**400**
Staff related costs	526	471	382	89	94	457	482	(25)	-
Consumables & Equipment	1,394	1,404	1,412	(8)	18	1,442	1,554	(112)	-
Exam fees	796	838	798	40	40	742	742	-	-
Student related costs	521	257	219	38	38	318	318	-	-
Property cost	1,944	1,871	2,413	(542)	(159)	2,530	2,603	(73)	-
ICT & Telephony	1,040	1,137	937	200	196	1,056	1,056	-	-
Insurance	125	130	135	(5)	(5)	141	141	-	-
Marketing	56	65	54	11	11	65	65	-	-
Professional fees	176	110	164	(54)	(54)	129	129	-	-
General Overheads	372	403	347	56	58	387	388	(1)	-
Interest & Charges	214	188	214	(26)	(26)	191	191	-	-
VAT	680	701	748	(47)	29	814	854	(40)	-
Total non-pay costs	**7,844**	**7,575**	**7,823**	**(248)**	**240**	**8,272**	**8,523**	**(251)**	**-**
Cash-backed surplus/(deficit)	**139**	**252**	**190**	**(62)**	**(62)**	**593**	**1,075**	**482**	**482**
Add: subsidiary profit/(loss)	**10**	**91**	**(3)**	**(94)**	**(94)**	**(23)**	**(23)**	-	-
Consolidated Cash-backed surplus/(deficit)	**149**	**343**	**187**	**(156)**	**(156)**	**570**	**1,052**	**482**	**482**
Net Depreciation	**(1,761)**	**(1,780)**	**(1,712)**	**68**	**68**	**(1,680)**	**(1,680)**	**-**	**-**
Other non-cash items:	**(1,216)**	**(36)**	**114**	**150**	**150**	**(36)**	**(36)**	**-**	**-**
Consolidated surplus/(deficit) after net dep'n	**(2,828)**	**(1,473)**	**(1,411)**	**62**	**62**	**(1,146)**	**(664)**	**482**	**482**

	2016/17	2017/18				2018/19		
***Memo* - SFC Student Support funds**								
Core allocation	7,121	6,895	7,541	646		7,648	7,648	-
ESF allocation	75	75	96	21		-		-
Total income	7,196	6,970	7,637	667	-	7,648	7,648	-
Expenditure	(7,523)	(7,300)	(7,619)	(319)		(7,848)	(7,848)	-
Excess/(shortfall)	**(327)**	**(330)**	**18**	**348**		**(200)**	**(200)**	-
	included above	*excluded from above*				*included above*		

Dundee and Angus College

Management Accounts for the year to 31 July 2018

Cash Flow Forecast

	2016/17 Actual	2017/18 Draft Outturn	2018/19 Forecast
	£000's	£000's	£000's
Cash backed surplus/(deficit)	**149**	**187**	**1,052**
Capital expenditure	(939)	-	-
Asset disposal	7	-	-
SFC capital grant	633	-	-
ALF capital grant	291	-	-
Capital expenditure, net of grants	(8)	-	-
Loan repayment	(571)	(571)	(571)
Working capital movements	(463)	(757)	(500)
Net Movement in cash balances	**(893)**	**(1,141)**	**(19)**
Opening cash balances	3,206	2,313	1,172
Closing cash balances	**2,313**	**1,172**	**1,153**

Agenda Item 7

FINANCE & PROPERTY COMMITTEE

Tuesday 11 September 2018

Good to Great Revised Budget & Update

PAPER C

FINANCE AND PROPERTY COMMITTEE – 11 SEPTEMBER 2018

REVISED GOOD TO GREAT BUDGET – DRAFT FOR APPROVAL

Background

1. In June 2017 the Dundee and Angus Foundation approved a bid from the College for £845k to support a two-year transformation programme, badged as “Good to Great”.

2. The bid was supported by a detailed budget. Following approval, the budget was further developed into a quarterly schedule, to provide the Foundation with information on likely drawdown timings.

Current position

3. An Interim Report was provided to the Board at its meeting in June 2018 and was subsequently shared with the Foundation. This indicated that, although progress had initially been slower than anticipated, a great deal of work had recently been completed in relation to detailed project planning.

4. As a result of this, the programme is now being taken forward under five key themes, with a number of projects under each theme. These were set out in a table in the Interim Report.

5. Claims have continued to be submitted to the Foundation in the format of the original bid – see Appendix 1 for the most recent claim.

6. However, it has become increasingly difficult to plan and report on expenditure under the original headings and so a revised budget has been drawn up which aligns to the themes and projects. Individual budgets have been assigned to those projects which require costs to be incurred. There are some projects which are cost-free, or where costs are already covered by existing budgets.

7. The draft revised budget is attached at Appendix 2. Once this has been approved by the Board and the Foundation, subsequent quarterly reports will be provided in this format.

Recommendation

8. FPC is asked to recommend approval of the revised budget to the Board, with subsequent submission to the Foundation for final approval.

Catriona Blake
Vice Principal Corporate Services
31 August 2018

GOOD TO GREAT – QUARTER 4 SCHEDULE

	Budget			Actuals to date		Balance
	Per funding application	Virement	Revised	Quarters 1-3	Quarter 4	Revised less Qs 1-4
	£'000	£'000	£'000	£'000	£'000	£'000
Curriculum Planning						
Career Coach Training	15	13	28	11	4	14
Future Talent Digital Material Production	15	-15	0			0
Website re-design & build	25	40	65			65
Upskilling skills of staff in new subject areas	150	-75	75	11		64
Total Curriculum Planning	205	-37	168	22	4	143
Curriculum Delivery						
Digital Learning Strategy - Implementation Team	90	-45	45			45
Digital Learning Strategy - Equipment	35	65	100	16	4	80
Digital Upskilling/Benchmark Training	20		20		3	17
Scale up Achieve@D&A concept	65	-25	40		25	15
Digital Delivery and materials development	40		40			40
STEM Cluster Pilots	40	10	50			50
Total Curriculum Delivery	290	5	295	16	32	248
Commercial Focussed						
Online sales/donation portal	20	-20	0			0
Cross College CRM System	30		30			30
Total Commercial Focussed	50	-20	30	0	0	30
Support						
Consultancy Support	30	20	50	10	5	35
Development Time - student admin & funding	15		15			15
Development Time - access & inclusion	15		15		6	9
Development Time - systems	70		70			70
Project Administration and Material	15		15			15
ICT Solutions (Software / Hardware)	40	10	50	1		49
Total Support	185	30	215	10	11	193
Curriculum Planning	205	-37	168	22	4	143
Curriculum Delivery	290	5	295	16	32	248
Commercial Focussed	50	-20	30	0	0	30
Support	185	30	215	10	11	193
Project Manager	65	56	121	27	3	91
Contingency	50	-34	16			16
Total	845	0	845	75	50	720

DRAFT REVISED BUDGET

	Budget	Actual Quarters 1-4	Balance
	£'000	£'000	£'000
Recruitment			
Funding Focus	2	2	0
Help Points	100		100
Learn 2 Learn (Prepare Me)	8	3	5
Schools Engagement	40		40
Total Recruitment	150	5	145
Retention			
Escape Room	10	1	9
Wellbeing	64	3	61
Government Retention Project	50	25	25
Total Retention	124	29	95
Digital			
Digital Community	50	12	38
Digital Curriculum	40		40
Digital Environment	75		75
Data project	15		15
Total Digital	180	12	168
Learning & Teaching			
Gateway programmes	20		20
IIIR Curriculum Portfolio Review	60		60
Curriculum Resources	40	20	20
Career Coach	28	14	14
CommuniTAY STEM bus	25		25
Total Learning & Teaching	173	34	139
Customer Experience			
Customer Charter	15		15
College Website	65		65
SA/SU Website	2		2
Total Customer Experience	82	0	82
General			
Service Design Training	30	15	15
Support review	25		25
Project Manager	66	30	36
Project Administration and material	15		15
Total General	136	45	91
Grand Total	845	125	720

Agenda Item 8

FINANCE & PROPERTY COMMITTEE

Tuesday 11 September 2018

Financial Forecast Return

PAPER D

FINANCE & PROPERTY COMMITTEE – 11 SEPTEMBER 2018

SFC FINANCIAL FORECAST RETURN – BRIEFING NOTE

Introduction

1. Colleges are required to submit a Financial Forecast Return (FFR) annually to the Scottish Funding Council (SFC). Up to 2016 this had traditionally been submitted by 30 June, following approval at colleges' June Board meeting and reflecting their own income and expenditure assumptions.

2. In 2017 SFC made a number of significant changes which have continued into 2018. They now closely prescribe the assumptions which colleges must make, particularly around SFC funding and pay costs.

3. In 2017 colleges were required to submit a draft by 18 August and a final version by 30 September. The draft submitted in August was subsequently approved by FPC and the Board in September.

4. In 2018 there is a single submission date of 28 September. A draft FFR will be submitted to the Board meeting on 25 September for approval. Please note: the Board paper seeking FFR approval has to be submitted to SFC, along with the FFR itself and a detailed commentary.

Assumptions

5. The assumptions prescribed by SFC for 2018 are set out below. See also the table in Appendix 1 which compares these with the assumptions in the updated Financial Strategy approved in March, along with those now reflected in the draft outturn for 2017-18 and the initial forecast for 2018-19.

    a. Core and ESF teaching credit income to be based on the actual funding allocation for 2018-19. This includes funding for support staff job evaluation, which we have not reflected in the 2018-19 budget, as it is difficult to predict when agreement might be reached between employers and unions.

    b. Funding to increase again in 2019-20 to cover the impact of curriculum staff harmonisation. Funding will then remain "flat" for the following two years.

    c. The guidance notes: "funding has not been assumed to cover inflationary pressures as we continue to expect colleges to deliver efficiency savings of at least 3% per annum." This is consistent with the ministerial letter of guidance and with the requirement for all public bodies in Scotland to submit an annual Efficient Government Return. Public bodies are expected to use savings to off-set funding reductions/shortfalls, with any balance applied to improve the service.

    d. No change to credit targets for the following three years, unless redistribution proves necessary as a result of a region failing to meet its target. In 2022-23 Colleges which currently receive ESF funding (the majority) will see a 3.2% reduction in credits after the programme ends, with an average 2.9% sector reduction.

e. Funding to the sector to reduce by 1.2% in 2022-23 to reflect the end of the ESF programme – see above. The funding reduction is lower than the 2.9% activity reduction, because SFC's ESF match funding will be retained and redeployed – see below.

f. In 2022-23 SFC to return to a formula funding model, with harmonisation funding redistributed across the sector through a general uplift to the price per credit. As both of these changes will impact differently, individual colleges will see varying levels of funding change.

g. SFC's ESF match funding to be deployed in 2022-23 to provide transitional relief to those colleges seeing the greatest loss in funding, allowing reductions to be capped at 3% (Ayrshire, Fife, West Lothian). In contrast funding to NESCOL will increase by 2.8%. Dundee & Angus is due to lose 2.9%, presumably with no transitional relief applied as this is just outside the cap.

h. All student support funding requirements to be met, ie assuming that the additional funding made available in 2018-19 is sufficient to cover increased bursaries to care-experienced learners.

i. Capital funding to be based on FY2017-18 (April to March). This implies that the increase from £1.3m in FY2017-18 to £2m in FY2018-19 was a one-off.

j. Non-SFC income to be estimated taking account of local circumstances, with no suggested price increase as was the case in the 2017 FFR guidance.

k. The impact of National Bargaining harmonisation/job evaluation costs for all staff to be incorporated into the FFR, based on modelling by Colleges Scotland (CS).

l. Cost of living pay increases to be based on the most recent offers made by the Employers' Association, whether or not these are agreed. Thereafter annual increases of 2% to be assumed. Compared with our own assumptions, these are more benign in the short term and more aggressive thereafter.

m. On staffing numbers, the guidance states that the impact of VS costs "should be consistent with the movement in staff FTE numbers". It goes on to state: "Colleges should not assume that funding will be provided for VS costs, unless already agreed with SFC." Anecdotally, we are aware of colleges which have negotiated funding for VS costs, or are in the process of doing so. These include the two colleges in "special measures" (Edinburgh and New College Lanarkshire), but also other colleges who have submitted transformation plans. It is not at all clear as to whether this additional funding is repayable or not.

n. Non-pay costs to be estimated taking account of local circumstances, with colleges demonstrating where they plan to generate efficiencies – see above.

6. A new 'key risks' page requires colleges to set out material risks and, if possible, quantify these. They should correspond with colleges' risk registers and should be reflected both in the commentary to the FFR and the related Board paper.

7. In a separate note, SFC reminds colleges that they can donate any commercial surplus to an ALF prior to the end of the fiscal year in March, so long as it is not needed to off-set a shortfall in cash or resource funding.

Considerations

6. The FFR circular from SFC states:

   "The FFR … is a key source of information in enabling SFC to monitor and assess the financial planning and health of colleges."

7. Individual college FFR positions represent a primary source of information for SFC on their financial health. In addition, the consolidated position of the sector will inform discussions between SFC and the Scottish Government around future funding changes.

8. Careful consideration therefore needs to be given to how best to represent the College's financial strategy in the FFR, particularly in view of the prescribed assumptions and the requirement to make 3% efficiency savings.

Recommendation

9. FPC are asked to:

   a. note this briefing paper;
   b. advise on those assumptions where colleges are permitted to take into account local circumstances.

Catriona Blake
Vice Principal Corporate Services
31 August 2018

Appendix 1

Element	2018 FFR guidance	DAC March - Financial Strategy	DAC September - 17-18 out-turn, 18-19 forecast
Credit funding - 2019-20	As 2018-19 plus final curriculum harmonisation increase plus support job evaluation	As FFR	Impact of support job evaluation not yet reflected in costs or funding (nil net effect compared with FFR)
Credit funding - 2020-21 and 2021-22	Flat cash	As FFR	N/A
Credit funding - 2022-23	3.2% reduction, following end of ESF programme and redistribution of harmonisation funding	Flat cash	N/A
Non-SFC income	Nothing prescribed	1.5% price increase from 2019-20 plus 5% commercial volume increase each year	18-19 budget/forecast - known activity plus stretch
Cost of living - academic	April 17/18/19 - as per most recent offer from Employers' Association. Thereafter 2% each year.	April 17 - 1%. April 18 - as per public sector pay policy (2% for almost all curriculum staff). Thereafter 1% each year	As Financial Strategy, except April 17 non-consolidated
Cost of living - support	April 18 - as per most recent offer from Employers' Association. Thereafter 2% each year	April 18 - public sector pay policy (3%/2% depending on salary). Thereafter 1% each year	As Financial Strategy
Non-pay	Nothing prescribed	Inflation off-set by efficiencies	Inflation off-set by efficiencies
VS costs	Consistent with staffing FTE changes	£1m in 18-19, £0.25m in 20-21	As per savings plan achieved
Student Support Funds	Assume funding sufficient to cover costs	As FFR	18-19 budget/forecast - £200k shortfall

Agenda Item 9

FINANCE & PROPERTY COMMITTEE

Tuesday 11 September 2018

VMware Procurement

PAPER E

FINANCE AND PROPERTY COMMITTEE – 11 SEPTEMBER 2018

REPORT ON RENEWAL OF CONTRACT FOR VDI

Implementation of VDI

1. In January 2015 FPC approved a business case to implement Virtual Desktop Infrastructure (VDI), which allows users' applications and data to be stored on servers connected to the College network, replacing the traditional computer desktop.

2. Users are able to access their virtual desktop from a variety of Internet connected devices across 3 campuses, outreach centres and from off-campus, both at home and when travelling. This improves resilience, enhances cyber security and reduces the cost of replacement PCs.

3. The contract was for up to 1000 concurrent users, with supplier support provided 24/7. The solution has been rolled out over the last 3 years and is now used by the majority of staff, with current peak utilisation being just over 500 concurrent users. The intention was that it would be further extended to students at some point.

4. The initial hardware and implementation costs totalled £493k, with 3-year maintenance bundled in at an additional £100k. The maintenance contract has been delivered by the software provider, VMWare UK, under an Enterprise License Agreement (ELA). (Please note: all costs quoted in this paper are ex VAT.)

5. The project was part-funded by the Dundee and Angus Foundation, who provided c£250k towards the total cost.

6. A post project evaluation was submitted to FPC in May 2017, reporting positively on the implementation process and realised benefits.

Contract renewal

7. The 2015 business case stated:

   "NB Future maintenance costs will be accommodated through savings achieved within the normal ICT revenue budget."

8. A new 3-year maintenance contract has been entered into at a cost of £295k, with payment upfront. An ELA was signed with VMWare UK, with payment being through a third party provider, SoftCat plc.

9. The new contract involved an upgrade in functionality: a like-for-like renewal would have cost £253k. The decision to upgrade was taken by the Head of ICT, on the basis that the additional functionality provided better value for money, as the pricing model employed by VMWare is to offer deep discounting on maintenance for an initial contract period following implementation **or** upgrade.

10. It later transpired that an alternative option would have been available, involving downgrading the support level from 24/7. It appears that this would have cost in the region of £100k. Reducing the number of licenses would have reduced the cost further.

11. The expenditure was reported to FPC in May through the Vice Principal's report and FPC requested that a report be provided to the September meeting.

12. The table below sets out the key events, from initial notification regarding expiry of the initial contract period through to payment in July 2018 of the renewal invoice. Further details will be provided to members at the meeting.

23 October 2017	VMWare sends initial reminder that the ELA was due to expire in March 2018
6 March 2018	VMWare extends the ELA to the end of April
27 April	Head of ICT approves the Purchase Order and sends it to the supplier
8 May	Vice Principal approves the Purchase Order
May	Possible financing options discussed with supplier
June – July	Options for renegotiating contract explored
31 July	Invoice paid in full

13. Note: The previous Head of ICT left on 31 July 2017, with his replacement starting at the College on 6 November 2017.

Conclusions

14. There has been a breach of financial procedures: the ELA with VMWare was signed and the PO to SoftCat issued without prior approval from FPC. There has been a full debrief from the Vice Principal to the Head of ICT Services.

15. Although, in this case, contact from the supplier was made early enough that all governance requirements could have been met, it reinforces the pressing need to finalise a comprehensive contracts register.

16. Following the recent appointment of a new Procurement Officer, the register will be completed by end November 2018. Additional information has been included in the Vice Principal's report concerning anticipated expenditure over the next 12 months which exceeds delegated authority to executive officers. Once the register is complete, regular and comprehensive procurement reporting to FPC will commence.

Catriona Blake
Vice Principal Corporate Services
31 August 2018

Agenda Item 10

FINANCE & PROPERTY COMMITTEE

Tuesday 11 September 2018

Audit Scotland Report – College Position

PAPER F

FINANCE & PROPERTY COMMITTEE – 11 SEPTEMBER 2018

AUDIT SCOTLAND REPORT – SCOTLAND’S COLLEGES 2018

Introduction

1. Every summer Audit Scotland produce an overview report on the Scottish college sector, focussing on college finances and learning activity.

2. Key recommendations in the 2018 report are as follows:

    a. SFC and colleges should carry out further work on reducing the attainment gap and tackling gender imbalances in subjects;
    b. SFC should ensure that the Financial Forecast Returns and the “Underlying Operating Position” are calculated on a consistent basis;
    c. SFC and the Scottish Government should publish the criteria for prioritising capital investment;
    d. colleges should work with SFC to further develop their approach to long-term financial forecasting.

Underlying Operating Position

3. Colleges are required to report their “Underlying Operating Position” (UOP) in their annual accounts, applying to their reported surplus a series of standard adjustments. These involve removing non-cash items (net depreciation, FRS102 pension adjustment) and one-off items (eg VS costs), then adding back non-revenue cash items (eg loan repayments).

4. This produces an adjusted result for the year which is close to net cash flow, but excludes working capital movements and one-off items. The following table sets out what is included in each of the three reported results:

	Surplus/Deficit	Net Cashflow	UOP
One-off revenue	Yes	Yes	No
Capital expenditure	No	No	No
Working capital movements	No	Yes	No
Non-cash items	Yes	No	No
Loan repayments	No	Yes	Yes

5. See Appendix 1 for Exhibit 3 in the report, a graph setting out the underlying deficits and surpluses for each college for 2016-17 in ascending order.

6. The graph reveals that the College had the second worst underlying deficit in the sector, after Edinburgh.

7. See Appendix 2 for an analysis of the three results for most colleges in the sector – I have excluded smaller rural colleges and City of Glasgow. I have also added a derived comparator for our own key financial performance metric, Cash-backed Surplus/Deficit, although this should be treated with caution.

8. As can be seen, it is a complicated picture, with colleges performing well on one metric but not so well on another, and is even more so if the previous year comparators are considered (not included in Appendix 2). Having said that, D&A's ranking ranges from 6 to 9 (out of 10), which is consistently poor, and some colleges perform consistently well, notably NESCOL.

9. Appendix 3 contains some observations on individual college results, drawn from a detailed analysis of their accounts.

Analysis

10. As there appeared to be no consistent accounting reason for performance (eg outstanding loan, VS scheme), further analysis was carried out to produce a range of metrics – see Appendix 4.

11. Calculating Total Income divided by Total Staff, where we should have most confidence in the source data, shows D&A at £58k per FTE, compared with an average of £64k for the comparator colleges. If we exclude NESCOL when calculating the average, as they outsource significant elements of activity to non-payroll staff, the average is £61k. This differential equates to 35 FTE or £2m income, and may be due to a range of factors, for instance curriculum mix, class size, rurality etc.

12. Although it is stark to see where the College sits in the table in the Audit Scotland report, the view of the Executive Team is that this simply confirms our own assessment of our financial health, as presented in the annual financial strategy refresh in March. It reinforces the need for the steps we have already taken to improve our financial health, particularly through the recent savings programme.

13. These efforts will continue, for instance through the curriculum review, with a focus on class sizes and continuing to utilise the flexibility offered by part-time variable contracts to match the staffing resource as closely as possible to the quantum of curriculum delivery. We will also continue to employ service design principles and opportunities for automation in order to eliminate duplication from administrative processes.

14. This analysis will continue to inform our strategies around curriculum, commercial and staffing. Our assumption will remain that we need to find ways of delivering the same level of activity with fewer staff, at the same time as growing our non-core income. In order to get the balance right, we believe that it is worth keeping under consideration what the natural size for the College might be.

15. It is worth pointing out that underlying operating position is only one element of a "balanced scorecard" approach, and our consistently high ranking in student indicators suggests that for every £1 spent the College offers better value for money than most others.

16. The accounts relate to the year before last and much will have changed at our own and other colleges since then. In order to access more up-to-date comparators, we have recently shared staffing information within the benchmarking group which was formed a couple of years ago (Edinburgh, Forth Valley, West). Following a recent discussion around financial sustainability, we will also be sharing data with a group of regional colleges (New College Lanarkshire, Ayrshire, West).

Recommendation

17. FPC are asked to note this paper.

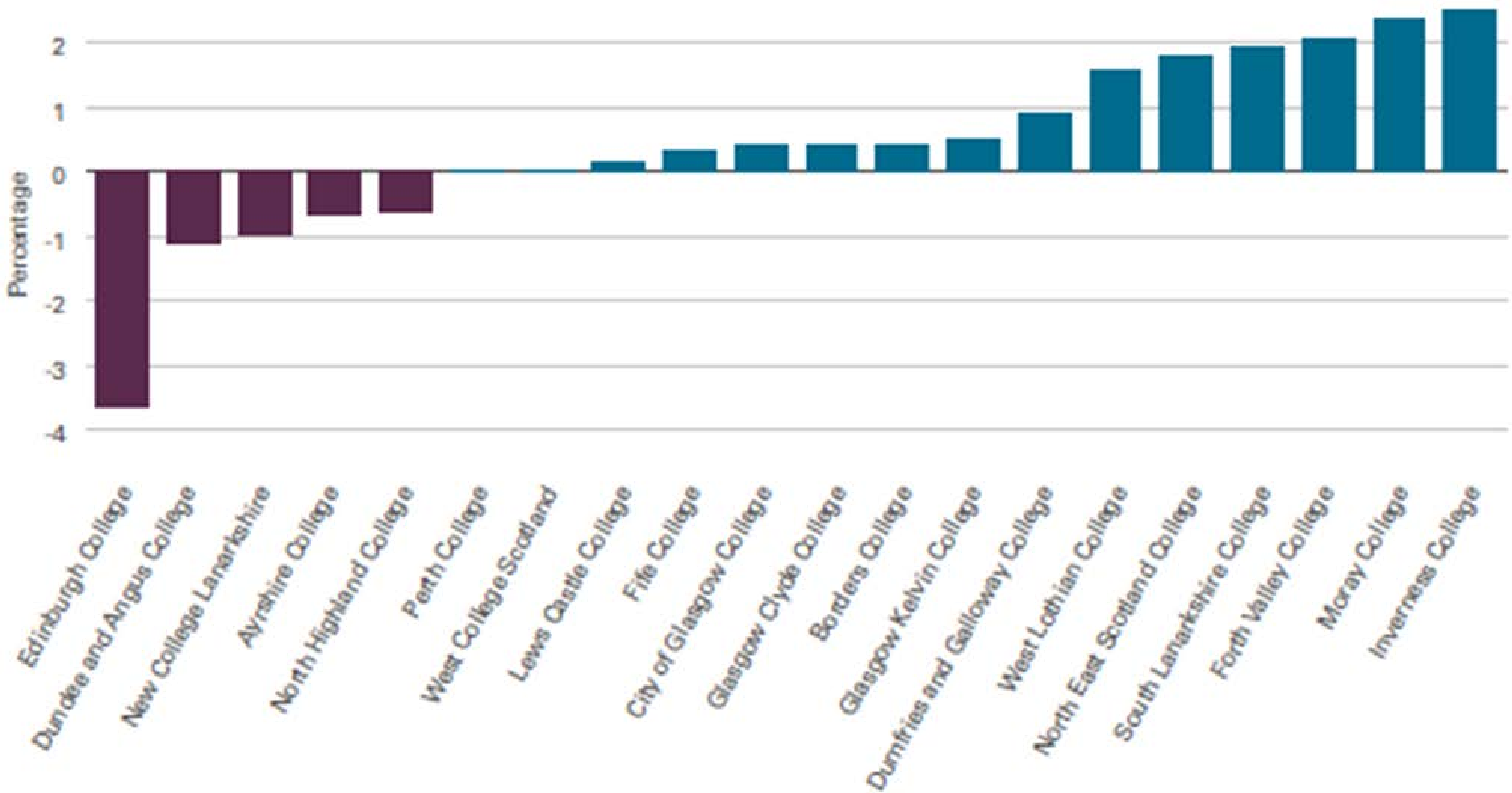
Catriona Blake
Vice Principal Corporate Services
31 August 2018

Appendix 1

Exhibit 3

Underlying deficits and surpluses as a percentage of expenditure, 2016-17

The underlying financial position of incorporated colleges varies.



Appendix 2

Key financial metrics - 2016/17

	Surplus/ Deficit		Surplus/ Deficit as %age of expend		Cash-backed Surplus/ Deficit		Underlying Operating Position		Cash movement	
	£'000	Rank	%	Rank	£'000	Rank	£'000	Rank	£'000	Rank
D&AC	(2,502)	6	-1.1%	8	111	9	(460)	8	(893)	9
Ayrshire	(2,714)	9	-0.6%	7	1,555	4	(327)	7	(480)	7
Edinburgh	(2,479)	5	-3.6%	10	1,954	1	(2,544)	10	2,808	1
Fife	(3,116)	10	0.3%	5	304	7	162	5	245	4
Forth Valley	(742)	3	2.0%	1	1,159	5	731	1	1,684	3
Glasgow Clyde	39	2	0.4%	4	200	8	200	3	(1,961)	10
Glasgow Kelvin	(2,579)	8	0.5%	3	1,602	3	169	4	(60)	6
NCLan	(2,125)	4	-1.6%	9	(865)	10	(919)	9	(526)	8
NESCOL	769	1	1.2%	2	638	6	605	2	2,667	2
West	(2,511)	7	0.0%	6	1,892	2	18	6	93	5

Appendix 3

By College	
D&AC	All income/staff metrics lower than average.
Ayrshire	Loan repayments £1.8m.
Edinburgh	Non-cash adjustments high. High positive WCM. £2.9m bail-out from SFC adjusted in arriving at UOP.
Fife	Income/staff metrics low.
Forth Valley	Odd UOP adjustment: "Other Government grant from Glasgow Kelvin College" £2m. Highest T fees %.
Glasgow Clyde	Non-government grant £2m (as per rules, included in Surplus and adjusted in UOP). Capex £4.4m.
Glasgow Kelvin	Donation to ALF £2.8m. Disposal proceeds £1m. Worst cash-backed deficit at £1.3m but high positive WCM mean small positive cash movement.
NCLan	UOP as %age of expenditure worse than ours per my calculations but they are ranked better in AS report.
NESCOL	Ranked 1 in two measures and 2 in other two. Low staff numbers because of agency arrangement for curriculum. Non-govt grants £2.6m (£4.1m PY).
West	Lowest T fees %. High net depreciation. Release of PY provision improves Deficit by £1.2m, adjusted in UOP.
By accounts item	
Net depreciation	Big range from 5.2% of spend (West) to 1.1% of spend (New College Lanarkshire). We're relatively high at 4%
Pension adjt	Difference between pension adjt in UOP and CFS in some colleges possibly due to early retirements. We charge cash in full to I&E but others may not.
Loan repayments	Range from zero in 2 colleges to £1.8m (PFI) in Ayrshire. We're £0.6m.
Non-govt grants	Presumably mainly ALF. Range from zero in 4 colleges to £2.1m Clyde and £2.6m NESCOL. Will also vary significantly year on year. We're £0.3m.
Donation to ALF	FV £0.6m and Kelvin £2.8m.
Working capital	Not adjusted for in UOP on basis will tend to zero over longer term. Some big swings.
Staff split	"Academic depts" as % of total staff varies from 41% (New Coll Lan) to 60% (Kelvin). Average is 49%, we are 55%. Need to be cautious re staffing data.
Income/staff	Total income divided by total staff ranges from £55k (New Coll Lan) to £67k (Clyde and Kelvin). Average is £61k, we're £58k. If we were equal to average, that would improve all key financial metrics by £2m. (Note: NESCOL excluded from this average, because agency arrangement skews the calculation.)

Appendix 4

	Academic depts as % of total staff	Total income / total staff	Total income/ academic staff	SFC grants / academic staff	Fees as % of total income
D&AC	55%	58	106	81	15%
Ayrshire	43%	64	148	125	9%
Edinburgh	46%	62	135	104	16%
Fife	52%	56	107	81	18%
Forth Valley	44%	58	131	89	22%
Glasgow Clyde	59%	67	114	82	16%
Glasgow Kelvin	60%	67	112	90	14%
NCLan	41%	55	135	93	18%
NESCOL	58%	101	174	115	20%
West	46%	66	144	118	12%
Total/ Average	49%	64	129	97	16%
Excl NESCOL		61	126	96	

Agenda Item 11.1

FINANCE & PROPERTY COMMITTEE

Tuesday 11 September 2018

Capital
Estates Annual Report 2017/18

PAPER G

Estates Report

1 August 2017 – 31 July 2018

DUNDEE AND ANGUS
COLLEGE

Contents

Introduction

This report provides a summary of Estates related activities for the period August 2017 – July 2018.

Ambitions for a New Kingsway Campus – Current Status

Over the last two years, the College Senior Team and Board of Management have worked hard to come to a consensus on the best way forward for the Kingsway Campus. We contemplated moving all our activity to Gardyne, but drew back from that to maintain a two campus solution. We considered a phased development with a refurbished tower and separate new STEM centre but opted to develop a vision of an entirely new campus on the Kingsway site with demolition of most of the existing estate.

We submitted and outline business case to the Funding Council detailing our ambitions for a new campus, but unfortunately it has become increasingly apparent that the availability of capital funding has diminished. The Scottish Government are not in a position to provide large capital grants and there is no funding package solution, such as PFI or NPD, to turn to as an alternative. SFC are not assuming any major allocations of capital funding in the near to medium term.

In a recent development SFC have informed us that they may well be in a position to offer a phased release of funding in packages of c£3 to 4m to begin the process of developing the Kingsway Tower whilst at the same time encouraging us develop a case for a STEM centre that would see demolition of the construction, engineering and science blocks and a new STEM centre built on the Kingsway site.

We also need to appeal to politicians and to SFC to ensure we make a strong case. There are one or two other colleges with significant estates needs but they are not in a position to provide a single site with an uncomplicated programme to SFC. If we can establish a case, ensure Board support, and move quickly we may be able to steal a march on our rivals and get ahead of the game.

SFC Condition Survey

At the end of 2017, the College received the final version of the SFC commissioned condition survey of the College estate carried out in the Spring of 2017. The scope of the project was to establish the current level of backlog maintenance within the College/FE estate and the potential cost of bringing the estate up to an acceptable condition.

Prior to the final report being issued, the College sent back a detailed response back to the Scottish Funding Council and to the surveyor (Gardner Theobald) highlighting that the draft information provided particularly for the Kingsway Campus did not capture the immediacy of what we felt was needed to address a number of the Capital Maintenance elements around the campus. We also highlighted that there were a number of significant maintenance elements across all 3 campuses that had not been included in the report. Despite this, nothing changed.

Capital Backlog Maintenance Grant Allocation

Following on from the issue of the condition survey information, the College received an allocation of just over £2m to tackle the long list of Lifecycle and Backlog maintenance projects. This level of funding whilst very welcome was unexpected.

A list of backlog maintenance projects was identified in line with the priorities identified in the SFC condition survey. The Estates team also entered in to a dialogue with SFC to highlight a list of projects which we felt needed to be prioritised and included as part of the allocated spend. This included the replacement of the tower windows at Kingsway, which the condition survey identified as not being an immediate priority. This was accepted by the Funding Council

We had previously secured funding from the ALF of £400k for the replacement of the windows, but following the allocation of the £2m, it was agreed to return that funding back to the ALF.

Backlog Maintenance Projects

40 projects were identified to be tackled as part of spend allocation ranging from painting and flooring upgrades to replacing the Kingsway tower and library windows.

The more significant projects include –

- Kingsway Tower and Library Window Replacement
- Kingsway Horticulture Replacement Roof
- Arbroath Isla and Esk Electrical Panel Board Upgrades
- Arbroath Nursery Window Replacement
- Gardyne North Annexe and PE Block Electrical Panel Board Upgrades
- Gardyne North Annexe Fire Alarm Upgrade
- Gardyne Main Building Chiller Replacement
- Road Resurfacing across all Campuses

A high number of these projects have been completed within the period this report covers.

Picture of the completed Kingsway Tower Windows which have made huge difference both aesthetically and also in relation to the internal environment. Windows that actually open and close!

Project work will continue across all 3 campuses through to March 2019 to ensure that we spend our grant allocation.

Grenfell Tower – Assessment of Cladding on D&A College Buildings

Following the Grenfell Tower disaster, the College were asked by the Scottish Government to provide information and assurances in relation to buildings 18m and above in height within our Estate that had cladding which incorporated an ACM – an Aluminium Composite Material.

We were aware that an ACM had been used on the CALC and Clova buildings in Arbroath, albeit neither were above 18m, but we decided to commission a survey to be carried out by Astute Fire – Fire Engineering Consultants. Following their survey, Astute Fire confirmed that our buildings met the required compliance.

The Cole Report – D&A College Response

Following the publication of the Cole Report in October 2017, the College along with other Public Bodies were asked to consider the findings of the report. We were asked to confirm that we were satisfied that the necessary estate and project management controls were in place to mitigate the risks identified in the Cole report. We were also asked to provide a brief summary of the key ways in which we were either already addressing or now addressing the recommendations of the Cole report.

We responded by acknowledging that there were definitely some things that we can learn from this report. But we also highlighted that there was a lot that we are doing right, particularly in relation to quality control of our projects. We advised that we had a proven track record of our projects being properly managed by our in house estates team. We conceded that we could be doing more in terms of ensuring that as-installed documentation is accurate and fully completed.

We reinforced that there were a number of recommendations from the report, that we can introduce to our future projects. The report will be a prompt for our future projects to ensure that we properly informed of the key requirements to deliver a successful and fully compliant project.

Sustainability and the Environment

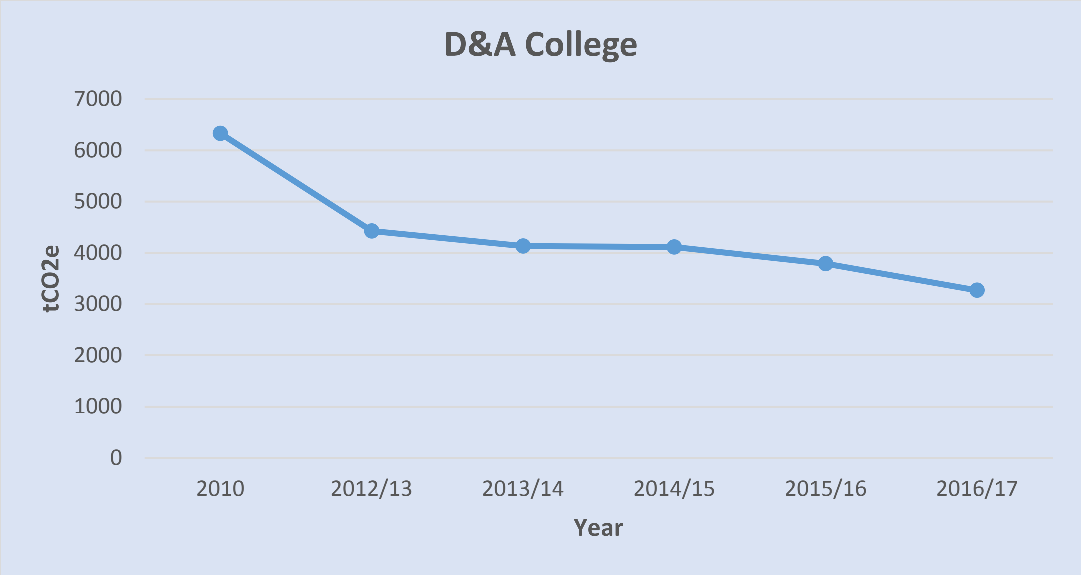
It has been another hugely successful year for the Environment team in terms of meeting carbon reduction targets, but also in terms of raising awareness to influence students and staff to become more socially responsible and environmentally aware.

Mandatory Climate Change Reporting for Public Bodies was introduced by the Scottish Government in 2015 with the first reports submitted in 2016. The College's submission for 2016/17 which was submitted in November, confirmed that the carbon footprint associated with our operations fell for the 8th consecutive year. Since signing up to the Universities and Colleges Climate Commitment for Scotland in 2009, the College has reduced its carbon footprint from 6332tCO_2/year in 2010 down 3268tCO_2 in 2017. This is a reduction of 48.4% during that time, which is incredible achievement. We are currently finalising the data for 2017/18 period and despite the harsh winter and the impact of the Beast from the East, early indications are that we expect to break the 50% carbon reduction barrier since 2010.

Our successes are partly attributable to the range of sustainable technologies that the College has invested in since 2010, none more so that the introduction of biomass technology at our Arbroath

Campus, which has practically eliminated our reliance on the use of natural gas. We will continue to invest significantly in sustainable technologies when appropriate funding allows.

The table below highlights the fall in carbon footprint for the period 2010 -2017.



Effective engagement with students and staff has also had a significant impact on the successes we have achieved in reducing our carbon footprint since 2010. At the beginning of 2018, the Environment team embarked on campaign to raise awareness in relation to the catastrophic impact that single use plastic was having on our beautiful planet, both locally and globally.

We created a very graphic and powerful information video which was showcased to students and staff on the impact that single use plastic for having on our environment. We also wanted highlight the positive impact of plastic, which when properly recycled, could be turned in to a huge number of items that we use in our daily lives.

As part of the video, we made a commitment to looking into reducing the amount of single use plastic that the College operations generated by stopping selling bottles of water. Instead we proposed installing water stations, encouraging students and staff to bring in their own reusable bottles and we would give them access to the best tasting FREE water in Scotland. We also wanted to highlight the health and wellbeing benefits of drinking water as opposed to fizzy drinks.

We also proposed to stop providing disposable cups for hot drinks and instead provide sustainable alternatives in the shape of crockery mugs and again encouraging staff and students to bring in their own disposable cups.

At the Prepare Me events in June, we promoted our plans to our staff and prospective new students and the response was an overwhelming yes in support of both initiatives. Students attending the Prepare Me events all received a free reusable water bottle, and staff have also received a free water promoting wellbeing and reducing single use plastics.

By the start of the new academic session, water stations were in place in all 3 campuses.

Sustainability Grant Funding

The Environment team have continued to be very successful in attracting grant funding for a range of sustainability initiatives during the period covered by the Estates report.

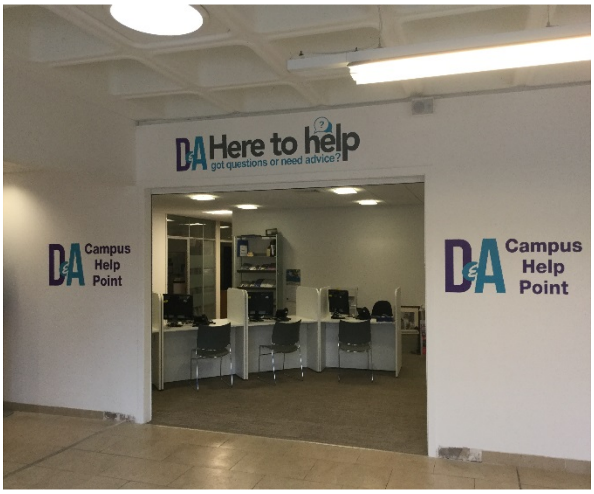
Theses have included –

- £21k from Angus Environmental Trust for a Rocket Composter in Arbroath, we already have one in our Kingsway Campus. The composters are used to compost all of our food waste. We have a legal requirement to separate food waste.
- £20k from Cycling Scotland for cycling infrastructure – bike shelters, bike lockers, bikes etc across all 3 campuses.
- Secured Funding via Transport Scotland Switched on Fleet Fund 2017/18 CPP with Dundee City Council, Angus Council. Funding of approx £40k for lease of 6 Electric Vehicles over 3 years has been secured.

Good to Great Project – Creation of Help Points

The creation of the Help Points was one of the first big ideas to come out of the Good to Great discussions and were one of the main priorities for Estates team during June and July.

Working effectively and collaboratively with the Student Services team, ICT team and Admin team ensured that the Help Points were ready and fully operational for the returning students. This was teamwork at it's very best and a great advert for our Good to Great ambitions.



Agenda Item 12

DUNDEE AND ANGUS COLLEGE

FINANCE & PROPERTY COMMITTEE

Tuesday 11 September 2018

VP Corporate Services Report

PAPER H

FINANCE AND PROPERTY COMMITTEE – 11 SEPTEMBER 2018

VICE PRINCIPAL CORPORATE SERVICES - REPORT

1. Introduction

This report brings to the Committee's attention matters which are not covered by other agenda items.

2. SFC funding update

The Flexible Workforce Development Fund (FWDF) is to continue into 2018-19, with allocations to each college unchanged from 2017-18. The cap per levy payer has been increased to £15,000 and funding can be used to benefit companies in the supply chain of levy payers.

The SFC Strategic Funding Group has approved funding for the Reducing Child Poverty in Dundee and Angus project. Funding is for three years to 2020-21 at £223k per year, although beyond year one this is subject to the availability of funds from the Scottish Government (SG). The project will see the development and provision of additional support to address long-standing poverty and unemployment issues in Dundee and Angus, with a particular focus on carers and lone parents. We are currently waiting for confirmation of when the funding will be released to SFC by SG.

National funding is being made available in 2018-19 to facilitate access to free sanitary products at colleges and universities, with a total of £3.1m across both sectors and £77k for D&A College.

3. National pay bargaining

The existing offer to lecturing staff for cost of living awards is as follows:

April 2017	All lecturers who received less than £600 during the first 25% of harmonisation to receive an additional unconsolidated payment to ensure that every employee will receive a minimum of £600.
April 2018	All lecturers who received less than £1000 during the second 25% of harmonisation to receive an additional unconsolidated payment to ensure that every employee will receive a minimum of £1000.
April 2019	Immediately following final migration to the national unpromoted and promoted pay scales, a consolidated award of 2.5% for all lecturing staff.

This offer has been rejected and there are no further meetings of the NJNC Side Table Lecturing scheduled at this stage.

4. Local government pension scheme

Ahead of the next meeting at which the draft 2017-18 accounts will be considered, it is worth noting that the annual report recently received from the actuaries of the Tayside Superannuation Fund, which covers most of our support staff, indicates that the pension liability will reduce from £20.6m at July 2017 to £8.7m at July 2018. We will be disclosing in the Statement of Comprehensive Income an actuarial gain of £13.4m, compared with a gain of £1.1m in 2017-18 and a loss of £8.7m in 2016-17.

5. P2P - purchasing module

P2P, the new purchasing module which interfaces to Sun Financials, went live on 4th May and is now being rolled out across the College. Although we will continue to use the PECOS tool as a marketplace for some purchases, most of its functionality has been replaced by P2P, which provides better integration with finance processes and reporting, and allows us to make a modest efficiency saving.

6. Insurance

The new 3-year contract for insurance was awarded to Zurich. They were the only bidder but, despite this, we managed to secure advantageous pricing, with an annual cost of £113.3k compared with £135.8k under the previous contract.

7. Banking

The Scottish Government Banking Service contract has recently been awarded again to RBS, to operate retrospectively from 1 August 2018 for 4 years.

8. Dundee and Angus Foundation

In their Audit Plan for 2017-18, the external auditors (Audit Scotland) indicated that they would be reviewing the conclusion reached by the College in 2014 that there was no requirement to consolidate the Foundation into the College group financial statements. At the Audit Committee meeting in May, Audit Scotland noted that this would feature in a number of college audits in 2018 as an area for investigation.

It is worth noting that a new Trustee has been appointed who we believe has no prior involvement with the College or with either legacy college.

Following the Board meeting in June, a letter was sent to the Foundation letting them know that we no longer required funding for the windows in the Kingsway Tower, as this was being covered by new funding received from SFC for backlog maintenance.

9. Information Security

As reported to the last meeting, under the Scottish Government's Public Sector Action Plan on Cyber Resilience the College has to achieve Cyber Essentials certification by the end of October 2018, along with a range of other key actions set out in the plan. It is worth noting that the College has chosen not to pursue Cyber Essentials Plus certification at this stage. We plan to bring a report on information security to the Board in December.

10. Procurement

A new Procurement Officer for the College, Rhona Munro, has been appointed under our contract with APUC (Advanced Procurement for Universities and Colleges) and she started on 13 August. She previously held a similar position at Perth College and brings with her a wealth of senior procurement experience and knowledge of both the college and university sectors.

As indicated in the paper on VDI renewal, one of her early priorities is to complete the contracts register, which will allow us to plan the procurement workload and allow sufficient time to secure necessary approvals in line with our Financial Regulations.

The following procurement over £50k is planned to take place shortly:

Mobile phones	Estimated contract value	See below*
	Likely award date	November
	Current provider	EE
	Expected procurement route	Framework – sector-wide mini-competition

*The annual spend under the existing contract is £52k plus VAT. We expect to generate significant savings from the new contract, partly through improved pricing and partly through reducing the number of College handsets.

We are currently reviewing the Travel contract, where we spent £53k last year. This is likely to be delayed until a new Scottish Procurement framework is in place in August 2019, because the existing framework offers a very restricted choice.

The new website, which is being funded through Good to Great, is now likely to cost £45k plus VAT, which takes it above the £50k threshold.

Catriona Blake
Vice Principal Corporate Services
31 August 2018