



BOARD OF MANAGEMENT FINANCE AND PROPERTY COMMITTEE MEETING

Minute of the Finance and Property Committee meeting held on Tuesday 11 September 2018 at 5.00 pm in Y150, Gardyne Campus.

PRESENT: S Mill (Chair) A McCusker
A O'Neill G Ritchie
G Bisset

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 there had been no nominations for the role of Vice Chair and that this would be revisited following completion of current Board recruitment arrangements.

2. APOLOGIES

Apologies were noted from D Fordyce and M Galloway.

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

4. MINUTES OF FINANCE AND PROPERTY COMMITTEE MEETING 22 MAY 2018

The minute of the Finance and Property Committee meeting held on 22 May 2018 was approved as an accurate record.

5. MATTERS ARISING

C Blake noted that the ICT resource plan had been delayed due to staff absence. This would be revisited for the next meeting. **C Blake to progress.**

Developments in respect of month 2 reporting were outlined alongside improvements made in respect of communication over budgeting and forecasting arrangements.

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

6. BUDGET MONITORING REPORT

S Mill stated that the draft out-turn for 2017/18 showed an improved position on the previous monitoring report and noted that this was presented alongside the 2018/19 budget monitoring report.

B Ferguson summarised the report, highlighting that the 2017/18 out-turn had improved from a deficit of £432k to a projected cash-backed surplus of £187k against a budgeted surplus of £343k. It was noted that this out-turn had also impacted positively on the initial forecast for 2018/19 with a projected surplus of £1,052k against a budget surplus of £570k.

The impact of additional voluntary severances on the figures was noted alongside the additional student support funds received and reduced ICT spend. B Ferguson noted that there had been a change in the provision made for the academic pay award to reflect anticipated values, but noted that this was still more prudent than the guidance for the Financial Forecast Return (FFR).

Differences in the scheduling of capital income/expenditures and Good to Great funding were noted alongside changes in timing for some of the Flexible Workforce Development Fund (FWDF) activities.

S Mill asked if current external audit discussions were likely to have an impact on the projected out-turn. B Ferguson stated that this was possible, but that he did not anticipate any significant change.

Developments in respect of risk management and related contingency planning were discussed. It was noted that the improved position was welcomed, but that variances could also have gone the other way. This was recognised, and C Blake noted comment within the report on the contingency approaches that could be adopted. It was noted that the options available in-year were limited and that this would impact on the profile of spend to give best flexibility. The importance of management information to provide early warning of financial risks was noted.

7. GOOD TO GREAT REVISED BUDGET

S Mill noted that the paper summarised planned changes to the Good to Great budget to reflect the range of projects and activities developed under the five themes.

C Blake stated that the changes planned to the budget reflected the project update provided to the Board at its June 2018 meeting. It was confirmed that these changes reflected the work undertaken across the range of workstreams and the known work plans in each case.

C Blake stated that the revised budget would go to the full Board and then the D&A Foundation if approved.

S Mill noted that the profile of spend highlighted to date would suggest that the project would be extended beyond September 2019. C Blake noted that this was likely, and the need to seek an extension from the D&A Foundation was discussed.

It was agreed that any extension request would be included alongside the budget update for consideration at the Board meeting on 25 September and (if approved) for submission to the D&A Foundation for its October 2018 meeting. **C Blake to progress.**

A McCusker suggested that it would be useful to invite the trustees of the D&A Foundation in to hear about the Good to Great project and the impact this was having. It was noted

that an invite for late November, alongside the launch of the new website, would be appropriate. **G Ritchie to progress.**

8. FINANCIAL FORECAST RETURN (FFR)

S Mill noted the requirement on the College to produce the FFR for submission to the Scottish Funding Council (SFC) by 28 September 2018, with this going to the full Board meeting for approval prior to submission.

C Blake stated that the FFR was covered by detailed guidance on its production and the assumptions to be used in determining the forecast. It was noted that the assumptions on SFC funding were broadly similar to those in the financial strategy until 2022/23 where there was a significant change due to the loss of ESF credit funding and the planned enactment of the 'simplified' funding model. C Blake stated that any drop in funding from these combined changes would be capped at 3%, but that it was anticipated that these would equate to a 2.9% reduction in funding for D&A.

The impact of losing c3,400 ESF funded credits was discussed and it was noted that this funding covered students across a wide range of provision rather than specific ESF funded programmes.

The assumptions underpinning future cost of living increases were discussed, as were the complexities of showing the impact of voluntary severance within the FFR format.

S Mill asked what approach would be taken for assumptions that were not closely specified by SFC. C Blake stated that these would be developed in line with the assumptions underpinning the financial strategy.

It was agreed that the final draft FFR be developed in discussion with the Board Chair and Chair of the Finance and Property Committee for approval at the September Board Meeting. **C Blake to progress.**

9. VMWARE PROCUREMENT

S Mill noted the paper presented in respect of the procurement of the VMWare maintenance contract renewal.

C Blake summarised the paper and the steps followed in respect of the renewal of the maintenance contract despite the significant increase in the three-year cost of this.

Failings in respect of the application of the necessary Board approvals under the terms of the College procurement policy were noted and discussed. Following this it was agreed that the issue was of significant enough importance to warrant referral to the Audit and Risk Committee for consideration of an internal audit review. **C Blake to progress.**

It was agreed that information be issued to all budget holders to remind them of the requirements of the procurement policy and to refresh awareness of the delegated spend limits and related requirements. **C Blake to progress.**

10. AUDIT SCOTLAND REPORT – COLLEGE POSITION

S Mill highlighted that the paper produced detailed the underlying operating position as set out within the recent Audit Scotland report on Scotland's Colleges.

C Blake outlined how this underlying position was calculated and noted the areas of income and expenditure considered within this. It was noted that this picture did not provide any information that wasn't previously known and C Blake stated that it was awareness of the

underlying information that had prompted the need for the savings plan undertaken during 2017/18.

C Blake stated that what was new was the comparison with others in the sector and the concern that this raised with regard to the overall positioning of the College.

The analysis of this was discussed and C Blake stated that the key factors related to the overall income per staff FTE, where this was lower for the College compared with others. C Blake stated that this was already known, but that the factors underpinning this were complex and that further analysis would be undertaken.

It was noted that a clear factor within this was ensuring that all staffing was as efficient as it could be and that non-core 'commercial' income was maximised.

S Taylor highlighted that there were also some structural effects underpinning this picture, including the credit 'price band' mix of the College curriculum and the impact of rural provision where economies of scale were more difficult to achieve.

C Blake stated that work would continue in respect of analysis and also to improve the underlying income: staff ratio. **C Blake to progress.**

It was noted that the Audit Scotland report would be discussed in the Scottish parliament later that week.

The paper, and actions arising, would be discussed at the full Board. **C Blake to progress.**

11. ESTATES ANNUAL REPORT

B Grace summarised the estates annual report and the range of works undertaken. It was noted that the report did not include data on space utilisation, but that this information for session 2017/18 had been made available at the May meeting.

The Kingsway campus redevelopment was discussed and it was noted that feedback from SFC was likely to result in a change of strategy with regard to this. It was noted that the prospect of large-scale redevelopment funding was less likely and that a mixed renovation/STEM centre project was now more likely. This would be considered in detail at the Board strategic session on 20 September.

B Grace noted progress being made in respect of the extensive range of summer backlog maintenance projects, including the window replacement in the Kingsway tower which was almost complete. B Grace stated that feedback on the works and the impact of the window replacement was very positive.

B Grace confirmed that the capital funds earmarked for backlog maintenance projects would be spent by 31 March 2019.

The timing of future Estates Annual Reports was discussed and it was agreed that these (including space utilisation data) be brought to May meetings of the Committee. **B Grace to progress.**

12. VP CORPORATE SERVICES REPORT

C Blake summarised her report, highlighting the likely change in the pension fund valuation for the local government scheme.

The renewal of insurance arrangements were noted and C Blake summarised the range of recent (and imminent) contract renewals for mobile phones, travel and the new website.

13. DATE OF NEXT MEETING

Tuesday 27 November 2018 in Y150, Gardyne Campus (joint meeting with Audit).

<u>Action Point Summary</u>		
Action	Responsibility	Date
ICT Resource plan to be developed relative to updated ICT Strategy	C Blake/K Oza	27 November 2018
Revised Good to Great budget to be submitted to the Board for approval	C Blake	25 September 2018
D&A Foundation trustees to be invited to the College for an update on the project and its impacts	G Ritchie	30 November 2018
FFR to be finalised in discussion with Board and Finance & Property Committee Chairs for submission to the Board for approval	C Blake	25 September 2018
VMWare procurement issues to be subject to internal audit review and discussion at Audit & Risk Committee.	C Blake	27 November 2018
Procurement policy requirements and thresholds to be reinforced with budget holders	C Blake	30 September 2018
Work to continue to analyse and improve income: staff ratio.	C Blake	On-going
Audit Scotland – College Position paper to be discussed with full Board.	C Blake	25 September 2018
Annual Estates report (incorporating space utilisation data) to be presented at future May meetings of the Committee	B Grace	21 May 2019