# **logo_colourBOARD OF MANAGEMENT**

**Finance & Property Committee**

**Tuesday 25 February** 2025 at 5.00pm **Room K-TO-624, Kingsway Campus** (MS Teams option available)

Minute of the Finance & Property Committee meeting held on Tuesday 25 February 2025 at 17:00pm in Room K-TO-624 Kingsway Campus and via Microsoft Teams.

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| **PRESENT:** | Brian Lawrie | Laurie O’Donnell |
|  | Stephen Oakley | Simon Hewitt |
|  | Ged Bell | Derek Smith |
|  | Matthew Beattie | Carri Cusick |
|  | Robert Young |  |

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| **IN ATTENDANCE:** | Steve Taylor (Vice Principal Support Services and Operations) | |
|  | Julie Grace (Vice Principal Curriculum and Partnerships) | |
|  | Andy Ross (Director of Infrastructure) |  |
|  | Nicky Anderson (Director of Finance) |  |
|  | Billy Grace (Head of Estates) | Penny Muir (Board Administrator) |

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|  | **WELCOME**  G Bell welcomed everyone to the Finance & Property Committee meeting. He informed the committee that he would be chairing the meeting, despite B Lawrie’s presence, and extended a warm welcome to Robert Young, attending his first Finance & Property Committee meeting. |
|  | **APOLOGIES**  Apologies were noted from Donna Fordyce and Donald Mackenzie. |
|  | **DECLARATIONS OF CONNECTION & INTEREST**  There were no declarations of interest or connection. |
|  | **MINUTE OF THE PREVIOUS MEETING**  The minute of the Finance and Property Committee meeting held on 3 December 2024 was approved as an accurate record. |
|  | **MATTERS ARISING**  One matter was still outstanding but would be incorporated within the GTL review work. |
|  | **FINANCE**   * 1. **Financial Sustainability**   S Hewitt reported a significantly improved financial position compared to previous periods, with greater clarity on areas that were previously uncertain.  N Anderson and newer members of the Finance Department are working diligently to establish stronger financial foundations for the future.  While there is no expectation of additional core income, efforts are being made to better understand costs, including areas of expenditure management and cost efficiencies.  Looking ahead, financial sustainability remains a priority for the Senior Leadership Team though it continues to present a risk, particularly given the lack of improvement in funding. The Scottish Funding Council (SFC) has highlighted changes to future funding allocations for the upcoming year, and ongoing discussions aim to provide further clarity on this process. While uncertainties remain, the focus is on controlling what can be managed.  From an SLT perspective, S Hewitt stated that efforts will continue over the coming weeks and months to evaluate non-core areas of college operations, identify efficiencies, and ensure sustainable financial management. A significant focus is being placed on planning sessions that integrate financial considerations into the new strategic direction, aligning resources and finances over the next five years.  S Hewitt also stated there remains a lack of clarity regarding the increase in National Insurance (NI) contributions in relation to funding allocations, however the overall financial outlook is more stable.  The update was welcomed.   * 1. **Outturn 2023/24**   N Anderson discussed the audit of the accounts which are currently being finalised by Mazars, who are performing their final check. She stated the accounts are expected to be signed early next week, with the final audit report, annual accounts, and letter of representation set to be presented to the Audit and Risk Committee next week.  N Anderson highlighted that there has been a significant delay in producing the accounts this year, primarily due to capital adjustments, the identification of Reinforced Autoclaved Aerated Concrete (RAAC) in Kingsway Tower, and changes to the accounting treatment for the job evaluation process.  A recommendation is expected from the auditors concerning fixed assets, and a full valuation will be required in July 2025. This will be followed by substantial re-work of the fixed asset register and associated working papers, which will be completed in-year, ahead of the final accounts process for 2024/25.  N Anderson highlighted two significant movements in the 2023/24 accounts. First, during 2024, the identification of RAAC in Kingsway Tower resulted in a net reduction of £3.765m to the value of the college's fixed assets  .  The second movement relates to a £4.0m adjustment for changes in the accounting treatment associated with the national middle management and support staff job evaluation exercise for colleges.    The statement of Comprehensive Income shows an £8.0m deficit on paper. However, after adjusting for RAAC, job evaluation, and other non-cash items, the adjusted result reflects a surplus of £1.9m.  B Lawrie expressed disappointment with the audit position, emphasising the difficulty in explaining the shift from a ‘paper’ deficit to a surplus, citing the headline figure as a real issue.  He expressed disappointment in the audit delay and noted the impact of a change in audit approach from the initial plan.  G Bell asked whether there was an opportunity to ask around this and it was confirmed that questions could be raised at the Independent Audit & Risk meeting next week.  S Taylor mentioned that all papers were being reviewed in detail to understand what the auditors were comfortable with and what could potentially change. S Taylor stated that Finance were committed to implementing the necessary changes to ensure a smoother process for next year.  S Hewitt highlighted the narrative around the £8 million, noting that it was a sector-wide matter. The college is fully engaging with Colleges Scotland and preparing a communications plan for when the information is released.  L O’Donnell stressed the importance of getting the narrative out first, taking control of the situation rather than being reactive.  The update and positive operating position was welcomed.   * 1. **2024/25 Budget Monitoring Update**   N Anderson discussed the report, stating that projections as of 31 January 2025 suggested an overall surplus of £40k by year-end. Within this balance, an ‘overspend’ of £1m on operating and project costs was anticipated, which would be offset by £1.04m of capital, as the SFC had confirmed that capital budgets could continue to be used for essential repairs and maintenance, as in previous financial years.  Since the budget was agreed in June 2024, efforts had been focused on pursuing savings, efficiencies, and additional income opportunities. This focus was expected to continue for the budget setting for 2025/26 and the subsequent two years, and these efforts had contributed to a more positive financial projection.  For future reports, N Anderson proposed summarising movements and highlighting only significant changes over £50k, this approach was welcomed.  Since the report to Members at the October Committee, the projection for staff costs had decreased whilst the projection for international tuition fees had increased. In addition, the D&A Foundation had provided additional funding to support the cost of progressing the Infrastructure Vision.  Additionally, N Anderson highlighted the grant funding secured from the Multiply projects with Perth & Kinross Council and the Perth Prison Academy project. An additional £177k in capital funding had also been received, to be spent by 31 March 2025. The cash flow position remained stable.  B Lawrie highlighted the overall reduction as significant, noting the benefit and the approach which had shown positive results. He referenced Appendix B, which outlined risks, and commented that there was a clearer distinction between the roles of budget holders and finance, especially in terms of financial monitoring.  B Lawrie enquired about the extra income from the Dundee Football Club agreement, specifically how much longer the agreement was in place. N Anderson confirmed that the agreement had been renewed, with a notice period of six months.  L O’Donnell noted that the budget shift was in the right direction but noted the need for future budgets to be more accurate. N Anderson responded affirmatively, noting that the budget would indeed be more accurate.  D Smith asked whether there was a possibility for someone else to take Dundee FC’s place and whether there were thoughts about moving the arrangement to someone else. A Ross responded that this could be considered but that the 24 month period fitted in well with the overall campus infrastructure plans.  G Bell commented on Appendix B, recommending that the overall risk should be classified as medium. N Anderson acknowledged the error in the risk classification, as it had not been updated accordingly, and confirmed that it would be revised. **N Anderson to progress.**  R Young asked about the next forecast opportunity, N Anderson emphasised that the aim was not to re-forecast but to set the budget in May/June for the 2025/26 academic year. She outlined a three-year indicative budget plan that would help managers identify what they need for the next three years, focusing on areas of increasing income. N Anderson noted that there was monthly budget monitoring reported to the SLT, with a quarterly report provided to the Committee.  The budget report and improved position was welcomed. |
|  | **GARDYNE THEATRE REVIEW**  B Lawrie noted that the working group tasked with reviewing the operation and finances of Gardyne Theatre Limited had met on a number of occasions and considered a wide range of information.  The work progressed and potential changes were discussed and it was noted that this would be brought together for discussion at the March Board meeting.  The discussions, and sensitivities around arrangements were noted. |
|  | **INFRASTRUCTURE**   * 1. **Future Infrastructure Vision**   S Hewitt provided an update on the progress made regarding the Future Infrastructure Vision. He mentioned discussions were had with the First Minister to discuss support for the project, with ongoing discussions continuing. However, challenges remain as there is currently no established funding model for projects of this type, however, to address this, a small working group, including representatives from the Scottish Government across various portfolios, have been formed to explore potential funding solutions.  S Hewitt highlighted that the project has a strong foundation, but additional support is required to progress to the next stage. Securing investment is essential, and discussions are ongoing to determine how best to facilitate this. It has been agreed that the next step is to develop the Outline Business Case. The development of this business case is expected to take approximately three to six months, during which time engagement with funders will continue.  G Bell asked if there were risks around other sector projects competing with the D&A project. S Hewitt confirmed that while competition is increasing, the project has maintained a leading position and the college needed to ensure that it continued to do so. The unique approach, particularly in relation to regeneration, sets it apart, and there are currently no comparable proposals.  R Young enquired about commercial interest, and it was noted that significant interest has been expressed by major financial houses, with potential returns on investment spanning a significant time period.  S Taylor raised the issue of governance, noting that responsibility would transition from the current structure to the board at the appropriate stage. It was noted that final approval of the business case will require governance input, and the board would need to look at ensuring it had individuals with infrastructure expertise to support this process.  S Hewitt acknowledged the significant progress made but noted that additional resources would soon be required. While internal support has been leveraged effectively, the scale and technical complexity of the project are unprecedented, necessitating further expertise and resources.  R Young asked whether the necessary support is in place. S Hewitt confirmed that while the project is well-supported at present, a critical point is approaching where further resources will be required to ensure continued progress.  S Taylor emphasised the need for a clear request to the Scottish Government regarding the outline business case and project management, ensuring a structured timeline for key steps.  S Hewitt confirmed that some support is already in place, and efforts are underway to test costs and timelines in the market.  C Cusick noted that the project remains an exciting opportunity.  The update and outline of next steps was noted.   * 1. **Estates Update**   B Grace provided an update on ongoing projects, noting that three projects are currently in progress. Significant progress has been made in improving the estate, ensuring it meets the required standards. Investments in infrastructure have been well-utilised, placing the college in a strong position in terms of overall condition and enhancing the environment for students.  The current cycle of work is nearing completion, with planning underway for the next cycle. The college is awaiting confirmation of funding for 2025/26 and anticipates investing similar amounts. Efforts are ongoing to align investments with the curriculum’s priorities for the next cycle.  Regarding RAAC, the college is continuing to monitor the condition of the RAAC present, with no additional concerns arising.  B Grace noted that additional funds had been secured from the government to fund improvements to the boiler house and the installation of a new lift in the CALC building in the Arbroath Campus.  D Smith enquired about the closure of the first floor of the Clova building at the Arbroath Campus. B Grace clarified that the objective is to relocate students to recently upgraded areas, particularly classrooms, to enhance the overall experience for both students and staff.  G Bell thanked B Grace for the work.   * 1. **Post Project Review – Network Infrastructure**   A Ross provided an update on the Network Infrastructure renewal. He stated the project, initiated back in 2022 to replace the college network, which aimed to enhance cybersecurity, improve network performance, and implement zero trust programs.  While the project had been successfully implemented, outstanding elements remain, particularly concerning role-based access to devices.  Challenges were noted regarding the project budget. Procurement occurred at a particularly difficult time, post-COVID, when supply chain issues resulted in a lack of equipment availability for a year, compounded by inflation.  A Ross stated that the implementation of zero trust security measures has taken longer than anticipated due to concerns about potential disruptions for users during term time. As a result, this aspect of the project was paused to ensure a smooth transition. Full implementation is now scheduled for the summer break, with partial implementation already in place.  G Bell acknowledged the comprehensive review, and the efforts made to manage risks. He enquired about the potential risks created by delays and how these were mitigated.  A Ross explained that the focus had been on securing critical data and core systems, ensuring all essential protections were in place before wider implementation. Emphasis was placed on corporate systems, with automation planned for the full rollout.  G Bell asked what was meant by the proposal to introduce an “at risk” period during network changes. A Ross noted that making significant changes to the network during term time posed challenges, leading to the scheduling of updates during off-peak hours, such as 7–9 pm. Effective communication and planning have been key to mitigating risks.  C Cusick commended the successful delivery of the project. |
|  | **PROCUREMENT**   * 1. **Procurement & Creditors Audit Progress**   N Andeson reported the Audit progress report, highlighting the recommendations from the Procurement and Creditors Audit conducted in June 2024, which had received an overall grading of 'Requires Improvement.'  Of the nine recommendations issued, seven had been completed and summarised the remaining steps to be taken.  Recommendation 2, concerning the cost-benefit analysis of modifying the approach to ordering catering supplies, was scheduled for completion by 31 August 2025.  Recommendation 5, relating to the development of induction and refresher training, was in progress, with delivery scheduled for 11th and 13th March. This training would be recorded and made accessible to all staff.  It was noted that purchase order compliance had shown improvement. C Cusick expressed surprise regarding the purchase order compliance figures and sought clarification on the underlying issues. N Anderson highlighted The Finance team had been actively reinforcing this requirement and encouraging adherence, with efforts ongoing, to review both high-value and low-value expenditures, with a focus on consolidating purchases to enable monthly purchase orders and invoicing, thereby improving efficiency.  L O'Donnell questioned whether the compliance levels were particularly low and asked if any further information was reviewed, particularly in terms of the percentage of purchase orders relative to the value of overall expenditure. N Anderson acknowledged the need for clearer data presentation confirmed that this was being explored. N Anderson noted that a significant proportion of the total related to smaller purchases in estates for minor repairs etc.  R Young enquired whether individual budget holders had the ability to call off against a pre-approved value or if purchase orders were generated automatically. N Anderson clarified that individual invoices were sent directly to the Finance Team, however, for major suppliers, monthly purchase orders were now in place to streamline the process.  S Taylor noted that the item was linked to the audit findings previously presented to the Audit & Risk Committee. To prevent duplication, it was confirmed that the Audit & Risk Committee had responsibility in terms of the close out of recommendations and noted that they had requested that a follow up audit be conducted in 2025/26 to ensure all areas of concern were addressed.  The report was welcomed.   * 1. **Procurement Update**   N Anderson presented the report for approval, highlighting the Direct Award for Fruit and Vegetable supplies in section A and the request for approval of the Campus Master Plan and Business Case, as well as the contract for the supply and maintenance of MFD’s.  A Ross explained that the college was moving away from an existing consortium arrangement for printers / copiers consisting of Angus, Dundee, and Perth Councils alongside Perth College.  The contract was currently under review, with the decision to utilise the Scottish Government framework and proceed with procurement individually, rather than as part of a consortium. This would involve exploring a different procurement route but remained compliant.  B Lawrie raised a concern regarding Section D of the report that highlighted an issue in respect of the provision of a Student Funding system as part of the overall contract with Civica. A Ross clarified that there were significant contracts being consolidated into a single solution. In terms of student funding and applications, the college was reviewing options, including transitioning to Civica for student funding management.  A Ross stated that there were concerns about Civica’s ability to fulfil this contract. The college was uncertain whether they were obligated to proceed with this arrangement or if alternative options could be explored, including bringing the service in-house or collaborating with other colleges facing similar challenges.  A Ross reassured the committee that the situation did not leave the college at risk. The current solution would be supported for 18 months or longer, if necessary, while alternative options were explored. If there were additional costs, the college would pursue appropriate steps to mitigate these in line with contract arrangements. The college maintained a positive working relationship with Civica, and savings would been realised on system costs if the Funding module was not provided.  The paper was approved. |
|  | **STRATEGIC RISK REGISTER**  S Taylor noted that a couple of changes had been made in relation to the risk management policy. The same proposal, as presented to the LTQC and HRDC, would now need to be taken to the A&R Committee for discussion.  S Taylor highlighted that in the Risk Register, the number 2.5 was incorrect and would be updated to 2.6.  It was also noted that, based on the current infrastructure and challenges in respect of backlog maintenance and RAAC, the risks should be increased.  A question was raised from L O’Donnell regarding the numbers assigned to the likelihood of risks. S Taylor advised that this was detailed within the Risk Management policy for likelihood and impact, with changes made last year as a result of audit. A table in the policy provides the relevant details.  The report was approved. |
|  | **SUPPORT SERVICES REPORT**  N Anderson highlighted this report. She confirmed the receipt of funding for the Teacher's pension cost increase of £450k, which will cover costs for the 2024/25 period. It also highlighted access to free sanitary products and emergency capital funding, of which £177k had been received.  The report explained the positive position regarding student recruitment and efforts to increase student retention.  N Anderson provided an update on the Service Design Academy's work, while Section 7 within the report highlighted the business partnerships that secured UKSPF grants, including £100k for Decarbonisation of Transport and £150k for SME upskilling, with a further bid launched for £300K in Business Upskilling.  N Anderson noted that there was a typo in Section 5 of the report, where £79.5m should have been stated as £27.4k. This would be corrected. **N Anderson to progress.**  B Lawrie raised a question regarding the Service Design Academy, noting significant activity and the potential for market development, but poorer financial performance. He enquired whether more income could be generated and whether there was a "spend to save" concept. They also expressed concern about the deficit and questioned whether the college could fill gaps despite the large uptake in business.  J Grace responded that a college-wide review of non-core income and expenditure was underway. While a business plan had been created in 2023, the college would need to examine how it could better maximise income.  The report was noted. |
|  | **DATE OF NEXT MEETING** –Tuesday 27 May 2025 at 5.00pm in Room K-TO-624, Kingsway Campus |

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| **Action Point Summary** |  |  |
| **Action** | **Responsibility** | **Date** |
| Correct the Risk category error in the Budget Monitoring Risk Factor. | N Anderson | 27 May 2025 |
| Correct the typo in Section 5 of the Support Services report, where £79.5m should be amended to £27.4k. | N Anderson | 27 May 2025 |