NOTES OF FINANCE AND RESOURCES COMMITTEE
HELD AT 4.30 PM ON MONDAY 14 OCTOBER 2019
BOARDROOM, LANGSIDE CAMPUS, GLASGOW CLYDE COLLEGE

PRESENT

R Fraser	Committee Chair
D Newall	Committee Member
J Vincent	Committee Member
S Rasmussen	Committee Member

APOLOGIES

S Henson	Committee Member

IN ATTENDANCE

J Thomson	Vice Principal Resources and College Development
T Elliott	Assistant Principal, Finance and Infrastructure
D McDougall	Assistant Principal, International and Business Development

19.32 **WELCOME AND APOLOGIES**

R Fraser welcomed everyone to the meeting. Apologies were noted from S Henson.

19.33 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

19.34 **MINUTE OF THE MEETING HELD ON 29 MAY 2019**

The Minute was approved as an accurate record of the previous meeting.

19.35 **MATTERS ARISING ACTION GRID**

The Committee noted the progress on the Matters Arising Action Grid.

19.24 COMMERCIAL AND EXTERNAL FUNDING UPDATE
J Thomson indicated that the Pipeline Report was not available in time for the papers being circulated and will be tabled later in the meeting.

19.36 DRAFT PRIMARY FINANCIAL STATEMENTS

T Elliott was invited to speak to the Report issued with the Agenda.

T Elliott informed the meeting that the report provides a summary of the current 2018/19 draft primary financial statements position which is usually provided to the Committee at this point in the year and includes the 2018/19 draft Statement of Comprehensive Income and Expenditure (SOCIE) and the draft Balance Sheet as at 31 July 2019. T Elliott highlighted that the year-end audit fieldwork commenced on 7 October. T Elliott provided an update in terms of the draft outturn position outlining that the adjusted operating surplus of £107k is in line with the 2018/19 budget.

T Elliott referred Committee Members to paragraph 3.3 of the covering paper, which outlines a reported deficit position before other gains and losses of £3,576k highlighting that the deficit includes non-cash nett depreciation and non-cash pension adjustments. Other non-cash gains and losses for the year include an unrealised surplus on revaluation of land and buildings of £22,088k and an actuarial loss on defined pension plans of £5,441k. As a result, the Comprehensive Income for the year is reported as £13,071k. T Elliott then referred members to a range of adjustments reported in the table at paragraph 3.4, which in line with Scottish Funding Council (SFC) guidance, the College is required to outline in the financial statements in order to present the adjusted operating position of £107k.

T Elliott referred Committee Members to Appendix 1 of the Report, which provided an analysis explaining variances between the 2018/19 draft financial statements and the 2017/18 financial statements. Members noted an increase in SFC funding related to National Bargaining and the Flexible Workforce Development Fund, and an increase in Other Grant funding due to increased EU activity. Committee Members noted the decrease in Other Operating Income due to a reduction in GCEF funding supporting large capital projects.

T Elliott outlined the staff costs detailed in section 2.4 of the report, explaining that the increase in costs was largely due to additional SFC funded national bargaining costs, unfunded cost of living pay awards for all staff and a non-cash pension actuarial adjustment. In response to a request from a Committee Member, T Elliott agreed to break down the different TE
elements for inclusion in the subsequent report, which is due to be submitted to the Board of Management meeting on 11 December 2019.

Committee Members noted that Section 2.5 outlines the reasons for the decrease in Other Operating Expenses, largely due to a reduction in ICT hardware costs. T Elliott explained that such costs can vary year on year dependent on the level of replacement ICT equipment required and the related available budgets. Committee Members noted the decrease in Non-cash Depreciation charges, which can vary year on year depending on capital additions and the related asset life cycles.

T Elliott referred to Section 2.7, which details the decreased non-cash net interest charge explaining that this represents the interest cost on the defined benefit obligation less the interest income on the pension plan assets.

T Elliott outlined the Balance Sheet movements to Committee Members, highlighting the increase in fixed assets, largely due to the recent asset revaluation.

T Elliott indicated that Debtors have increased, largely due to the inclusion of an SFC debtor for National Bargaining Job Evaluation funding highlighting that this debtor is estimated based on the latest available estimated figures for 2018/19 Job Evaluation costs as provided by the Colleges Scotland Employers Association in line with SFC accounts direction. T Elliott confirmed that a provision for the related costs has also been included in the financial statements. In response to a query from a Committee Members, T Elliott stated that no such funding has been received to date and that any Job Evaluation funding received in the future will be dependent on the outcomes of the sector wide Job Evaluation process.

T Elliott outlined the reasons for the increase in the cash balance, which is largely due to Lennartz VAT liability payments and other working capital movements being partially offset by cash held to cover the unfunded Employers Association teaching staff pay awards announced in 2018/19. T Elliott explained that the College was unable to implement this pay award until August 2019 as it was awaiting detailed implementation guidance from the Colleges Scotland Employers Association.

Committee Members noted that the increase in short-term creditors is largely due to the accrual for teaching staff pay awards and other movements in working capital and short-term deferred capital grants. T Elliott outlined that the Net Current Asset position remains relatively stable, explaining that, whilst the Balance Sheet indicates a negative net current asset position, in reality this is not the case as these short-term creditors include deferred capital grants, which are non-cash in nature. In response to a query from a Committee Member, T Elliott explained that the deferred capital grants are released to the SOCIE over time to offset related depreciation charges.

The Committee noted that longer-term creditors decreased due to the ongoing paying down of the Lennartz VAT liability, which is due to be fully settled by end July 2020, and movements in non-cash longer-term deferred capital grants.

Members noted that pension provisions have increased due to non-cash actuarial pension adjustments, which are based on annual actuarial reports commissioned by the College. T Elliott stressed that these liabilities are out with the control of the College.

Committee Members noted the additional provision that has been included in the Balance Sheet to reflect the liability of estimated costs of the National Bargaining Job Evaluation exercise.

The Chair of the Committee raised concerns around the substantial pension liabilities facing the College, particularly around the potential for future increases in employer's pension contributions and expressed concerns that the paper presented did not sufficiently highlight these risks and their potential impact on the longer-term financial sustainability of the College. T Elliott responded that the purpose of this paper is to provide the Committee with an update in respect of the 2018/19 outturn position and that potential future risks in respect of increased employers' pension contributions are outlined in the College's 2019 draft SFC Financial Forecast Return (FFR) at agenda item 19.38. T Elliott added that she would however add some additional narrative to the Draft Financial Statements paper that is due to be submitted to the Board of Management meeting on 4 December 2019 to further highlight these risks going forward. TE

The Chair of the Committee stressed that a considerable amount of effort will be required to manage the financial situation over the next few years.

The Committee noted the report.

19.37 **2019/20 CASH FLOW FORECAST**

T Elliott was invited to speak to the Report issued with the agenda.

T Elliott referred Committee Members to the Forecast Cash Balances Chart, which outlines the Colleges baseline position of holding 15 days cash and the current forecast cash position. Members noted that the baseline cash position had been set based on advice previously received from Audit Scotland prior to incorporated Colleges being reclassified as public bodies in March 2014 and was agreed by the Board of Management at that time. T Elliott informed the meeting that the forecast cash balances are expected to fall below the baseline target cash balance from April 2020 onwards due to the current 2018/19 budget deficit.

Committee Members noted that the College is working with the Glasgow Clyde Education Foundation (GCEF) in order to attempt to secure funding to mitigate the 2018/19 budget deficit. In response to a query from the Chair, T Elliott confirmed that the forecast balance of £1.4m at July 2020 would cover 10 days cash.

In response to a query from a Committee member, T Elliott indicated that, given the current and forecast financial challenges that the College is now facing, a 30-day baseline cash balance would be preferable however, investment would be required to achieve this. In response to a further query T Elliott indicated that, in her view, it was unlikely that SFC/Scottish Government would object to the College generating surplus cash in order to increase its baseline cash position due to the fact that no additional Government budget cover would be required as the surplus cash would not be spent and would instead be held as working capital. Members noted that to achieve a 30 days baseline cash balance, the College would need to generate an additional £2M in cash backed surpluses which, given the current and forecast financial constraints would be extremely challenging to achieve.

The Committee noted the report.

19.38 **DRAFT 2019 SFC FINANCIAL FORECAST RETURN**

T Elliott was invited to speak to the Report issued with the agenda.

T Elliott informed the Committee that the Return is submitted to SFC on an annual basis. Committee Members noted that the draft FFR which forecasts deficits for the first three years of the five year period had been submitted to the Glasgow Colleges Regional Board (GCRB) and had been consolidated into a Regional submission to SFC. As a result of the consolidation, the College believes that the overall Regional FFR shows a balanced position.

T Elliott emphasised that the College is continuing dialogue with the GCRB and GCEF and is in the process of submitting applications to GCEF for additional funding in order to offset or reduce the forecast deficits outlined in the FFR.

The Chair of the Committee sought clarification as to whether the College has requested additional funding from SFC. J Vincent indicated that SFC are not in a position to engage with the College on this issue until all other avenues of possible funding have been exhausted. Members noted that if the GCEF bids were unsuccessful the College would approach GCRB. Committee Members noted that having received the preliminary go ahead from GCEF, three bids are being worked up to be submitted for approval. In response to a query, J Thomson reported that the bids are for longer-term projects relating to IT, Staff Development and Commercial growth activity. T Elliott indicated that once the outcome of the bids is known, the 2019/20 budget and 2019 FFR position would be reviewed to take cognisance of any additional GCEF funding.

T Elliott indicated that, as no additional GCEF funding has been approved at this time, it will not be possible to review and amend the 2019 FFR in advance of the Board meeting on 25 October and sought agreement to submit the current version for approval subject to it subsequently being revisited should the external funding position improve.

In response to a query from a Committee Member, J Vincent provided assurance that the academic restructure consultation document would be issued week commencing 21 October 2019.

The Committee agreed to the FFR being submitted to the Board for approval, subject to any subsequent amendment in light of external funding decisions. TE

The Committee noted the report.

19.39 **2019/20 BUDGET UPDATE**

T Elliott was invited to provide a verbal update on the 2019/20 Budget.

T Elliott highlighted the current 2019/20 budget position indicating that, as soon as the outcome of the bids to GCEF is known, the 2019/20 forecast position would be updated accordingly.

The Committee noted the report.

19.40 **CAPITAL EXPENDITURE AND MASTERPLAN UPDATE**

J Thomson was invited to speak to the Report issued with the agenda.

J Thomson highlighted that £1.65m had been received from GCRB for capital funding. In total, 3 projects at Cardonald had been identified to be completed by the end of March 2020: Chiller Plant and Air Handling Units replacement, Disabled Access Lifts replacement and remaining flat roof replacement. Members noted the challenges that will have to be overcome to minimise disruption during term time when replacing the Air Handling Units.

J Thomson reported that the cladding on the Mary Stuart Building had now been replaced and the lift lobby project at Cardonald was in the final stages of completion. With regards to Lifecycle maintenance works, the Committee noted that a bid to fund this is being made to GCEF.

The Committee noted the report.

19.41 **ESTATES UPDATE INCLUDING STRATEGY PROGRESS**

J Thomson was invited to speak to the Report issued with the agenda.

J Thomson reminded those present of the work undertaken with Gardiner Theobald and BDP on an Estates Strategy. J Thomson referred to the output Report from Gardiner Theobald on screen, and informed the Committee that a number of Interventions have been suggested across the College sites; however, the focus of the Report has been on the Cardonald Campus. J Thomson indicated that the College is now reviewing which will add the most value and what is affordable.

J Thomson talked through each Intervention in detail, referring to plans on screen. The Committee noted the proposed changes under Intervention 1 – relating to changes to layout of the 8 teaching floors in the Tower Block. The Committee noted that, given the specialist nature of some of the classrooms, the proposed changes would only be viable on 3 floors. Members noted that the estimated cost per floor would be £425k. In response to a query from a Committee Member, J Thomson indicated that the change would provide students with more social space and there would be more opportunity to use different teaching practices.

The Committee noted the more radical option outlined at Intervention 1b which relates to opening out each teaching floor at a cost of £1.2m per floor. J Thomson indicated that this option had been rejected given the costs at this point, but had not been ruled out as an option for future development if funding became available.

J Thomson outlined Intervention 2 – relating to the campus environment and re-engineering the entrance, improving the public realm and removing exterior fencing. Those present noted that estimated cost of this would be £624k.

J Thomson provided and outline of Intervention 3a – relating to building a multi-function learning mall on the ground floor at Cardonald, at a cost of £6.3m; Intervention 3b – relating to moving the sports block to create a learning mall at a cost of £76.3m; Future Works Option 1 and 2 – relating to major redevelopment and/or demolition of existing buildings and building new premises at a cost of £76.3m and £93.4m respectively.

J Thomson informed the Committee Members that the College would pursue reconfiguring 2 teaching floors, rerouting the entrance and replacing the exterior fencing at Cardonald.

J Thomson outlined the recommendations put forward for the Anniesland Campus, which focussed on the limited formal student space. Members noted the potential to repurpose classrooms along the refectory access corridor, which would have much lower costs than the proposals to build canopies across the Courtyard area.

J Thomson outlined the proposals being made in relation to Langside Campus, which included relocating the Mary Stuart Building and Litehouse; building a car park on these vacated space and refurbishing the exterior areas in front of these buildings. Members noted that given both these buildings had had recent investment, the refurbishment of the exterior landscaping would be investigated.

The Committee noted that J Thomson would make a presentation at the Board of Management meeting on 25 October 2019. J Thomson indicated that an Estates Strategy is being written that will prioritise projects going forward. A Committee Member requested that, once finalised, the Strategy be presented as a glossy pack to be presented to potential funding bodies. JT

In response to a query from the Chair of the Committee, J Thomson indicated that GCEF has £7.5m free reserves and the College would ensure that any bids would stress the benefit to the student experience. In response to a further query from a Committee Member, J Vincent indicated that the College is confident that funding can be secured for the learning enhancements and visitor arrival experience.

The Committee noted the report.

19.42 **COMMERCIAL AND EXTERNAL FUNDING UPDATE – 2018/19 OUTTURN AND 2019/20 PLAN**

D McDougall was invited to speak to the Report issued with the agenda.

D McDougall sought and received permission to table a paper on the Pipeline projects, which had not been available at the time of the Committee papers being issued.

D McDougall talked to the Business Development and External Funding Update, informing the meeting that the 2018/19 outturn target has been achieved. D McDougall then referred to the table at paragraph 4.4, highlighting to Members that the commercial budget target is £2.813m; however, the figure in the Commercial Growth plan is £3.335m. D McDougall sought advice from the Committee as to whether they would wish update reports against the budget figure or the Commercial DMcD Growth plan figure. It was agreed that in future reports the actual to date and forecast outturn position should be reported against the budgeted position of £2.813m and the Pipeline Projects should be reported against the Commercial Growth Plan figure of £3.335m. D McDougall agreed to provide a report each quarter against each line of the budget in order to keep track of temporary and permanent staffing costs.

In response to a query from a Committee Member regarding why this year's income is higher and surplus lower compared to the previous year, D McDougall indicated that the BDU attempt to identify every cost incurred in delivering programmes, some of which will be consumable costs and often these costs are not fully actualised. T Elliott outlined the model used when setting the global commercial budget and related contribution and confirmed that this excludes the BDU departmental costs as these are included within the core support staff costs in the budget. The Chair of the Committee sought and received confirmation that the permanent staff costs figure includes on costs.

D McDougall referred to the section of the Report relating to HN Associations income outlining how these students infill into existing class groups. T Elliott counselled that it is important to monitor this cohort as it can fluctuate across years. The Committee agreed that it would be helpful to have the fluctuation risk highlighted. DMcD

D McDougall outlined the FWDF programmes that have grown since their inception. Members noted that BDU are confident that they will meet and potentially exceed the budget target. In response to a query from a Committee Member, D McDougall outlined the process and deadlines to be achieved in order to secure and access funds, namely securing training agreements before the end of July, with delivery starting in September each year. Committee Members noted that it is currently possible to carry forward some funding for delivery in the subsequent year within the parameters of SFC guidance. D McDougall highlighted that many of the contracts are of low value so securing these contracts is very intensive and the BDU team carry out this work. T Elliott confirmed that the budget costing for FWDF delivery is based on the model used for the global commercial budget and related targeted contribution.

D McDougall highlighted two errors in the Report, which required to be corrected, namely, at 7.2 the figure should read: £30,069 and the double asterix at 7.4 should be removed.

D McDougall turned the discussion to the tabled Pipeline Report, indicating the report related to the end September 2019. Committee Members noted that £307k in receipts were received at the end September. In addition, contracts to the value of £1,036k have been secured and will be delivered. Members noted that the pink area of the chart refers to the funds that need to be achieved between now and the end of July 2020. D McDougall indicated that 70% of this work would have to be made up from recruitment of students to the existing commercial portfolio and 30% from new contracts.

D McDougall referred to the current tender activity not included in pipeline work, Members noted that circa £300k of funding bids have been submitted, and which the College expect to receive feedback on these shortly. D McDougall indicated that the College is confident it will secure more than 50% of this figure due to the nature of bids. D McDougall informed the Committee that the leisure programme is lower than expected with only £31k secured compared to £52k at this time last year. Members noted that the leisure programme has four cycles over the year with a target of £250k. D McDougall outlined the steps being undertaken to better understand why courses are not being booked including working with the Marketing Team to produce a campaign.

In response to a query from a Committee Member as to whether what is in place would meet the higher target, D McDougall indicated that the BDU are proactively looking to offer different programmes than before as well as growing the existing offering. Committee Members noted the development of a partnership with University of East London to provide quality control for their new HN programmes and the SCQF credit rating, which has the potential to develop income. Members also noted that College car parks are being rented out during large-scale events at local venues and premises have been rented at weekends for external organisations to use.

The Chair of the Committee sought and received confirmation that items tie in with the figures reported in the management accounts.

The Committee noted the report.

19.43 **GLASGOW CLYDE EDUCATION FOUNDATION UPDATE**

J Thomson was invited to speak to the Report issued with the agenda.

J Thomson outlined discussions that had taken place around GCEF indicating that it was not in a position to fund the costs of restructuring and the work now being undertaken to submit alternative longer-term bids around IT, commercial activity and staff development. J Thomson indicated that the bids would all JT
be submitted by the end of October.

The Committee noted the report.

19.44 **PROCUREMENT UPDATE**

T Elliott was invited to speak to the Report issued with the agenda.

T Elliott indicated that this is a cyclical report which provides an update on recent tender activity above £50k and includes an update in terms of current contracts and planned tender activity.

T Elliott briefly referred to the Glasgow Regional shared services arrangement with APUC indicating that the College Procurement Manager post is currently vacant and that APUC are currently going through a recruitment process to fill this post. T Elliott advised the Committee that the College is working with the Regional Procurement Manager to prioritise tender activity accordingly.

In response to a query from a Committee Member, T Elliott confirmed that the College catering contract will have to reviewed as the existing contract ends in July 2020 and decisions will need to be taken on how this service should be delivered going forward.

The Committee noted the report.

19.45 **COLLEGE STRATEGIC RISK REGISTER**

J Thomson was invited to speak to the Report issued with the agenda.

J Thomson reported that the 2 major amendments follow on from discussions at the last Board meeting. This first is to include a new risk regarding the potential refusal to fund VS by SFC and the other is to strengthen mitigating actions under O1, O3 and O5. The Committee noted that these amendments had been made and taken to the Audit Committee. J Thomson reported that the Audit Committee had asked that O1 and O3 be retitled to reflect cyber-attack and student experience.

In response to a query from a Committee Member, J Thomson undertook to increase the probability of F3. JT

The Committee noted the report.

19.46 **EQUALITIES IMPACT ASSESSMENT ON DECISIONS MADE**

No decisions were taken with an Equalities Impact.

19.47 **REVIEW OF PAPERS INCLUDING DISCLOSABLE STATUS)**

Papers disclosure status as per noted on the papers.

19.48 **ANY OTHER BUSINESS**

There were no other items for discussion.

DATE OF NEXT MEETING

4.30 pm on 4 December 2019, Boardroom, Langside