

Board of Management

Finance & Physical Resources Committee

Date of Meeting	Wednesday 21 September 2015
Paper No.	FPRC1-B
Agenda Item	4
Subject of Paper	Committee Annual Report 2015-16
FOISA Status	Disclosable
Primary Contact	Paul Clark, College Secretary/Planning
Date of production	30 August 2015
Action	For Approval

1. Recommendations

1. To review the Committee Annual Report 2015-16.
2. To approve the report (for noting by the Board) subject to any agreed changes.

2. Purpose of report

2.1 To provide the Committee and the Board with a high-level review of the activities of the Committee throughout 2015-16 within the framework of the Committee's Terms of Reference.

3. Context

3.1 In May 2014 the Committee agreed to a recommendation from the Internal Auditor to prepare "an annual report...for each sub-committee and that this is used as the basis for the preparation of the annual report for the full Board " (Ref. paper AC4-F, May 2014: "Internal Audit Report - Risk Management and Governance").

3.2 Referencing the Committee Terms of Reference, the summary schedule of work of the Committee for 2015-16, and the considerations and discussions undertaken by the Committee through the session, the attached report provides a summary report of the Committee's activities.

3.3 The benefits of such a review include the following:

- It provides a reference for progress and achievement, and an accessible update on the Committee's recent and current areas of focus, within the parameters of the Committee's areas of responsibilities. This is of value to new Committee members, other Board members, and other stakeholders.
- It provides a sound basis for the development of a College Annual Report, ensuring a robust governance framework and perspective for reportage.
- It reflects good governance practice.
- It facilitates reflection and performance improvement, thereby supporting the College's Strategic Aim 5. "With a high performance focus, be the best we can be in the way we operate and work together".

4. Impact and implications

4.1 The review process comprises a thorough review of the Committees activities in the previous academic session, informing strategic direction, and facilitating development and improvement.

4.2 It will provide further reassurance to the Board and its stakeholders, including the Regional Board, that the City of Glasgow College systems of governance review are robust, and delivered to a high standard.

Appendices:

Appendix 1: Audit Committee Annual Report 2015-16.



Board of Management

Finance and Physical Resources Committee

Annual Report 2015-16

FINANCE AND PHYSICAL RESOURCES COMMITTEE (2015-16)

CONVENER: Debbie McNamara

VICE CONVENER: Peter Finch

MEMBERS: Karen Kelly, Paul Little, Frances McKinlay, Lesley Woolfries, Robert Morrison

Annual Report 2015-16

Introduction

The remit of the Finance and Physical Resources Committee falls into two principal areas, as its name suggests – broadly financial, and also those relating to the College estate.

The Committee therefore undertakes the Board of Management's constitutional delegation in financial matters, and specifically the duties of oversight assigned to the Committee on the Financial Regulations. The Committee is also expected to provide the Board with advice on significant financial matters, and to review approve and monitor financial plans, strategies and plans. Any recommendations emerging from this oversight is then made via the Committee to the Board of Management. The Committee receives and approves the annual budget and final accounts for recommendation to the Board. The Committee also receives and considers advice from advisory committees on major items of capital expenditure.

In terms of its responsibilities for physical resources, the Committee carries out its delegation in all matters relating to the College's estate, property and facilities, including the discharge of the Board's responsibilities for land and assets, in consultation with the Scottish Funding Council and Glasgow Colleges' Regional Board as appropriate.

As with financial matters, the Committee will provide the Board with advice and recommendations relating to estate, property, and facilities, and related strategies, plans, and reports.

In addition, the Committee considers health and safety matters where these relate to the College's operations within its estates and facilities, and reports as necessary to the Board.

The Committee was pleased to oversee a delivery of **TBC%** over grant target activity in 2014-15, while recognising that continued achievement of targets, and financial sustainability, in current and future years, would require continued strategic development and innovation.

Review of 2015-16

Standing Items

The priorities of the Committee throughout 2015-16 were represented in the Committee's agenda standing items through the session, which were:

- NPD Delivery Report (i.e. New Campus Development under the Non-profit Distribution Model)
- Infrastructure and Transition Projects Report (towards new ways of working in the new campus)
- Migration Update Report (Arrangements for moving to the New Campus sites)
- Budgetary Control Report
- Cash Flow Report
- Treasury Management Report
- Departmental Expenditure Limit update (twice per year)
- Credits (formerly wSums) Update (a major strategic risk with dependencies upon SFC, Regional Board and Glasgow Colleges' agreement)
- Health and Safety Report
- Strategic Risk Review (every second meeting)

NPD Delivery

The Vice Principal (New Campus and Student Development) provided the Committee with regular updates on a range of matters relating to the development, construction, delivery of, and migration to the new Riverside and City campus sites. This was inevitably a highly complex project, involving multiple stakeholders, layers of responsibility, interdependencies, and complex organizational and delivery risks.

Associated matters which the Committee considered in detail included handover of the Riverside Campus on schedule (17 August 2015) and related matters such as the installation of the working ship's engine, Simulator Suite completion, incident resolution (plumbing and (minor) fire). The Riverside Campus was delivered on time, and within budget, with entry date achieved as planned. The Committee received regular updates on the resolution of the 13,785 "snags" at Riverside. Detailed reviews of the Completion Tracker which provided the Committee with assurance that the buildings were being progressively completed.

Migration Updates

Progress on completion of City Campus was monitored closely throughout the session. This was fully tracked with action plans in place to recover any slippage. Plans were also put in place to improve the standard of quality offered at the time of inspection and also the reliability of the forecasted completion/inspection dates. (n.b. handover of City Campus was completed to schedule in August 2016, with planned migration moves up to 26th August).

Property Disposal Programme and Budget

The Committee provided oversight of progress towards disposal of the existing College properties in the City Centre and east end of Glasgow, and conclusion of contracts. Due consideration of costs was undertaken, and of advice from the College's partner organisations, with due heed also taken of the terms of the Financial Memorandum. Matters relating to the financial security risks associated with purchasers, and the provisions of sales contracts were also regularly reported to the Committee. Members reviewed and discussed the potential minor title issues in relation to the NHS and other sites, and the proposed measures to mitigate any risk in this respect.

Infrastructure and Transition Project (ICT Progress) Reports

The Committee received reportage on the status of the four Infrastructure Transition Projects – Workflow and Document Management, Printing Solution, Intelligent Building and Identity Management. The Committee was pleased to oversee the successful integration of new systems at Riverside with existing systems, from which lessons were learned prior to the completion of the City Campus and migration.

With a view to deriving maximum value for public assets, a Residual Value Project was costed and agreed, to enable auction and sale of surplus items.

2014-15 / 2015-16 Financial Plans

The 2015-16 Financial Plan was reviewed through drafting and completion. The Committee also considered a range of related issues including student fees (rest of UK and international), Student Halls Accommodation Charges, as well as international and commercial income streams in the context of the College's growth strategy.

The Financial Budget 2016-17 was endorsed for approval by the Board, subject to agreement on the allocation of SFC capital/estates maintenance and SFC student support grants within the Glasgow region. The Committee also received reports on the additional funding for teaching and student support from SFC, subsequent to the approval of the 2015-16 Financial Budget.

Budgetary Control, Cash Flow, and Treasury Management Reports

These reports provided the Committee with regular summaries of Income and Expenditure Accounts, Balance Sheets, and monthly cash balances throughout the session, while the College's investment strategy and performance was regularly updated via Treasury Management Reports.

An updated Treasury Management Policy reflecting changes in banking service provision and minor updates to dates and job titles was submitted and approved.

Departmental Expenditure Limit update

The Committee noted the resource return for 2016-17 showed a small surplus of 201k. The SFC Resource Return for financial year 2016-17 was agreed, subject to agreement of the final grant split between the Glasgow Colleges.

180,000 Credits (210,000 wSUMS) Required Target within Regional Plan

The Committee received reports on discussions within the Glasgow Region, and with SFC, regarding the intended delivery of 180,000+ Credits (210,000 wSUMS) by the College within the new campus sites. The anticipated figures, included a mix of transfer and growth, and these figures pointed towards an increase year on year, reaching 209,000 wSUMS by 2017-18, and 210,000 wSUMS by 2018-19. The Committee also received reports on the additional funding for teaching and student support from SFC, subsequent to the approval of the 2015-16 Financial Budget.

Health and Safety

The Committee received regular reportage of Health and Safety matters utilising a new reporting protocol involving reportage via the Health and Safety Committee, ELT/SMT, the F&PRC and the full Board of Management.

Other Matters

College Annual Report

The Committee monitored the development of the College's Annual Report 2014-15, with a particular focus upon the financial reportage. It was noted that the Report, without the detailed Financial Statements, would be published as the College Annual Review, a practice which the College has followed in recent years. This is to prevent delay in reporting the College's successes, as the Financial Statements require to be laid before parliament prior to publication.

Risk Management Review

The Committee received regular reports from the senior management Risk Management reviews in 2015-16. All significant changes to risk assessment or management were highlighted and discussed by the Committee, via the individual Risk Management Action Plans, as well as the College Risk Register and Matrix. The two highest scoring risks to the College, which were consistently identified through the session due to high impact and likelihood, were those associated with a failure to agree a transition plan for the delivery of 180,000 Credits, (210,000 wSUMS) by the College, as well as the continuing financial pressure resulting from funding restrictions to the sector.

The Committee agreed to pilot a 5x5 matrix (Likelihood vs Impact) in assessing Finance Risk Scores, as it was deemed a more meaningful scoring system, enabling a clearer demonstration of risk score movement in response to risk management strategies.

New Campus 2: Direction of Travel

Proposals for developing a develop a strategic business case for the Riverside project (additional facilities) for consideration and approval by SFC, were put to the Committee with a view to producing a more fully developed business case. The Committee recognised the College's responsibility to propose any such development in the context of the curriculum plan for Glasgow, and that the support of GCRB would be required.

The proposition for further estates development on the Riverside Campus development site was presented to the Committee in June 2016. The Strategic Business case covering the educational and summary financial rationale for the proposal was also provided, with an outline accommodation schedule. The intention to fund this capital investment through the disposal of surplus properties was also advised. The draft Strategic Business Case was endorsed.

Glasgow Regional Procurement Strategy

The Committee approved the Glasgow Regional Procurement Strategy to improve the procurement framework within the three Glasgow colleges.

Annual Report on SFC FM Delegated Limits & Expenditure

The Committee noted this new reportage.

College Course Fees and Student Accommodation charges

The Committee considered and agreed a modest increase in the College's fees for SFC fundable activity for AY 2016-17, taking account of the flat grant allocation for 2016-17. The Committee also noted that there had been no significant impact on student numbers following the increase in RUK course fees during 2015-16. A similarly appropriate increase in student accommodation was agreed, with a slight variance between Thistle St and St Luke's.

wSUMS 2014-15 and 2015-16

The Committee received and considered regular reports on the projected level of student activity and associated grant funding for 2015-16, as well as final audited wSUMS for 2014-15. The total Credits (formerly wSUMS) delivered in 2014-15 was TBC against a Funding Council target of TBC, so the College delivered TBC% above target.

Annual Report and Financial Statements

The Committee reviewed drafts of the 2013-14 Annual Report and Financial Statements, noting the narrative section and Financial Statements as distinct within the Report.

Committee Terms of Reference

The Committee reviewed and revised its Terms of Reference for approval by the Board of Management.

Finance and Physical Resource Committee Attendance				
Year	No. of Meetings	Total Possible Attendances	Total Actual Attendances	Percentage Attendance
2015-16	5	30	27	90%

Attendance levels were noted as excellent by the Board of Management as part of the Board evaluation exercise in June 2016.

Following the conclusion of the Sector Board “transition period” at the conclusion of which some long-standing Board members left the Board, the Committee lost its experienced Vice Convener Peter Finch as well as Convener Debbie McNamara. The Committee recognised the significant contribution made by Ms McNamara over several years of service and noted the loss of experience and skills this departure represented. The major contribution made by Peter Finch over many years as Board Chair of a predecessor College, Chair of several Board Committees, as well as Chair and Vice Chair of this Committee was recognised and commended.

APPENDIX 1: COMMITTEE TERMS OF REFERENCE (Approved June 2016)

1. To review the processes for ensuring the effectiveness of the financial and other internal control systems.
2. To advise the Board on the criteria for the selection and appointment of the internal auditor, and to select and recommend the appointment of the provider of an internal audit service.
3. To review the scope and effectiveness of internal audit's work including planning and operation of the work and the internal audit annual report, and to hold an annual closed meeting.
4. To ensure that the College has systems and procedures to promote economy, efficiency and effectiveness, including where appropriate the identification of specific value for money studies.
5. To advise the Board of the process for the appointment of the external auditor, who is currently appointed by the Auditor General for Scotland, for his/her remuneration.
6. To agree the scope of the external auditor's work and determine any non-audit services to be provided.
7. To consider the College's annual financial statements after review by the Finance Committee and prior to submission to the Board focusing in particular on any changes in accounting policy, major judgemental areas, significant audit adjustments, the going concern assumption and compliance with accounting standards and the Scottish Funding Council's Financial Memorandum.
8. To review the external auditor's Management Letter and management's response, and having direct access to the external auditor, including an annual closed meeting.
9. To review relevant reports from the Scottish Government, Auditor General for Scotland, Scottish Funding Council and other organisations.
10. To monitor the performance and effectiveness of external and internal audit.
11. To monitor and review the College's Strategic Risks and Risk Management Strategy, and review Risk Management Action Plans as appropriate, to ensure that the College's approach to managing the risks is appropriate and adequate.
12. To maintain oversight of whistleblowing, anti-fraud, anti-money-laundering, and anti-bribery policies.

13. To ensure that all significant losses, including those in excess of the delegated limits set out in Financial Memorandum, have been properly investigated, and that the internal and external auditors and the Scottish Funding Council have been fully informed of all such losses.
14. To ensure the committee operates in compliance with the terms of the Scottish Public Finance Manual and the Scottish Funding Councils' Financial Memorandum.
15. The Committee will report annually to the full Board of Management.
16. Undertake a self-evaluation exercise annually to ensure that the Audit Committee complies with best practice in relation to governance and that the internal and external audit service is satisfactory.