

Board of Management

Finance & Physical Resources Committee

Date of Meeting	Wednesday 26 September 2018
Paper No.	FPRC1-B
Agenda Item	4
Subject of Paper	Committee Annual Report 2017-18
FOISA Status	Disclosable
Primary Contact	Paul Clark, College Secretary/Planning
Date of production	18 September 2018
Action	For Approval

1. Recommendations

1. To review the Committee Annual Report 2017-18
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 2017-18 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 2017-18, 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, vigilance, effectiveness and performance improvement, thereby supporting the College's Strategic Aims 5 and 6 - "To deliver excellence in performance", and "To be efficient, effective, innovating, and vigilant".¹

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, performance monitoring, and improvement.

¹ City of Glasgow College Strategic Plan 2017-25

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:

Finance and Physical Resources Committee Annual Report 2017-18.

FINANCE AND PHYSICAL RESOURCES COMMITTEE

CONVENER: Karen Kelly

VICE CONVENER: Stuart Patrick

MEMBERS: Prof. Tracey Howe, Principal Paul Little, Lesley Woolfries, Robert Morrison

Annual Report 2017-18

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. Estates development and disposal has been a particular focus for the Committee in recent years.

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 0.1% over grant target activity in 2017-18, while recognising that continued achievement of targets, and financial sustainability, in current and future years, would require continued strategic development and innovation given projected pressures on the College budget.

Review of 2017-18

Standing Items

The priorities of the Committee throughout 2017-18 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)
- Property Disposals Update
- Facilities Management Report
- ICT Progress Report
- SFC Resource Returns 2016-17 and 2017-18
- Budget Control Report
- Cash Flow Report
- Treasury Management Report
- Departmental Expenditure Limit update (twice per year)
- Credits Update (relates to a major strategic risk with dependencies upon SFC, Glasgow Colleges' Regional Board and Glasgow Colleges' agreement)
- Health and Safety Report
- Strategic Risk Review (every second meeting)

Financial Plans 2017-18 and 2018-19

The Committee reviewed drafts of the 2017-18 Financial Plan, with a particular emphasis on considering the measures required to achieve a balanced budget by the financial year end, this being a condition of the Committee's approval of the budget. An improved financial position to July 2018 was noted as largely due to the sector-wide uplift in teaching grant from the Funding Council from the previous year's allocation, and additional funding to address the additional costs incurred in 2017-18 as a consequence of the national bargaining agreement.

The lower commercial activity was noted. The Committee also monitored this against projections and encouraged the provision of additional courses to ensure achievement of targets.

The draft financial plan for 2018-19 was presented and discussed. This plan fully incorporates the impact of the Curriculum for Glasgow plan, and projected a surplus as at May 2018.

Long Term Financial Planning

Following Audit Scotland's agreed recommendation to set long term financial plans for a period of 5 years, the Committee considered a series of scenarios, including updated optimistic, realistic, and pessimistic planning projections. The 5-year financial planning report was considered in line with the approved budget for 2017-18. It was also agreed that further planning would be required for the significant increase in future costs, and the prospect of significant changes in the strategic operating environment.

Performance Monitoring

As indicated above, Budgetary Control, Cash Flow, and Treasury Management Reports were all standing items on the Committee's Agenda. 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. The Committee also noted that the College met the agreed Credits delivery for 2017-18

Procurement: Non-Compliant Spend

An update on the progress made to date against all non-compliant spend reported for 2015-16 and 2016-17 was reviewed by the Committee. Whilst members noted an improving position, the Committee emphasised the need to target significant reductions in non-compliant spend, towards elimination, in the short-term. The Committee received ongoing reports on planned improvements and progress.

Course Fees

The Committee considered and approved a proposal to increase most part-time fees by approximately 2.5% on the 2017-18 level, recognising the current economic climate, inflation and College costs, while taking account of potential impact on student recruitment, which was expected to be minimal. A revised course Fee Policy was approved, which set a limit of three years on requests for refunds of fees.

Annual Report and Accounts 2016-17

The Committee reviewed the College Annual Report and Accounts for 2016-17 prior to final Board approval. As well as the formal Financial Statements, the Report also included highlights of student, staff and College successes. The Report was reviewed by the College's external auditor to ensure compliance with audit and governance practices, and in line with the FRS 102 accounting standard. Although a deficit of £3.5m was recorded, the full financial statements showed an underlying operating position with a surplus of £342k.

ICT Delivery

The Committee were provided with reports on the development and maintenance of ICT delivery.

Property Disposals

The Committee also received reports on the status of the legacy property disposals programme. The disposal of the North Hanover Street tower presented appreciable challenges, with a number of different architects being engaged by a potential buyer, and a series of deadlines failing to be met. Over time, the Committee's confidence in the project proposals diminished, and as such, represented an increasing risk. In consultation with the Funding Council and Scottish Futures Trust, and having taken legal advice, the Committee decided to end its engagement with the prospective purchaser, and re-market the property.

In deciding upon this course of action the Committee considered market conditions, a benefits vs risk analysis, stakeholder guidance, and the responsibility for the proper

guardianship of public funds, This recommendation was forwarded to the full Board, and subsequently approved and implemented with all due mitigations, as advised.

In the course of the session, the North Hanover Street tower building was placed on the market, meetings were held with shortlisted bidders, and a preferred bidder selected for recommendation to the Board. Proposals were developed for the Charles Oakley Building to provide a multi-layered, multi-disciplined collaborative working space to enable research, nurture innovation and encourage knowledge exchange, principally in the areas of STEM and health care. (n.b. these proposals were put on hold at an early stage, as temporary use of the building was offered to the Glasgow School of Art).

New Campus Delivery Report

Delivery progress reports for the new campus project under the NPD (Non-Profit Distributing) model were received, including reports on Health and Safety matters. The closing out of remaining issues was noted, and phase completion dates monitored. NPD risks were closed as appropriate, or transferred to the main College Risk Register. The New Campus Project was formally completed within budget and on schedule, which the Committee recognised as a considerable achievement. The Strategic risk associated with this delivery was closed.

Facilities Management Reports

The Committee discussed reports on Facilities Management, to a level of detail agreed by the Committee as sufficient. This included consideration and oversight of contract management staffing structure, building defect management – snags and derogations, fuel/energy consumption and energy saving initiatives.

The number of reactive maintenance events reduced as expected, and among the significant repair works, the bio-diesel engines at Riverside were restored to full operation after an error in the provision of the correct fuel. The Committee also received reports of instances in which the Business Continuity Plan was invoked, including a loss of water supply, which was quickly restored, and the discovery of a suspicious package. During this latter incident, the City Campus was evacuated, and emergency services called. However, the incident was subsequently deemed safe.

Health and Safety

The Committee monitored the quarterly Health and Safety Reports, which highlighted activity areas with relatively high incidences of accidents/incidents. The Committee also maintained oversight of the management of the risk assessments put in place for all activities, and agreed spot checks and monthly reports to SMT for review. The range of ongoing accident claims was reviewed, and it was noted that these are managed by the College's insurers.

Climate Change

The Committee considered the duties of public bodies to comply with the Climate Change Act, noting that a Statutory Order of the Act requires public bodies to annually report on compliance with the climate change duties. The draft CoGC Climate Change Report for 2016-17 was submitted for review. The challenges faced in reducing substantially the College's carbon footprint were recognised, and the Committee charged the Executive Leadership Team to consider and agree how this would be progressed, particularly in

relation to the Sustainability Strategy.

Environmental Sustainability

The College has developed a Sustainability Strategy, one of five such strategies in support of the College Strategic Plan. One element of this Strategy is the Environmental Theme supported by an Environmental Sustainability Initiative – Eco City. The Strategy states that with respect to environmental sustainability, City of Glasgow College will play a major role in the strategy to secure a “Sustainable Glasgow”. Through a commitment to minimising the College’s impact on the environment, and the development of sustainable estates initiatives, the College aims to both to improve energy efficiency, reduce its carbon footprint and influence positive behaviours amongst the staff and student population.

The key Drivers of the Strategy are:

1. UK Government’s priorities for Sustainable Development which emphasise:

- Living within Environmental Limits
- Strong, healthy, just society
- Sustainable economy
- Good governance
- Using sound science responsibly

2. The Scottish Government’s priority to meet sustainable, resilient and inclusive growth by providing skills for key industries

3. Scottish Planning Policy and the ambitions therein to achieve:

- Outcome 1: A successful, sustainable place –
- supporting sustainable economic growth and
- regeneration.
- Outcome 2: A low carbon place – reducing our
- carbon emissions and adapting to climate change.
- Outcome 3: A natural, resilient place – helping to
- protect and enhance our natural and cultural assets,
- and facilitating their sustainable use.
- Outcome 4: A more connected place – supporting
- better transport and digital connectivity.

4. Contributing to Scotland’s Colleges Climate Change Efficiency Scheme and the requirement for a 5 year Climate Change Action Plan.

The Environmental Sustainability Initiative includes the following long-term targets:

- Reduce the greenhouse gas emissions by at least 42% by 2020, relative to 1990 baseline.
- Reduce the greenhouse gas emissions by at least 80% by 2050, relative to baseline;

The Initiative also includes benchmarks drawn from the following agencies:

- Environmental Association for Universities and Colleges (EAUC).
- Scottish Environment Protection Agency (SEPA).
- Sustainable Scotland Network (SSN).
- Zero Waste Scotland.
- Recycle for Scotland.
- Love Food Hate Waste.

Strategic Risk Review

The Committee maintained an oversight of the strategic risks linked to the principal responsibilities of the Committee, with regular reviews of the updated Management Action Plans relating to these risks, and the College's Risk Register. Significant changes to risk assessment or management were highlighted and discussed by the Committee. In May 2018, the following risk scores and changes were recommended for approval by the Board in June:

- Risk 5 '*Failure to complete project programme to schedule*'. It was noted that the Audit Committee had recommended that this Risk be closed following completion of the new campus project. This was agreed.
- Risk 25 '*Failure of IT system security*' to be scored higher (10, AMBER).
- Risk 15 '*Failure to achieve operating surplus via control of costs and achievement of income targets*' – given the improved underlying operating surplus projection, a reduction in the risk was recommended. It was agreed that the target score should be scored at 4 (GREEN).
- Risk 16 '*Failure to maximise income via diversification*'. Following a recommendation from the Development Committee this risk was scored at 9 (AMBER).
- Risk 20 '*Failure to obtain funds from College Foundations*'. The Committee recognised that recent successful applications to the Foundation had been the result of the careful preparation of submissions, and that due care to ensure that applications for financial assistance from the Foundation clearly met the Foundation's educational aims and objectives. On the understanding that this approach would be maintained and carefully monitored, the Committee agreed to retain the current Risk Score of 4 – GREEN.
- Risk 22 '*Negative impact of Brexit*'. It was agreed that the Risk Score remain 10 (AMBER).
- Risk 23 '*Failure to agree a sustainable model and level of grant funding within Glasgow Region*'. It was agreed that the Risk Score remain at 15 (RED).

Committee Terms of Reference

The Committee reviewed and revised its Terms of Reference which were approved by the Board of Management in June 2018.

Committee Attendance

Finance and Physical Resource Committee Attendance				
Year	No. of Meetings	Total Possible Attendances	Total Actual Attendances	Percentage Attendance
2015-16	5	30	27	90%
2016-17	6	34	26	76%
2017-18	3	18	13	72%

The Committee had a settled membership in 2017-18, with membership continuity from the previous session during which new members completed a highly skilled and experienced team under the new Convenership of Karen Kelly, former Head of Financial Services and Head of Corporate Programmes at City of Edinburgh Council. The February meeting was cancelled due to adverse weather, with a further meeting deemed unnecessary as the full Board dealt with pressing matters at its March meeting a fortnight later.

Appendix 1:

Finance and Physical Resources Committee

Terms of Reference

1. To carry out the Board of Management's constitutional delegation in financial matters, and in all matters relating to the College's estate, property and facilities, including ensuring the discharge of the Board's responsibilities for land and assets transferred to and vested in it.
2. To carry out the oversight duties assigned to the Committee in the Financial Regulations ensuring, on an annual basis, that these are fully compliant with the Financial Memorandum.
3. To provide advice to the Board of Management on all significant matters related to the College's finances, estate, property and facilities.
4. To review, approve and monitor the implementation of the College's financial and estates strategies and associated plans, and to submit appropriate reports and recommendations to the Board on these strategies and plans.
5. To receive and approve the annual budget and final accounts for recommendation to the Board.
6. To receive and approve applications to the College and Sector Foundations.
7. To receive and consider advice from advisory committees on major items of capital expenditure.
8. To receive and discuss health and safety reports of the College's operation where these relate to the estate and facilities, and to report on these to the Board of Management.
9. To receive and discuss College procurement reports
10. To consider as necessary any relevant matters requiring attention which are not included in the terms of reference of other Committees of the Board.