

# **South Lanarkshire College**

## **Finance and Resources Committee**

**Meeting to be held on Thursday 10<sup>th</sup> May 2018**

**at 17.30 hours in the Boardroom**

### **AGENDA**

1. Apologies
2. Declaration of Members' Interests
3. Minutes of Previous Meeting 12 Feb. 2018
4. Matters Arising
5. Head of Finance Report
6. Management Forecast - 2017/18
  - Commentary (Appendix 1A)
  - P & L forecast - 12 months to July 2018 (Appendix 1B)
  - P & L - 9 months to April 2018 (Appendix 1C)
  - P & L - 3 months to April 2018 (Appendix 1D)
  - Balance Sheet as at 30th April 2018 (Appendix 1E)
7. Cashflow Return to SFC (May 2018) (Appendix 2)
8. Quarterly Resource Return to SFC (April 2018) (Appendix 3)
9. Indicative Budget 2018/19
  - Year to July 2019 (Appendix 4A)
  - Commentary (Appendix 4B)
10. Procurement Update (Appendix 5)
11. Estates Report (Appendix 6)
12. Procurement Arrangements (Appendix 7)
13. Financial Update (Appendix 8)
  - Lennartz
  - Pension provision for 2017/18 financial statements
  - ERDF
  - Insurance derogation
14. AOCB

**South Lanarkshire College**  
**Finance and Resources Committee (Board of Management)**  
**Held on 10<sup>th</sup> May 2018**

**Present** J Gallacher  
S McKillop  
S Dillett (via conference call)

**In attendance** A Allan  
Keith McAllister

**Apologies** C Gibb  
Angela Martin

**1. Declarations of Members' Interests**

Mr McKillop declared that he was a member of The Lanarkshire Board.

**2. Minutes of the Previous Meeting**

The minutes of the meeting held on the 12<sup>th</sup> February 2018 had previously been approved by the Board of Management.

**3. Matters Arising**

Mr Gallacher asked for confirmation that the changes proposed by South Lanarkshire College re the specific mention of its financial performance within the consolidated accounts had been made. Mr McKillop confirmed that this had been done.

Mr Gallacher asked as to the situation re the transfer of the college's banking provision to RBS and Mr McAllister confirmed that the transfer was now complete and was working satisfactorily.

**4. Finance Manager's Report**

Management Forecast – 12 months to July 2018

The management forecast has been prepared for the 12 months to July 2018 showing a surplus of £65k, higher than previously forecast. This is due to an increase in "childcare" credits received by the College late in the session. Mr McAllister asked the Committee to note that estimated income of £80k had been incorporated into the forecast as presented to the February meeting, but that the actual income figure had now been confirmed as £153k. Given the tight margins to which the College works, this would introduce an element of comfort to the bottom line.

Mr McAllister talked through the remainder of the income lines and the adverse variance on the salary line. This was due to the effects of national bargaining being much higher than initially anticipated and increased activity over the initial target. The latter, of course, had resulted in additional income to compensate.

Mr McAllister drew members' attention to the cashflow statement and stated that it was hoped that the College would not have to utilise its overdraft facility this year, in line with its medium term aim. The Scottish Funding Council had responded to the petitioning of several colleges and

has issued its April grant-in-aid drawdown remittance ten days earlier than initially announced. Additionally, the College had managed its cash outflows around the period that causes particular issues (end of March / beginning of April).

**Members noted the forecast for the year and agreed to forward it to the Board of Management.**

#### Draft Indicative Budget for the 12 Months to 31 July 2019

The Scottish Funding Council had issued its indicative draft budget in February. Activity targets had been sent to regions as a basis for discussion. Mr Allan stated that New College Lanarkshire and SLC had agreed on a split of activity and on a rate per credit for delivery. This had been sent back to SFC for their approval. It was expected that a final version of the allocation and associated income would be received in mid-May. Thus, a final version of the budget would have to come back to the Finance Committee for its approval; that said, it was not expected, at this time, that the final draft would differ greatly from the indicative draft. However, Mr Allan stated that it was still possible for the College to receive additional funded activity during the year to come.

Mr McAllister proceeded to take the Committee through the indicative draft. Of particular note was the increase in Grant-in-aid, which had been enhanced to incorporate income to address the considerable increase in salary costs following national collective bargaining. Whilst this increase in income was welcomed, Mr McKillop asked members to note that this income was for a limited period and that the College would have to take this into account when the forecast for forthcoming years was compiled.

This increase in income was, Mr McAllister asked the Committee to note, allied with a considerable increase in salary costs, in line with the results, known and unknown, of national collective bargaining. Members noted the modest increases in non-salary expenditure lines. Mr McAllister stated that the College would be placing increased emphasis on procurement in order to keep costs under control.

He also asked members to note that he would be preparing an extended version of the budget to cover six years once appropriate guidance had been received from the Funding Council. This was an extension to the usual five-year forecast that had been requested previously. It was accepted, however, that the forecast of such length had to be caveated, particularly in the present financial climate. It was also noted that this elongation would take in the post-Brexit period and the uncertainty that would undoubtedly follow, particularly for colleges such as SLC who had been fortunate to receive a significant element of EU-supported income.

Mr McKillop stated that College management felt that, in the light of known factors, a balanced budget was again achievable

**Members endorsed the budget and agreed to remit it to the Board of Management for approval. It was, however, noted that this was only an indicative draft and that a formal final draft would be presented to the Committee and the Board once (a) the final version of the 2018/19 activity and income had been received, and (b) the guidance had been received from SFC re the completion of a six-year forecast.**

## 5. Procurement

Mr McAllister drew members' attention to the content of the Quarterly Procurement Report. In particular, he highlighted that the College had a more lucrative contract re its nursery provision which would commence in August 2018. It was also noted that, as part of the push re having all persons working on College premises to receive the Living Wage, the College had asked that the contract agreed to move nursery staff onto this standard. This had been agreed by the contractors and was welcomed by the Committee.

Members noted that a Procurement Strategy was being prepared, as was an annual Procurement Report. Whilst neither was a requirement due to the size of the College, it was regarded as best practice and College management were keen for both to be undertaken. These would be presented to the Committee in due course. Mr McAllister stated that the College was looking to update its Financial Regulations and had hoped that a template would have been issued by the Funding Council, but it was not now expected that this would happen. The College was working in conjunction with New College Lanarkshire to have a broadly similar set of Regulations. Mr Gallacher welcomed this initiative and looked forward to the final result.

Mr Gallacher noted the collaborative nature of procurement being highlighted in the Report and the Committee welcomed initiatives that encouraged collaborative working, particularly within the Region.

## 6. Estates Report

The historical information re utility usage was noted and Mr Gallacher and Mr Dillett welcomed the additional information being presented in the Report and the change in format. Mr McKillop asked members to note that little was undertaken during the year re major works due to keeping a tight rein on finances, but that the situation re 2018/19 was improved. Whilst the budget allocated by SFC for capital and maintenance via the annual Grant-in-aid guidance was a 40% decrease on the current year, £1.375 million had been received re backlog maintenance. Mr McAllister added that this income had been based on a return made by the Head of Estates and that the College had not been told as yet if there were any restrictions on what the income could be expended or whether it had to follow what had been listed in the return. Mr McKillop noted that some of what had been reported as crucial backlog maintenance might well have been addressed by the College in the intervening period.

The decrease in the percentage of waste being sent to landfill was noted and both Mr Gallacher and Mr Dillett commended this improvement. Mr Allan asked the Committee to note that this initiative formed part of the tender process.

## 7. Procurement Arrangements

Mr McAllister presented proposals re the purchasing procedures thresholds. These had been reviewed by him in conjunction with the College's Procurement Officer, taking into account current best practice, APUC guidance and legislation. If acceptable, these would be incorporated into the updated Financial Regulations.

**Members agreed that the arrangements were acceptable and proposed that these be referred to the Board of Management for approval.**

## **8. Finance issues Briefing**

Members discussed the “book” items that would impact the College’s financial statements highlighted (the movement in pension provision and the “Lennartz” liability) and noted that these will not affect the management accounts forecasts. Members also expressed their approval that the derogation of insurance cover allowing the College to make its own arrangement was to be extended to July 2021 and that there would be no decrease in ERDF match as had been raised as a possibility in prior reports.

There being no further competent business, the Chair closed the meeting by thanking everyone for their attendance and to Mr Dillett for joining by telephone.

# SOUTH LANARKSHIRE COLLEGE

## Finance and Resources Committee

Meeting of 10<sup>th</sup> May 2018

### HEAD OF FINANCE REPORT

#### 1 Introduction / Purpose of Report

The main purpose of this Report is to present the College's management forecast for the 12 months to July 2018 and the draft budget for 2018/19.

The Funding Council have issued an indicative Grant in Aid allocation for 2018/19, but a further announcement will be forthcoming in mid-May to confirm the final allocation. The College expects a document to be issued with information that should allow the sector to prepare draft forecasts for 5 years. It is thus possible that the College will have to revisit the question of budgeting for 2018/19 and longer term planning.

#### 2 Executive Summary

##### 2.1 Management Forecast – 12 months to July 2018

The Management Forecast shows a projected surplus for the 12 months of £65k – see **Appendix 1B**. **Appendix 1A** provides a commentary on the forecast.

As noted previously, the Region was awarded strategic funding to address the low level of activity rate funding relating to ESF activity. The College was also awarded additional credits in April 2019, the income from which has increased the projected surplus for the year.

**Appendices 1E** and **2** provide a forecast Balance Sheet and the cashflow forecast for the remainder of the accounting period. The latter is the latest version of the document forwarded to the Funding Council, and the Lanarkshire Board, each month. It was noted last quarter that the College, in line with others in the sector, has challenges re maintaining a positive bank balance, particularly at the Funding Council's own year-end date of 31<sup>st</sup> March.

The sector approached the Funding Council asking for a solution, and SFC agreed to bring forward the drawdown release in April from the middle of the month to the start of the month to those colleges that required it. The College should not now go into overdraft, although it does have an agreed overdraft facility in force with its new bankers, RBS.

# SOUTH LANARKSHIRE COLLEGE

## Finance and Resources Committee

Meeting of 10<sup>th</sup> May 2018

### HEAD OF FINANCE REPORT

#### Executive Summary (continued)

Attached for information as **Appendix 3** is the latest Quarterly Reporting Return as supplied to the Funding Council for the information of members, to illustrate the information and format of reports being requested.

**Members to review and note the Management Forecast for the year to July 2019 together with the returns made to the Region and the Funding Council re Cashflow and Quarterly Reporting.**

#### 2.2 Draft Indicative Budget for the 12 months to July 2019 (Appendix 4)

The Committee is referred to **Appendix 4A** for a commentary on the budget and the forecast, attached as **Appendix 4B**.

**Review the draft Budget for the 12 months to July 2019, noting the possibility of change and the work still to be done re the preparation of a 5-year rolling forecast, and recommend its approval to the Board of Management.**

#### 2.3 Procurement Update (Appendix 5)

As noted previously, the College now has a dedicated Procurement Officer who has been seconded from Advanced Procurement for Universities and Colleges (APUC). The post-holder works with the Head of Finance and leads the College on meeting its legal responsibilities and on obtaining best value for money, working with their opposite number at New College Lanarkshire re bringing a Regional perspective to procurement.

The Procurement Officer is also working on changes to procedures and processes to improve the College's overall procurement provisions and a proposal to update purchasing thresholds is attached as Appendix 7 (see below)..

**Members are asked to note the work being undertaken in the area of procurement.**

# SOUTH LANARKSHIRE COLLEGE

## Finance and Resources Committee

Meeting of 10<sup>th</sup> May 2018

### HEAD OF FINANCE REPORT

#### Executive Summary (continued)

##### 2.4 Estates Report (Appendix 6)

Attached, as **Appendix 6A**, is the report from the College's Head of Facilities. The Report gives an overview of the Estates function including work being done on improving the College's carbon footprint and procurement initiatives.

Attached as **Appendix 6B** is a summary of energy consumption which will be updated each quarter. **Appendix 6C** details the work undertaken during the Easter break.

**Members are asked to note the contents of the Report and the work being done on the College estates.**

##### 2.5 Procurement Arrangements (Appendix 7)

Attached as **Appendix 7** is a proposed change to the College's procurement arrangements. This has been prepared by the Head of Finance and the College's Procurement Officer for inclusion in the Financial Regulations and incorporates best practice in the area. Of particular note are the updated purchasing thresholds, which are more reflective of both good practice and APUC guidance.

**Members are asked to consider the thresholds and arrangements for procurement and approve these.**

##### 2.6 Finance Issues Briefing (Appendix 8)

Attached as **Appendix 8** is an update for information purposes.

The methodology of preparing the College's annual financial statements includes treatment of certain transactions which can take the surplus / deficit away from what we would term the underlying position; i.e. the one presented in the quarterly management forecasts. The paper makes note of two of these factors that will impact the accounts this year. The paper also notes two "good news" items re ERDF and insurance derogation.

**Members are asked to note the contents of the paper, particularly as they affect the annual financial statements.**



## **Procurement Update**

### **Overview**

South Lanarkshire College is continuing to make progress on procurement process and procedure. Further staff training is planned for 2018, once financial thresholds and procurement procedure as per the Procurement Manual has been established and approved. This will include providing information to staff on the standard procurement process and existing collaborative contracts that can be used.

Of the contracts awarded recently, the financial benefits of the change in the waste management contract allows a meaningful release of funds to be utilised elsewhere or to form part of the savings of the year. This was a collaborative tender with New College Lanarkshire. Having spent a considerable amount of time and effort on a Nursery tender, the tender was awarded in March to the incumbent supplier, Bertram Nursery Group, with an increased level of income.

### **Collaborative Opportunities**

The system has been recently updated to reflect the College's current collaborative contract usage, which is still low, however the following contracts are recently awarded:

- Waste Management (collaboration with NCL)
- Taxi Services (collaboration with NCL)
- Fire Walls (Crown Commercial framework)
- Mobile Phones (Scottish Procurement)

And the following in-progress tenders

- Water Supply (Scottish Procurement)
- PPE and Other Work Wear (collaboration with NCL, Forth Valley, West Lothian, Ayrshire and Fife, Colleges)
- Water Quality Management (APUC Framework)

### **Finance Regulations and Procedures**

The Financial Regulations are currently under review and the Procurement Manual has been updated in line with recent legislation, with defined processes and procedures. The manual is currently in its first draft but following approval, shall be made accessible to all College staff.

### **Procurement Strategy**

The College is not obliged to publish a Procurement Strategy as the total annual spend for the College is below the required minimum. However, a Procurement Strategy is currently under development and a draft is currently being reviewed. This will be in line with best practice and reflect the College's regional partner, New College Lanarkshire.

### **Procurement Annual Report**

The College is not obliged to publish a Procurement Annual Report as the total annual spend for the College is below the required minimum. However, a Procurement Annual Report is currently under development. This will be in line with best practice and reflect the College's Regional partner, New College Lanarkshire.

### Operational Procurement Review

An Operational Procurement Review was completed in January 2017. The College was provided with positive feedback and an action plan is to be completed against this report to further develop Procurement.

### Sustainability

Sustainability requirements have been included within recent tender exercises. An example of progress in this area is the recent Waste Management Contract, where it has been agreed that all waste collected from the College will be disposed of without using landfill sites.

The supplier's catering supplier, Inspire is currently working on an improvement to food and drink packaging. Discussion with the college is ongoing to decide how this will be achieved. Already the majority of plastic straws have been replaced with an environmentally friendly version.

Through the appointment of the nursery tender, the College has secured the Glasgow Living Wage and continued CPD for nursery staff.

### Contracts

#### Current Contracts

Requirement	Previous Supplier	Current Supplier	Award Date	Value	Est'd Annual Saving	Improved Efficiency/Benefits
Electricity	Scottish Power	EDF Energy via SP f/w	1 <sup>st</sup> November 2016	Approx. £200K per annum	Approx. £20K	Benefit from framework contract conditions and contract management
Gas	Total Gas	Total Gas via SP f/w	Planned to be 1 <sup>st</sup> Feb 2017	Approx. £78K p.a.	Approx. £12k	As above
Multi-functional devices	Ricoh	Capital Solutions	October 2016	£28k per annum	Approx. £7.5k	As above
Waste Management	Viridor	William Tracey	Sept 2017	Previous – Approx. £73K		Improved efficiency through use of one supplier and rates through collaborative contract
Mobile Phones	EE	EE	November 2017	TBC	TBC	Benefit from collaborative contract conditions, contract management and rates
Firewalls		XMA Ltd	July 2017	Approx. £74K	£2K	
Taxis	EK TOA	EK TOA	July 2018			Benefit from rates from collaborative contract with NCL
Water Supply	Business Stream	Anglian Water via SP f/w	TBC	Approx. £38K per annum	Benefit from framework contract conditions and contract management	Agency Agreement signed and changeover in progress
Nursery Provision	Bertram	Bertram	March 2018	£148K	Increased income to the College	Staff upgraded to Glasgow Living Wage

## Upcoming Contracts

The table below contains projects that will be taken forward in the next 6 to 9 months

Requirement	Previous Supplier	Current Supplier	Est Award Date	Value	Improved Efficiency/Benefits	Comments
Water Quality Management	ECG	TBC	July2018		Potential cost savings	Mini-comp to appoint 2 suppliers for the provision monitoring and testing
PPE & Other Work Wear	Various	TBC	May 2018	£20K p.a.	Spend will become on contract	Lead by NCL for staff and student PPE
Change of paper supply		Lyreco		11k pa – Potential 24.5% saving	Currently using non framework product	Current paper is off contract and more expensive than contracted product. A move to recycled paper is also recommended as a cost saving
Non-Life Insurance	Zurich	Zurich	July 2018	TBC	Longer contract in place	This tender is required to be renewed

In addition to the tenders listed in the table, areas of high spend are to be targeted for capturing as contracted spend. Two areas which will be of priority this year are construction and food and drink for the bistro.

# South Lanarkshire College

## Finance and Resources Committee of the Board of Management

### Appendix 6A Estates Report

May 2018

*Reporting period: January to March 2018*

Appendix 6B – Energy Consumption

Appendix 6C – Recent programme of works

## **Our Mission**

To ensure learners are well prepared for the future by developing their skills, knowledge and understanding in a high-quality learning environment

## **Our Vision**

To be Scotland's leading provider of college education and training

## **Incorporated Services**

Health & Safety – In house, managed by Facilities

## **Repair & Maintenance**

Planned Preventative Maintenance (PPM). Ongoing throughout the year as per manufacturer's recommendations and legislation.

Larger works or works in classrooms are carried out during Easter, summer and October.

Easter works post log – see Appendix 6C

Facilities Maintenance staff are utilised as much as possible thus minimising costs of contractors.

## **Landscape Services**

As part of the PPM, landscape maintenance is carried out by Idverde and the college's Horticulture class group. Idverde carry out regular grass and hedge cutting, weed control and general clearing of grounds. Our Horticulture class have designated areas assigned to them including focal points at front of building and large external area designed for teaching.

Winter gritting and plough services are utilised as dictated by our service agreement in conjunction with the MET office. Grit service is initiated at expected temperatures of 2 degree, and snow ploughing as per forecast by MET office. In addition our building supervisors service utilising snow blowers and grit.

## **Operations & Maintenance**

In House – We have a maintenance team consisting of 2 multi-skilled staff and 5 apprentice painters overseen by a supervisor from the Construction faculty.

Electrical – We have one electrical contractor who is very familiar with the building as well as our processes.

Plumbing – Dependant on skill requirement, our maintenance team deal with general repairs and minor works. More complex works are carried out by our mechanical / plumbing service contractor, ECG.

## **Service Control**

Our high level / large volume maintenance and repairs are contracted out to specialist businesses.

These items and contractors include:

Gas - Supply – Total Gas  
Gas - College Infrastructure – ECG  
Electricity – Supply – EDF  
Electricity – Feed In Tarrif – Scottish Power  
Electricity – College Infrastructure – Docherty Electrical  
Elevators - Kone, maintaining all 5 elevators  
Mechanical & Ventilation – ECG  
Kitchen equipment, including refrigeration units – React Catering Services Ltd  
Water – Supply – Business Stream  
Water – College Infrastructure - ECG  
Roofs - Roof Management Ltd  
Cladding – Lakesmear  
Laundry Equipment PPM & Reactive – JLA  
CCTV – Connolly Security Services  
Security Systems (Alarms & Access control) – Connolly Security Services  
Fire Systems – Connolly Security Services (Fire Division)  
Pest Control – Environmental Services Pest Control Ltd  
Machine Maintenance – Inhouse  
Mobile phones – EE  
Telephones – Quantum Telecom and Inhouse  
Waste & Recycling – William Tracey

External contracts such as above are obtained via Tendering process unless for minor works.

## **Capital Projects**

There are no major capital projects at present.

Two projects are planned, but on hold at present:

- Bistro Kitchen extension – Room 340
- 4<sup>th</sup> Floor IT office

## **Facilities Management Requests**

### Responsiveness, Cost Effectiveness & Service Quality

Internal ticket system enables monitoring and closing of completed works.

Longer term, we plan on implementing a Computer Aided Facilities Management (CAFM) system.

## **Training & Development**

All staff are trained in specifics relating to their roll prior to carrying out tasks including:

Maintenance – Machinery, Relevant H&S, COSHH, Manual Handling, and any specialist training such as Fork Lift and Access equipment.

Cleaners – H&S, COSHH, recycling processes, Cleaning equipment and machinery.

Building Supervisors – H&S, COSHH, PAT, Manual Handling, Fire Alarm operations,

Evacuation process, Customer relations.

Technical Administration and Management – H&S, Asset management, PAT, Internal systems, High level Fire and Security systems (CCTV, Access Control), BMS, Lighting control.

## **Building Cleaning**

### Staffing

We employ 28 cleaners split between Morning and Evening shifts as well as 3 day cleaners, supervised by our 4 building supervisors.

### Equipment Deployment etc.

There are 2 cleaning cupboards located on each floor serving the local areas. These are stocked from our Building Supervisors store on a regular basis, which in turn is monitored and restocked on a routine basis as well as ad-hoc for specialist one off items such as spill kits.

## Energy Consumption

See Appendix 6B

## Sustainability

We now have the facility to monitor solar power in kWh's produced and this will be reported on a rolling annual basis in future.

Quarterly Reporting period	Workshop Wing	Annex:	Low Carbon House:	Total
Jan – Mar 2018	5,830	1,014	394	7,238

Recent income for all 3 arrays totalled £11,900 which included an element of catch up. To date, the solar panels have generated income of £33,400.

## Waste

Waste for this quarter was 149 tonnes compared to 101 in last quarter. Recycling figures for this period are a total of 86% of all waste (74% last quarter). This improvement is partly due to complete transition to new contractor figures and key staff training (Cleaners, Building Supervisors, Kitchen Assistants & Workshop Stewards) in segregation of categories of waste etc..

