GLASGOW KELVIN COLLEGE

BOARD OF MANAGEMENT

FINANCIAL CONTROL COMMITTEE

MINUTE

Minute of the meeting of the Financial Control Committee held on Tuesday 26 May 2020 at 5pm via Microsoft Teams

1. Sederunt

Razaq Mohammed (Chair);
Laura Birch (Vice Chair);
Ian Patrick;
Marion Allison;
Robert Doyle: and
Stephen Birrell

In Attendance:

Derek Smeall (Principal);
Douglas Wilson (Clerk to the Board);
Alan Carr (Head of Finance);
Lisa Clark (Interim Assistant Principal); and
Mary Connelly (Senior Committee Coordinator) (for recording purposes)

2. Apologies

No apologies were received.

3. Terms of Reference

It was confirmed that the meeting was quorate with six members in attendance.

4. Declarations of Interest

S Birrell declared an interest as his partner is currently Chair of the Glasgow Kelvin Learning Foundation.

5. Minute of the previous meeting held on 18 February 2020

The remaining minute was accepted as an accurate record of the business conducted on 18 February 2020.

6. Matters arising from the Minute of the Previous Meeting held on 18 February 2020

07a) GCRB- Re FFR Question to Scottish Funding Council - NIPD

The Principal provided members with an update, advising that he had taken this forward as requested in an informal basis, with GCRB's Finance Director, following the previous request of the Financial Control Committee in February 2020. D Smeall advised that he

had also attended a Chairs, Principals and Executive Director's meeting in April, however due to the immediate crisis of Covid19, other more pressing issues had overwhelmed the meeting. D Smeall gave reassurance to members that he would pursue appropriate representation once circumstances return to a steady state.

I Patrick confirmed his own attendance at the April meeting, advising that he has now been invited to the colleges Chairs meeting.

7. Correspondence

a) SFC – ESF Clawback Letters

The Principal provided members with an update of correspondence, however, he opined that, due to Covid19, there has been no response from the Scottish Funding Council.
D Smeall reiterated that the College had met all deadlines and refuted any clawback.

Members discussed at length and the Chair suggested that the College write again to SFC, stating that the Financial Control Committee required a further response, including an indication of timeline.

b) In-Year Transfer of Credit Activity

The Principal spoke to the content of the correspondence and advised this would be completed based on the 6-month position. GCRB submitted the form on behalf of the region, advising that we would be willing to deliver additional Credits. In return we received notification that we were to receive an additional 83 Credits this year, amounting to a small income of approximately £12,500. Members noted the content for information.

c) SFC – Financial Statements 2018-2019 – Laying of Accounts Letter April 2020

The Principal spoke to the content of the correspondence. D Smeall confirmed that the accounts for Glasgow Kelvin College have been laid before the Scottish Parliament. Under the terms of section 22(5) of the Public Finance and Accountability (Scotland) Act 2000, the College is now able to make the 2018-19 Financial Statements publicly available on the College website. Members noted the content for information.

d) Certificate of Assurance to GCRB

The Principal spoke in detail to the content of the correspondence. D Smeall brought members attention to Annex B, and reiterated the implications of the COVID-19 health, social and economic crisis. He advised that if there was to be no direct financial support for the current cash deficit from GCRB / SFC, currently in the region of £647k, then the College would be unable to meet its financial commitments in July 2020. D Smeall opined that such a return would normally result in a Section 22 to the Auditor General however given the Covid19 current crisis and many colleges being in the same position, there is no current understanding on how this will be handled, if it were to occur. SFC have however assured colleges that they will meet their cash requirements for AY 2019/20.

The Head of Finance took members through implications of taking a cash advance against a repayable grant and reiterated that any cash repayment by the College would not be realistic. A Carr advised that the key risk would peak in mid-July and reassured members that the cash flow was being reviewed on a daily basis.

Members agreed to include this within the agenda of the next Board of Management

Meeting on 8 June 2020.

8. Management Accounts - Eight Months to 31 March 2020

The Head of Finance spoke to the content of the report in detail and reminded members that the purpose of this report is to provide the Financial Control Committee with a detailed overview of financial performance for the 8 months to 31 March 2020 measured against the budget approved by the Board of Management. Members will be aware that the Board of Management approved a revised budget at its meeting in October 2019. The revision was required to remove the unidentified savings in the original budget document considered in June 2019, following completion of the restructuring exercise, and apply them to specific budget lines. This item was produced pre Covid19.

A Carr advised members that the budget for 2019/20 is for a deficit of £442k. This accounting deficit is funded from the impact of non-cash net depreciation charges. Therefore, a deficit at this level is affordable in cash terms. A Carr reminded members that the College budget includes an allocation of £470k in revenue income from the Glasgow Kelvin Learning Foundation which has been applied for and paid to the College by the Foundation.

A Carr advised that the summary Income and Expenditure figures are provided along with an analysis by budget holder. He advised that the College is reporting a favourable variance against budget of £134k. It is encouraging that employee costs are favourable at this stage of the year, after the planned savings have been removed from the staffing budget for both Teaching Staff and Support, again reiterating that the figures were produced pre Covid19, and therefore this is a historical report.

The Principal emphasised the success in reducing costs before the crisis began, and the positive progress made to produce a modest surplus. A Carr opined the distress of the impact of Covid19. A Carr clarified any conversation points.

Members thanked A Carr for producing such a detailed report and giving clear explanations of the content.

The Chair invited questions from members of the Committee. No further questions arose.

Members of the Financial Control Committee agreed to:

i) note the contents of this report and the financial performance of the College for the 8 months to 31 March 2020; and
ii) note that although the College was on track to operate well within the budget approved by the Board of Management in the current session, the impact of COVID-19 as outlined in the Mid-year Return Forecast to 31 July 2020 has had a seriously detrimental impact. This is explained in item 9.

9. Mid-Year Return to the Scottish Funding Council

The Head of Finance took members through the content of the item and informed members that Glasgow Kelvin College had an original deadline date for submission of end of March 2020. A Carr advised that the deadline had now been extended to 20 April 2020.

A Carr took members through the Appendix A, bringing member's attention the ESF

funding at risk due to the impact of COVID-19. A Carr advised that, encouraged by the Scottish Funding Council, the Vice Principal, Curriculum and Quality Enhancement was looking at the credit claim to investigate if any shortfall can be reduced, although this cannot be guaranteed.

A Carr took members through in detail the significant loss on the table on the last page, summarising a total loss of income in excess of £1million. Members discussed the estimated costs of reopening the College. A Carr advised that the College will not put students under any financial pressure and all direct debit collections had been suspended. He advised that the deficit was reduced to circa £1.68 million and whilst the situation was changing daily, every avenue was being pursued to minimise costs.

The Chair invited further questions from members of the Committee. No further questions arose.

Members noted the content for information.

10. Scenario Based Financial Forecast & Budget AY 20/21

The Principal spoke to the content of the report and reminded members that the purpose of this report is to provide the Financial Control Committee with a detailed overview to present the College Scenario Based Financial Forecast & Budget (FF&B) 2020/21 to the full Board of Management (BoM) on Monday 08 June 2020. D Smeall advised that this was a substantial document that required a considered response.

D Smeall advised members that the FF&B presented in this paper should be considered in the context of the present global health, social and economic crisis caused by the Covid19 pandemic. It should also be noted that this crisis has manifested itself at a time when the college sector as a whole and Glasgow Kelvin College (GKC) were already operating in an environment of significant financial challenge. This FF&B will be, by necessity, subject to revision during session 2020/21.

D Smeall advised that the Covid19 virus has created a fast-moving crisis whose dynamics change almost daily. He explained that the challenges this virus has created are unprecedented. In support of determination to help slow the spread of the Covid19 virus, the College took the decision to cease face-to-face teaching delivery on the 17 March 2020 and to action a phased redeployment of staff to home working. The College buildings were closed on Friday 20 March 2020 and all staff and students have been working very differently in this new environment for a prolonged period of time.

D Smeall presented members with financial forecasts/outline budgets in the form of three detailed scenarios, via a RAG status. He took members through the content of table 3 on page 6, of a 0.81% cost of living uplift, highlighting it against an EIS claim of 4.7% proposed salary increase. D Smeall advised that guidance from SFC relating to financial assumption criteria would not likely be available before August/September 2020 and he would keep members up to date at critical points, pending clarification from the Scottish Government and Scottish Funding Council.

Members discussed at length the impact of potential workforce challenges and blended learning challenges amongst others. D Smeall reiterated that compulsory redundancy could be unavoidable in the absence of SFC/SG support if the Red, Pessimistic forecast status became reality. D Smeall opined his frustration that there were no discussions as yet relating to an SG/SFC college sector recovery plan.

Members thanked the executive team for producing such a detailed paper and that the RAG status was particularly helpful explaining the scenarios.

The Chair invited questions from members of the Committee. No further questions arose.

Members of the Financial Control Committee agreed to:

i) note the contents of this report;
ii) note that the Board is required to set a break-even budget in cash terms;
iii) note the inability of the College to provide a break-even budget in cash terms in the context of the current economic crisis and the extreme limitations of available options;
iv) note the extremely high levels of uncertainty in respect of income and costs facing the College;
v) note the key assumptions and risks contained within in this report;
vi) endorse the savings proposals and approach in the Value for Money and Savings section; and
vii) endorse the 2020/21 Scenario Based Financial Forecast & Budget.

11. Projected Yearly Cashflow to 31 July 2020

The Head of Finance spoke to the content of the report and reminded members that the completion of a projected cash flow is an important tool in ensuring that the College manages its cash and resources effectively. This task is completed on a routine and regular basis.

A Carr advised that members will also be aware that under the ONS re-classification reporting procedures, the College is required to submit a projected cash flow to the Scottish Funding Council (SFC) and the Glasgow Colleges' Regional Board (GCRB) on a monthly basis. The aim of this submission is to ensure that there are no excess cash balances held at colleges, enabling SFC to manage resources from an FE sector perspective. The return also determines the level of required grant-in-aid drawdown for the month of submission for the College. He reiterated that the purpose of this report to provide members with a copy of the cash flow submitted to the SFC on 19 May 2020.

A Carr took members through the projected cash flow, submitted to the SFC on 19 May 2020. The projected cash flow covers the academic year August 2019 to July 2020 and the forecast cash balance at 31 July 2020 presented at the beginning of the academic year was £341k. A Carr advised that the forecast cash balance at 31 July 2020 is a deficit of -£647k. Whilst the forecast cash balance improved during the year due to staff costs underspend of £347k; Voluntary Severance Costs of £250k; Increased cost of STSS pension now paid to July 2020 £269k; and Other £33k, resulting in a forecast cash balance pre COVID-19 of £740k. As a direct result of COVID-19, the cash impact of the revised forecast deficit of £1.68m as explained in item 9 has reduced the post COVID-19 forecast cash balance to a deficit of -£647k.

A Carr brought members attention to the confirmed clear offer of Scottish Funding Council to support the College. As yet he could only estimate the true cost of social distancing, staffing and sickness levels when the college reopens. A Carr gave assurance to members that this was being closely monitored.

The Chair invited questions from the Committee. No further questions arose.

Members agreed to note the content of this report and its appendices.

12. Cyber Insurance Update Report

The Interim Assistant Principal spoke to the content of the report and reminded members that the purpose of this report is to inform members of the Financial Control Committee of the situation in relation to Cyber Insurance and provide a brief overview of the work undertaken in this area.

L Clark reminded members that UMAL Insurance provided a quote for Cyber Insurance which was considered by the Interim Assistant Principal and Director of Digital Services. The policy provided a number of benefits in the event of a cyber-attack occurring. This matter was also discussed at SMT. L Clark advised that in taking cognisance of recent cyber-attacks in the college sector (and the wider public sector as a whole) coupled with the current home working arrangements, it was felt by both individuals that the cyber cover offered was appropriate to purchase at this time. As such, the cover was purchased and was effective from 6 May 2020. This cover will run until 31 July 2021.

L Clark took members through the report in detail, advising the cost of £12k was met from using a UMAL building re-valuation rebate

The Chair invited questions from members of the Committee. No further questions arose.

Members of the Financial Control Committee agreed to note the content of this report and its appendix.

13. Sustainability Update Report

The Interim Assistant Principal spoke to the content of the report and reminded members that the purpose of this report is to update members of the Financial Control Committee of sustainability progress made since the last meeting of the Financial Control Committee on 18 February 2020. L Clark advised that although some progress has been made, COVID-19/lockdown has made the realisation of some items/ambitions very difficult.

L Clark covered in detail progress made and offered reassurance that this progress will continue later in the year.

The Chair invited questions from members of the Committee. No further questions arose.

Members of the Financial Control Committee agreed to;

i) note the contents of this report and the actions contained therein

14. Student Support Funds Update

The Head of Finance spoke to the content of the report and advised that the purpose of the report is to provide the Financial Control Committee with the final student support fund expenditure figures for session 2019/20 and an update in respect of applications received to date in the current session.

A Carr reminded members that any underspend will be redirected to assist students facing unexpected financial hardship and those students who require ICT equipment to effectively cope with the continuation of online delivery of courses.

A Carr advised members that there has been a redirection of travel costs support and increased flexibility in the use of FE/HE Childcare and FE Discretionary Funds. Additional Discretionary emergency payments processed to date were: FE Discretionary - £142k and HE Discretionary - £27,900.

A Carr advised members that SFC has requested that colleges should be looking to ensure that no students are disadvantaged in their studies due to the lack of access to the appropriate technology required for them to be able to continue their engagement in the current remote learning environment. Accordingly, after taking all Student Support funding needs into account, the College has identified approximately 700 fundable students who may benefit from the provision of ICT equipment at a cost of approximately £300k. These students are eligible under current funding regulations and will be continuing with the College in session 2020/21.

I Patrick thanked A Carr and staff for their supporting actions to reduce Digital Poverty and asked that thanks were taken forward on behalf of members of the Financial Control Committee.

The Chair invited questions from members of the Committee. No further questions arose.

Members of the Financial Control Committee agreed to note the contents of this report.

15. Capital Update and Capital Budget 2020-21 (Including ICT)

The Interim Assistant Principal advised members that the purpose of this report is to provide an update to the Financial Control Committee in relation to developments in respect of Capital Spend, Capital Budget including ICT.

L Clark advised that the funds received for capital works were allocated to essential items. She took members through a list of items and progress made to date, contained within Appendix 1. Some contractors had to leave site in March 2020 due to the lock down. These works (valued at £91,000) will be completed over the weeks ahead and a report to this effect has been submitted to GCRB. Members requested that an updated report be brought back to the agenda of the next Financial Control Committee

Members of the Financial Control Committee agreed to:

i) note the content of the report and its appendices.

16. Voluntary Severance Scheme Update

The Principal spoke to the content of the report and took members through the key points. D Smeall advised that approval had been confirmed by the Remuneration Committee and that the 6 offers of Voluntary Severance had been accepted by a positive response from each staff member.

D Smeall brought members attention to page 3, advising that the careful management of staffing has released circa £250,000 in cash savings which will be used to fund the scheme. He advised that the full cost of scheme payments is £237,472. Additionally, the VS scheme will generate annual savings of £459,279. This will be managed within the current Academic Year and will allow staff to be supported in their career journey.

The Chair invited questions from members of the Committee. No further questions arose.

Members agreed to;

i) note the contents of this report and its appendices.

17. Fixed Asset Disposal

The Interim Assistant Principal advised members that this report was provided to seek approval for the physical and accounting disposal of a College asset.

L Clark outlined the content of the report and advised members that the missing high value camcorder (and some related sundry items) was reported to the Police and the College insurance company; the insurance company have subsequently paid for a replacement camera.

L Clark advised that procedures within this Faculty have been tightened and all staff have been reminded of the control of asset procedures, GCRB/SFC have been advised and a report was submitted to the Colleges Risk Management Committee and the Board of Management Audit and Risk Committee.

L Clark advised members of the Financial Control Committee that the stolen item needs to be removed from the College's Fixed Assets Register, as listed in Appendix 1.

Members of the Financial Control Committee agreed to;

i) note the content of this report and its appendices; and
ii) approve the disposal of this piece of equipment as listed in the Appendix attached.

18. Equality Management

It was agreed that there were no new Equality management issues raised as a result of the consequences of the business conducted at that meeting.

19. Risk Management

It was agreed that there were several new high Risk management issues raised as a result of the consequence of the business conducted at the meeting. L Clark advised of the previous meeting today of the Risk Management Committee, at which the overall review of the scorings had been adjusted. L Clark advised that she had captured the risks and had spoken to Managers and this revision would be taken forward to the Board of Management agenda on 8 June 2020.

20. Data Protection

It was agreed that there were no new Data Protection issues raised as a result of the consequence of the business conducted at the meeting.

21. Closure

The Chair advised members that this was the last attended meeting of the Financial Control Committee as Chair. I Patrick thanked him for his valued contribution and advised that this would again be included, once approved, within the Board of Management Meeting on 8 June 2020.

The Chair thanked members for their attendance and contribution and the meeting closed at 6.30pm.

22. Date of next Meeting – To Be Advised