Value for Money Strategy

2018-19

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Glasgow Kelvin College

Value for Money Strategy

Academic Year 2018/19

1 Introduction and Context

The College is aware of the necessity for publicly funded bodies to demonstrate that their decision making, and subsequent service provision, represents Best Value and delivers Value for Money. This is a requirement of the Scottish Public Finance Manual.

The *Value for Money Strategy* (VfM) outlines the College approach to ensuring that it achieves Best Value and that it can demonstrate continuous improvement in the efficiency and effectiveness of its activities. The 2018/19 VfM strategy is written in the context of severe budgetary pressures as outlined in the College budget for the year.

The key pressures facing the College in the coming period include:

- on-going costs of national harmonisation of teaching staff salaries (additional £420k in 2018/19 and an additional £750k in 2019/20);
- potential costs associated with national job evaluation for support staff (unknown but estimate is £361k);
- inflationary pay increases for both teaching and support staff which exceed increases in funding;
- additional costs associated with cleaning, security and catering contracts as a consequence of the increases in the national minimum wage and future impact of Scottish Living Wage accreditation (£55k);
- increased gas & electricity costs (£60k);
- reduction in integrated grant fund income (£35k);
- cost of GDPR implementation (£30k per year);
- escalating costs of implementing the Scottish Government's Public Sector Cyber Resilience Plan (£30k and increasing as new requirements are published and the resource implications better understood); and
- the Scottish Government requirement that public bodies should plan for a three percent efficiency saving

When taken together the above cost pressures are resulting in a step decline in efficiency and competitiveness which cannot be offset by efficiency savings or changes in working practises. The national bargaining element of the above costs are being met currently (though this may not be the case from academic/financial year 2019/20 onwards) by the Scottish Government, the other cost pressures are not funded.

This document seeks to outline a number of actions which can be taken to mitigate some of these additional costs, however due to significant savings programmes in recent year there is no longer scope for non-staff savings which will not directly impact on the learner experience. The College will manage the cost pressures facing it by:

- setting an accounting deficit budget within the totality of net depreciation charges to maximise cash spend (in line with the financial strategy);
- continuing to rely on revenue support from the Glasgow Kelvin Learning Foundation; and

- making savings and seeking additional income as outlined in the Value for Money Strategy.

The *Value for Money* Strategy sits alongside the annual College Budget, Financial Strategy and the Procurement Strategy. The achievement of the actions contained within it will inform the operational planning process.

2 Value for Money Objectives

2.1 Targets for 2018/19

The Budget for the year outlines a number of savings which have been assumed for session 2018/19. It must be noted that approximately 80% of budgeted spend relates to staff salaries. The College is not planning significant restructuring of staffing structures at this stage. The table below lists the value for money objectives for session 2018/19:

Saving / Project	**Value**	
Vacancy / maternity and sick absence savings	£120k	Assumes limited replacement for absences
Join UMAL Mutual for insurance cover	£30k	Will maintain cover level at reduced cost
Increase use of Flexible Workforce Development Fund	£20k	Net contribution to overheads
Lease West Campus rooms to SAC	£20k	Improve campus utilisation per Estates Strategy
Contribution from Barbering Academy	£8k	Anticipated to be in surplus after the September 2018 programme is complete
Further Print Management & Paper savings	£5k	Further savings from embedding of improved on-line and electronic systems reducing postage and print costs.
Reduction in External Audit Fees	£7k	Following benchmarking exercise
Removal of Gazelle costs	£15k	Reflects new operating model
Reduction in staff development budget	£25k	Reflects union priority to pay staff more
Facility Time reduction and recharges	£10k	Reduction in Unison Facility Time to reflect National Bargaining and recharges for national element of College staff work.
Total Savings Target	**£260k**	

Budget holders will continue to review expenditure thoroughly throughout the year and all orders in excess of £1,000 will continue to be authorised by a member of the Strategic Management Team. There are, however, additional cost pressures in some areas as a consequence of inflation and the impact the increase in the National Minimum Wage is having upon several key contracts.

Additional savings will be generated during the year as part of the on-going review of expenditure. Copyright licensing, reduced water and energy consumption may have a small impact on costs.

2.2 Procurement

The on-going implementation of the Procurement Strategy will assist in the achievement of value for money. Specifically, the College will re-tender the following services and contracts during session 2018/19, these will be undertaken collaboratively with our two sister Glasgow Colleges where possible:

		Approximate Annual Value
Building Management System – Capital		180k
Occupational Health & Employment Law		40k
Estates Capital Projects		950k
Total Revenue Spend to be re-tendered		**1,170k**

2.3 Staff Utilisation

The College will continue to manage teaching staff utilisation in line with agreed procedures, these were audited during session 2016/17 and only minor improvements were recommended. Class size increases are the main area where the College will seek to improve further although progress will be limited by physical capacity in classrooms and the nature of the curriculum offer.

A 2% improvement in class size is planned and can be achieved by an increase of one additional learner on average per full time class. It is anticipated that the launch of the Basketball Academy will help achieve this target.

2.4 Restructuring

Most teams within the College have been restructured in recent years. There are no specific plans to conduct further restructuring, however, staffing levels account for 80% of spend and these will continue to be subject to review on an on-going basis.

2.5 Estates

The rationalisation of the College Estate has been achieved as planned and the Estates Strategy refreshed in session 2017/18.

It is anticipated that the College will continue to review the way in which the estates team operates with a view to reducing reliance on contractors where possible.

The College will also seek new funding for the Cycle Hub and landscaping projects at £60k in 2018/19.

2.6 Income Generation & Commercialisation

Specific targets for the Flexible Workforce Fund and Made Barbering Academy are outlined above, achieving a net contribution to overheads totalling £28k will require an increase in income totalling approximately £250k.

Additional income will also be generated from property rentals and the College will be seeking new opportunities to secure funding for improvement projects which will have a positive impact on the provision which the College offers.

2.7 Absence Management

The College will continue to implement its absence management procedures rigorously to seek to reduce absence levels. These will be reported routinely to managers and to the Human Resources Committee of the Board of Management. Reductions in cover for absence have been assumed in the College budget as a consequence of the nationally agreed terms and conditions.

2.8 Long Term Review of Delivery Models

The College plans to commence a detailed review of the way in which it delivers learning and teaching. It anticipates that the costs of employing teaching, management and support staff in the FE sector will continue to rise at a rate in excess of funding. In these circumstances it will not be possible to remain a sustainable institution if the College plans to deliver all of its activity and support services in the same way as it does at present. This is a challenge which is faced by the sector nationally.

Initial consideration of an alternative approach will be progressed to manage the new CITB contract for construction apprentice training during 2018/19.