

Minute of the Board Meeting, held on Tuesday 29 October 2019 – 11am-1pm, in Room 1074b

Present:

Brian Johnstone (Chair)
Janet Brennan
Joanna Campbell
Hugh Carr (left at lunchtime)
Ros Francis
Ann Hill
Pat Kirby
John Henderson
Delia Holland
Naomi Johnson
Susan Livermore
Karen McGahan (left at lunchtime)
Rob Orr
Ian White

In Attendance:

Chris Brodie, Head of Sector Development & Skills Planning, Skills Development Scotland (for his presentation)
Ann Walsh, Board Secretary
Dorothy McMinn, Executive Assistant

Apologies:

Robbie Thomas (attending the afternoon strategy session)
Barry Graham
Nikki Vjatschlav
Caitlin McCutcheon

1 Welcome and Introductions

The Chair welcomed everyone to the meeting and introduced Chris Brodie, Head of Sector Development & Skills Planning, Skills Development Scotland (SDS), who was also a Board Member of SoSEP. Chris Brodie would present to members on the South of Scotland Regional Skills Investment Plan and Skills Alignment.

2. Transformation Plan, Revised Budget 2019-20 & Financial Forecast Return (FFR)**2.1 Transformation Plan**

The Principal presented an update on the Transformation Plan which was currently being developed. She felt that open and transparent communication would be key to successful delivery of this.

Her presentation included initial findings which will be developed into a robust plan to bring before a full Board meeting in January 2020. The Transformation Plan would be linked to Ambition 2025.

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Key areas being reviewed are:

- Performance
- Workforce planning
- Leadership

Summary of the Plan:

- Full Structure Review
- Dumfries & Galloway College USP
- Income Growth
- Cost reduction
- Strengthen leadership
- Clear communication to staff about the scale of the challenges ahead.

The Principal has enlisted the assistance of Keith Ross, an HR Consultant and work would take place to develop and implement the Transformation Plan, and it was hoped to reach conclusion by August 2020.

The Principal had met with SFC, together with the Head of Finance, to discuss the projected deficit and SFC had thanked her for being open and transparent and would be supportive to the college, although funding support is not available.

Actions:

- Developed Transformation Plan to be presented to the Board in January 2020.
- Slides for the Principal's presentation to be circulated to Board Members.

3.2 Revised Budget 2019-20 & Financial Forecast Return (FFR)

The revised budget 2019/20 and FFR had been distributed to the Board for discussion at today's meeting.

It was reported that the projected deficit had been reduced to £91k and this had been achieved by the inclusion of stringent controls. The Head of Finance outlined the changes to the budget since the Board meeting held on 8 October 2019.

The Head of Finance highlighted that there was not an allowance within the budget for voluntary severance, explaining that costs are not yet known for this; although an estimated amount for severance costs had been included in the Transformation Plan and at the suggestion of SFC these costs could span over a two year period. This would help with cashflow.

Costs would be closely monitored with full, regular updates being provided to the Board.

The Principal advised that ESF funding may be available to the college and the Head of Finance was currently working on a bid in collaboration with SFC.

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A request was made that the next FFR includes a 5-year forecast that does not include a transition plan, to enable comparisons to planning ahead with transition changes.

Decision:

- The Board approved the revised budget and the FFR based on the current early planning stage of the transformation.

4. Afternoon Session – Strategic Plan/Ambition 2025

Notes of this session have been collated and considered within the next iteration of Ambition 2025, to be presented to the Board on 10 December 2019.

5. Date of the next Board meeting: Tuesday, 10 December 2019

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2019-20 - REVISED BUDGET, OCTOBER UPDATE

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek approval for further revisions to the 2019-20 budget.
- 1.2 The budget approved in June has been updated to reflect changes which have arisen as set out in this report. Revisions to College staffing structure and pay harmonisation costs have resulted in a substantial increase in projected pay costs, as well as and changes arising following completion of the year-end which have an impact on the current year.
- 1.3 The initial revised budget showed a projected underlying deficit of £607,000 due to increased staffing costs and requests for developments. However, a detailed review of income, staffing, and other costs has been carried out, and increased control over staffing changes and other budgets has now been implemented in order to reduce the potential overspend. This report includes a summary of all changes applied from the budget which was approved in June 2019 and shows a reduction in the forecast deficit to £91,000.
- 1.4 This budget report does not include costs for a staffing re-structure. Potential costs and timing for any restructure have been set out in the covering paper for the Financial Forecast Return. Costs estimated in the Financial Forecast Return amount to £1,030,000, which would be required in order to reduce expenditure and release funds for growth in future years.
- 1.5 The Five-year Financial Forecast Return paper has also been updated to reflect the proposed budget changes. However, the current staffing costs remain unsustainable, and a Transformation Plan will require to be prepared and implemented during 2019-20 in order to address the increasing costs and achieve financial sustainability in future years.

2 INCOME

- 2.1 Grant income has been revised to reflect the following:

	£000
SFC grant relating to Job Evaluation to be paid on completion of the exercise	(239)
Additional grant to cover increased pension costs	185
SoSEP project - revenue grant carried over from 2018-19	59
Grant for renewable equipment carried over from 2018-19	134
Revision to Crichton Campus Leadership project grant	(28)
Increase in Flexible Workforce Development Fund	9
Increase in estimated release of deferred capital grant	127
Increase in estimated SDS fees, Foundation Apprentices	155
Increase in forecasts for fee income	100
Net increase in income	502

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- 2.1 The original budget included an allocation of SFC grant of £239,000 to cover the support staff Job Evaluation costs in line with the costs previously modelled by Colleges Scotland for the sector. As the actual costs will not be known until the exercise has been fully completed, SFC have advised that they will retain the grant funding until completion. The income has now been removed from the revised budget.

- 2.2 SFC announced additional funding to support colleges for the increase in employers’ contribution rate for the Scottish Teachers’ Pension Scheme, which is effective from September 2019. Funding of £118,000 was announced in SFC’s circular which relates to the period September 2019 to March 2020. The revised budget includes a portion of funding for the subsequent period April to July 2020, pending further advice from SFC.

- 2.3 Some of the training which had been planned in 2017-18 from Flexible Workforce Development Fund has been carried over into the current year, and the budget reflects the total funding allocation. SFC have advised that funding of £101,000 will be paid initially, with any further funds to be drawn down based on need. Reports are required by SFC every two months with training committed and any forecast underspend as at January 2019.

- 2.4 Grant income relating to the South of Scotland Economic Partnership (SoSEP) Project has been revised to reflect some additional costs which have been carried over from 2018-19, together with a grant from Scottish Power Energy Networks which is due to be received in 2019-20 to purchase renewable equipment for the STEM Hub.

- 2.5 Estimated depreciation costs and release of deferred capital grants have been increased based on capital expenditure forecasts for the SoSEP project.

- 2.6 Forecasts for Fee Income have been revised based on the actual fees received from SDS for Foundation Apprentices in 2018-19, and an estimated increase has been included to reflect further commercial courses for the year.

3 PAYROLL AND STAFFING

- 3.1 The payroll budget for 2019-20 has now been updated for the following changes:

	£000
Additional cost for lecturing staff pay awards including on-costs	92
Increase in Lecturing staff FTE	336
Changes in support staff and support management	122
Other changes in pay scales	50
Savings from current vacancies	(154)
Estimated savings from temporary posts	(84)
	362
	362

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- 3.2 The final cost of living pay award agreed by the National Joint Negotiating Committee (NJNC) at the end of May 2019 included a consolidated award of £1,500 for all promoted and un-promoted lecturer scale points. An increase of 2% had been included in the original budget, and the additional costs for gross pay, employers pension and employer national insurance costs equates to £92,000.
- 3.3 The Full-time Equivalent number of lecturing staff has increased by 5.88, which reflects the consolidation of temporary hours under the national Agreement, increases to meet the ring-fenced funding for Early Learning and Childcare and development of curriculum to support external income generation in Electrical Engineering.
- 3.4 The revised budget reflects the additional costs for staff in support areas at the right level to ensure compliance with external quality and other reporting requirements.
- 3.5 Some further changes have been made to the budget for changes in pay scales for some staff.
- 3.6 An allowance has been incorporated to reflect savings for current vacancies in some posts, as well as potential savings from a reduction in temporary posts. A review
- 3.7 No allowance has been made in this budget for cost of restructure.

4 OTHER COSTS

- 4.1 The budget for non-pay costs has increased by £100,000 as follows:

	£000
Depreciation for SoSEP/ capital developments	127
Additional SoSEP budget expenditure carried over from 2018-19	59
Costs for Data Protection Officer and other shared services	25
Further savings target for budgets	(111)
	100

- 4.2 The largest increase relates to additional depreciation costs for the SoSEP capital developments of £127,000, which will be offset against release of deferred capital grants.
- 4.3 Changes have been applied to other costs which reflect the Heads of Service review of the budget requests, as well as a further review to reduce non-essential costs from the forecasts.
- 4.4 The budget allocation for Flexible Workforce Development Funds expenditure has been removed, as the majority of additional costs relate to staffing, and the other costs have been included in the other headings as appropriate.

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5 FORECAST OPERATING RESULTS AND FURTHER ACTIONS

- 5.1 The Appendix to this report summarises the budget changes and compares the net adjustments to the original budget.
- 5.2 The net changes to the budget is an underlying operating deficit of £91,000.
- 5.3 The budget forecasts will be updated as the year progresses and will reflect any changes implemented from the Transformation Plan.

6 STUDENT SUPPORT FUNDING

- 6.1 The budget income and spend for student support has been revised to show a reduced level of Education Maintenance Allowances (EMA's) in line with a decrease in eligible students, as well as reduced Higher Education Discretionary Funding to reflect the lower level of grant allocation for 2019-20.

7 RECOMMENDATION

- 7.1 An earlier draft of the budget was discussed by the Board at their meeting on 8th October, and following that meeting, further savings have been applied to the budget as set out in the attached Appendix in order to reduce the forecast overspend.

It is now recommended that the Board approve this revised budget on the understanding that a Transformation Plan is being drafted, with further savings to be identified.

Budget Summary - 2019-20

Budget Summary:	Budget for 2019-20 Approved June 2019	Revised Budget for approval - September 2019	Further revisions for approval - October 2019	Changes from June budget:	Changes from September budget:
Income	£000	£000			
Grant Income					
- SFC Core grant	(9,820)	(9,601)	(9,601)	219	0
- SFC NB Grant	(209)	(189)	(189)	20	0
- FWDF Grant	(153)	(162)	(162)	(9)	0
- CCLG grant	(48)	(20)	(20)	28	0
- Access to feee sanitary products	(35)	(35)	(35)	0	0
- SoSEP grant	(141)	(200)	(200)	(59)	0
- Other SFC grants	(12)	(198)	(198)	(186)	0
- Hollywood trust grant	(2)	(2)	(2)	0	0
- ALF grant	0	0	0	0	0
- Other grants	(12)	(12)	(12)	0	0
- Other capital grants	0	(134)	(134)	(134)	0
- Capital maintenance grant	(184)	(184)	(184)	0	0
- Release of deferred capital grants	(752)	(879)	(879)	(127)	0
Fee Income	(1,508)	(1,663)	(1,763)	(255)	(100)
Other Income	(53)	(53)	(53)	0	0
Total Income	(12,930)	(13,332)	(13,432)	(502)	(100)
Expenditure					
Total Pay Costs	9,700	10,300	10,062	362	(238)
Property Costs	685	668	668	(17)	0
SoSEP costs	141	200	200	59	0
Supplies and Services	439	497	450	11	(47)
FWDF costs	153	0	0	(153)	0
Other Employee Costs	189	240	191	2	(49)
Telephones and IT Infrastructure	376	462	412	36	(50)
Transport	60	24	24	(36)	0
Refectory	5	6	6	1	0
Other	150	217	205	55	(12)
Registration costs	211	238	218	7	(20)
Marketing	66	74	74	8	0
Depreciation	1,414	1,541	1,541	127	0
Contingency	0	0	0	0	0
Total Other Costs	3,889	4,167	3,989	100	(178)
Total Expenditure	13,589	14,467	14,051	462	(416)
Operating Surplus/ (Deficit)	(659)	(1,135)	(619)	40	516
Adjustment for non-cash and other items:					
Non-government capital grants	0	(134)	(134)	(134)	0
Depreciation net of deferred grants released	662	662	662	0	0
Underlying Operating Surplus/ (Deficit)	3	(607)	(91)	(94)	516