

Item 4 Minute

Finance Committee

5.00 pm 19th September 2016 Boardroom Cumbernauld Campus

Present: Kenny Anderson, Paul O'Donnell, Moira Jarvie, Martin McGuire, Stuart Reid

In Attendance: Linda McTavish, Iain Clark, Gordon Kerr, Diane McGill, Keith McAllister, Penny Neish

1. Chair's Welcome

The Chair welcomed everyone to the meeting of the Committee. He informed the meeting that he was changing the order of the agenda so that the order of the meeting would be as follows: Items 1,2,3,4,9,10,6,5,7,8,11,12,13. This would allow those attending from SLC and from the catering service to present their papers early in the meeting and to leave early.

2. Apologies

There were apologies from Stewart McKillop.

3. Declaration of Interest

There were no declarations of interest.

4. Minutes

4.1 Draft Minute of the Meeting of 6th June 2016

The minute was approved subject to the following change:

Change the first sentence of Item 7.2 to "Iain Clark informed the Committee that both the cash and the budget position are very tight for this year but will be even tighter for next year when the full impact of changes to National Insurance, teachers' pensions, an Apprenticeship Levy and National Bargaining will affect the financial position."

4.2 Draft Minute of the Special Meeting 5th September 2016

The minute was approved subject to adding the following at 4.2 " ***... but to propose a deficit budget of c£2.0m including an approved Net Depreciation spend of c£700k***"

5. (Item 9 on the Agenda) SLC Finance Committee Papers 30th May 2016

Keith McAllister highlighted the following:

- SLC is still expecting a small surplus for 2015-16 but this is before the impact of FRS 102.
- The intention to continue to produce management forecasts alongside FRS102.
- It has been difficult to finalise the budget due to external factors such as National Bargaining, NI and pension costs and the Apprenticeship Levy.
- Cash flow may be difficult at points later in the year.
- FRS 102 will have an impact on the accounts and one of the papers to the SLC Finance Committee sets out the implications of FRS 102. Iain Clark also informed the committee that there is also an NCL paper on the implications which has been reviewed by the external auditors as part of their preparatory audit work for the full Financial Statements audit. This is because of the implications this will have on the accounts.
- Lennartz – the professional advisors working for the group of colleges which have agreed to pursue the matter jointly, which includes NCL who have also submitted, drew up a letter of

claim to HM Revenue and Customs and this matter is on-going. Iain Clark advised that HMRC are putting pressure on Colleges to withdraw claims by threatening heavy penalties for “frivolous claims”.

- A summary note on regional issues will be appended to the next report of the committee.

The committee noted that there are common issues and a common cause for the finance functions in both colleges. A number of these issues are being taken forward by the College Development Network Finance Steering Group of which Iain Clark is a member representing Lanarkshire.

Action: The NCL paper will be circulated to the Committee

6. (Item 10 on the Agenda) Regional Finance Reporting 2016-17 Accounts

Keith McAllister and Iain Clark updated the committee as follows:

- There are regular Regional Finance / Procurement meetings.
- Both colleges have APUC secondees to deal with the complexities of procurement. They are in contact with each other and there is further support from APUC centrally.
- The SLC Resource Return is copied to NCL – there is no requirement to consolidate at this stage.
- A regional dimension in NCL’s internal audit plan which is an SFC requirement was discussed at the Lanarkshire Board Audit Committee on the 13th September and it was agreed that a procedures paper would be drafted by both college auditors for approval at the next meeting of the Audit Committee in November 2016.
- An email has been received by the Chair of the Board from the SFC confirming that there is no need to consolidate the accounts for 2015-2016. There will be a requirement to do so for 2016-17 and this will be covered in the audit procedures paper.

The committee noted the report and at this stage Keith McAllister and Gordon Kerr left the meeting with the Chair’s thanks for their papers and contribution.

7. (Item 6 on the Agenda) NCL Catering Contract

James Rushford informed the committee that, having forecast a breakeven position in the third quarter, the fourth quarter figures show a small surplus of £5.6 k which is resulting from effective product realignment and efficient deployment with a whole service approach that is sharing expertise across the campuses and transferring skills. There has been investment at the Cumbernauld Campus -e.g. re-installing a pizza oven -to improve and target the provision to better compete with the town centre offering. The committee was informed that a move to change the provision to a vending service at the Kirkintilloch Campus had been delayed while the Council considered taking the current service over.

Action: Tom Dodds will follow this up with the Council and Iain Clark will report back to the Committee.

The Chair asked James to tell the staff that the committee was impressed with the effort that had been made by the staff and to give their thanks to the staff. James Rushford left the meeting at this stage.

8. (Item 5 of the Agenda) Matters Arising

The Chair took matters arising on student funding and budget meeting as the main aspects arising from the special meeting on the 5th September 2016.

8.1. (Item 5.1 on Agenda) Update on Student Funding:

8.1.1 Iain Clark expanded on the issues of student funding to discuss in more detail the reporting issues highlighted in the meeting of the 5th September 2016. He was examining the processes and procedures to explain why there had been a large swing in underspend from the end of June to mid - August 2016. A paper will be circulated to the committee when finalised.

8.1.2 He was also holding meetings, briefings, workshops with finance staff and reviewing the primary processes, fundamental procedures and communication channels. These issues will also be considered in the external report completed by Jim Godfrey.

8.1.3 Committee members advised they would be prepared to meet with Jim Godfrey if required. The committee re-affirmed that the work being carried out in this area should continue to focus on solutions.

8.2 (Agenda Item 5.5) Update on budget meeting with the SFC:

8.2.1 Iain Clark updated the committee that the SFC were now much more aware of the budget issues and the pressure brought about by external factors out with the college's control such as National Bargaining, NI, teachers' pension costs and the Apprenticeship Levy and that the impact of these is large (c£2m per annum) because of the size of the college. There is now an understanding that the staff costs are not covered by the SFC grant in aid as these costs were historically intended to be. At the meeting with SFC there was also no explanation or rationale as to why the ESF price was lower in Lanarkshire other than "historic factors" and the inequality of staff salaries across the sector was raised – NCL being one of the highest

8.2.2 Paul O'Donnell asked about funding for contingency and Iain Clark confirmed that there was a contingency now in the budget to cover sickness but it would be difficult to build in the usual level of c. five percent of salaries/operating costs given the size of the budget and the budget deficit. However, he would revisit this and discuss with the SFC.

8.2.3 Linda McTavish and Martin McGuire confirmed they will continue to discuss the budget issues with the SFC. The Committee discussed the process for completion of the budget and reporting to the board.

Action and Decision: Linda McTavish and Martin McGuire will speak to John Kemp. Iain Clark will go back to the SFC to ask them for progress on the draft budget so the Finance Committee can agree the budget. The finalised budget will be circulated to the committee for its approval by written procedure.

8.3. (Agenda Item 5.2) Update on Facilities Management Review: The tender process applies to the Motherwell campus only (although some ancillary services are college wide e.g. grounds maintenance) and there is no internal bid. The committee was informed that the OJEU notice and Invitation to Tender has been placed and fourteen suppliers had attended a site visit. The deadline for tender returns is the 29th September 2016. Presentations are provisionally scheduled for the 17th October with a formal contract start date of the 9th January 2017. The committee noted the report.

Action: Paul O'Donnell and Stuart Reid agreed to attend the presentation if the dates suited.

8.4. (Agenda Item 5.3) Update on Tax on VS Payments: The committee was informed as follows:

- it had become clear that the information provided by HMRC had been incorrect in a number of cases
- some individuals that the college had written to in order to reclaim tax had already paid the HMRC
- the HMRC now owed the college money in respect of those individuals that had already paid.
- The college had received payment from some individuals, had been contacted by others to arrange a repayment schedule and others had not responded.
- A number of individuals were offering to pay the principal sum but not the interest.

Action: The Chair of the Committee asked for a summary Position Statement to be prepared for the Board meeting on the 3rd October in the light of the misinformation received from HMRC and the subsequent distress experienced by some individuals as a result.

8.5 (Agenda Item 5.4) Update on Student Association Operational Funding Bid: Iain Clark informed the Committee that the bid had been referred back to the Student Association. There had been a re-alignment of duties and closer working with the Learning Engagement Team with a part time appointment in that team. The new arrangement appeared to be working well. The committee noted the update.

9. (Agenda Item 7) Quarterly Management Accounts to 30th June 2016

The committee received the management accounts which are showing a forecast deficit with a detailed explanation in the paper. Iain Clark advised that his involvement took place much earlier on in the process than previously and that he had redrafted the narrative to include key cash reporting. The committee noted the paper.

10. (Agenda Item 8) NCL Resource Return to 30th June 2016

Iain Clark advised that the 1st Quarter return to June was a simplistic return with budget equalling actual, however he wished to advise that it was yet another iteration of the Resource Return. Iain Clark further informed the committee that he had set up a working group to review the 2015/16 Final Resource Return and that he personally carried out full reasonableness checks on Income and Expenditure, Cash and the Resource Return which were all now comparable. The second quarter return in October 2016 is a key return as it includes the revised Annual Resource Return. There will be pressure on liquidity in January/February 2017 onwards without further funding. The Chair and the Committee were reassured that he had more confidence in the resubmitted Resource Return.

11. (Agenda Item 11) Update AMCOL Nursery Review.

A review of the AMCOL Nursery is included in the NCL Internal Audit Plan and is scheduled to begin in November 2016. A draft report will be available in January 2017 and the final report will go to the Audit, RGP and Finance Committees in the February/March 2017. Iain Clark and Moira Jarvie are now on the AMCOL Board. The committee noted the update.

12. AOB: The committee was informed that the tender was out for the prisons contract. Any bid from the college would be on a sustainable cost basis and based on quality of provision.

13. Date of the next meeting

The date for the next meeting has been moved from the 28th November 2016 which is now an additional NCL holiday to the 29th November 2016 at 5pm in 101 Park Street at the Coatbridge Campus.