

Item 4.5 LB 27/03/2017

Minute - Finance Committee

5.00 pm 6th March 2017 Meeting Room 1, 101 Park Street Coatbridge Campus

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

In Attendance: Iain Clark, Gordon Kerr, Keith McAllister, Diane McGill, Stewart McKillop, Linda McTavish (by telephone), Penny Neish. Paul Watson and James Rutherford attended up to Item 6 and then left the meeting.

1. Chair's Welcome

The Chair welcomed everyone to the meeting of the Committee.

2. Apologies

There were apologies from Stuart Reid.

3. Declaration of Interest

There were no declarations of interest.

4. Minutes

4.1 Draft Minute of the Meeting of 29th November 2016

The minute was approved

5. Matters Arising

There were no matters arising that were not on the agenda for the meeting.

6. Update on NCL Catering Contract

6.1 Paul Watson and James Rutherford spoke to the committee about the second quarterly report for 2016/17 for NCL's in-house provision of Catering services. This provision has been in place since August 2015. The committee was informed that the second quarter figures show an increased surplus over that reported in quarter one. The surplus is now £71k - up from the report to the last meeting of the committee which reported a surplus of £49k. This is due to purchasing and stock control becoming more efficient due to the current reporting structure that is now in place with the involvement of unit managers and there is an increased footfall at the Coatbridge Café which has been refurbished. There have been increases to staff costs due to back pay, increased overtime and agency fees due to sickness.

6.2 Contactless payment systems are now being introduced as they are popular with the students and improve waiting times at the tills. Staff will also have discussions with the training restaurant at the Cumbernauld Campus to develop a closer working relationship.

6.3 The Chair congratulated the staff on the very good work that has been done.

6.4 Iain Clark informed the committee that the two - year post award review period of the catering contract was up in July 2017. The Chair and the committee agreed that it is important that the staff are informed about the committee process and the outcome of the review period.

Decision: The Chair will discuss communication with the catering staff with Iain Clark. A report will be made to the next meeting of the committee.

7. SFC Funding Update

7.1 Update on 2016-17 Budget Discussions with SFC

The committee noted that the discussion between Linda McTavish and the Principal with the SFC is ongoing and that the SFC are aware of the issues that are having a greater impact on Lanarkshire – pension and NI increases, pay settlements, revaluation of assets. As reported to the last meeting, the SFC have undertaken to do what they can to help and the committee will be updated on the progress of these discussions.

7.2 There was discussion on the SFC Indicative allocations for 2017-18 as follows:

- The committee noted that the SFC has agreed to fund in 2017-18 the additional 3,000 WSUMS activity which was agreed in 2012-13 by Motherwell College and which has been funded from existing core teaching grant to date.
- Overall, the teaching grant to all colleges has been increased by an average 1.8%.
- The student support bursary, childcare rates and discretionary fund have been increased by the GDP inflation figure of 1.45%.
- The SFC will carry out a sector wide estates review.
- The overall capital funding for 2017-18 is £47.4 million an increase of £20.4 million on the initial £27 million for 2016-17 (which was increased in year by £15 million). However, capital was severely cut in 2016-17 as reported to previous meetings of the committee. The bulk of the 2017-18 increase is earmarked for the Falkirk Campus at Forth Valley College – £21.5 million. The table showing the allocation of funds shows a £1.1 million loan repayment figure for NCL. This is, in fact, for the former Coatbridge College and it is misleading to present it in this way as it looks like new funding for NCL.

Action: The Principal of NCL will write to the SFC to ask for the table showing the loan to NCL to be amended.

7.3 Linda McTavish highlighted that this was an indicative allocation for the SFC. There will be a formal letter to NCL as the regional strategic body and it will be the Lanarkshire Board's responsibility to then allocate funding between the two colleges.

Decision: Derek Smeall and Angus Allan will take the funding allocation forward in terms of the ROA. This will be reported to the next meeting .It was also agreed that the SFC workshop for Lanarkshire on the funding model which was raised again with the SFC at the Board's strategic event on the 9th February needed to take place and that this should be followed up by the Board Secretary.

8. Regional Finance Reporting

8.1 The Chair informed the committee that following the Finance Review he had agreed with the Chair of the Board, the Chair of the SLC Board and the Principals that a working group be set up to look at processes around regional funding including the Financial Memorandum with SLC to ensure that the Chief Officer for the Regional Strategic Body - Martin McGuire – can fulfil his responsibilities in that role and identify what strategies need to be in place. The members of the working group from SLC will include Board Members John Gallacher and Robert Ralston (Chair of the SLC Audit Committee).

Action: Kenneth Anderson will arrange membership from the Lanarkshire Board. An update on activities and minute of any meeting will come to the next meeting of the committee.

8.2 2016-2017 Draft Accounts Timeline

The committee discussed a draft timeline for the preparation of consolidated accounts which had been prepared by Iain Clark and Keith McAllister. The committee noted that the timing is very tight to undertake this work and that certain assumptions on the accounts format were built in. However, there is a more fundamental issue which was discussed at the Lanarkshire Board Audit Committee on the 27th February 2017. Gordon Kerr prepared a paper presented to the SLC Audit committee on the 20th February 2017- Consolidated Financial Statements for the Lanarkshire Board. The key issue is what is the legal basis of the requirement for consolidated accounts and that there is no guidance from the SFC on how consolidated accounts should be prepared which will in turn impact on the work of the external auditors.

Decision: SLC have drafted a letter to the SFC seeking clarification on the legal basis for consolidated accounts and guidance on preparation. This will be sent to Keith Fulton who chaired that meeting of the Lanarkshire Board Audit Committee for approval and sending from the Lanarkshire Board Audit Committee to the SFC. The response will be circulated to members of both Audit Committees and a report will be brought to the next meeting of the Lanarkshire Board Audit Committee and to the Lanarkshire Board's Finance Committee. The Board Secretary will circulate Gordon Kerr's paper to the Finance Committee and Kenneth Anderson will liaise with Keith Fulton about the letter.

9. SLC Finance Committee

9.1 SLC Finance and Resources Committee Minute 14th November 2017.

Keith McAllister highlighted the following from the minute:

- The external auditors have given an unqualified opinion on the 2015-16 accounts.
- The remit of the committee had been revised in relation to legislation and the inclusion of items once covered by the Property and Estates Committee.

The committee noted the minute.

9.2 Keith McAllister highlighted the following from his report on the main issues at the SLC Finance and Resources Committee meeting on the 14th February 2017.

- SLC is on track to achieve a balanced budget although this depends on income rising to anticipated levels and a flattening of salary expenditure towards the end of the financial year.
- The cash-flow shows that SLC are in line with others in the sector in having a challenge to maintain a positive bank balance at the end of March 2017 due to a mis-match in the college's expenditure phasing and the SFC restrictions on draw down until the end of March (the end of its financial year). The sector has approached the SFC asking for a solution. SLC have made their own representations and have met with the government's bankers RBS who confirmed that SLC could have overdraft facilities. It is not clear yet if this applies to all colleges.
- Grant in aid funding for the sector has a 1.8% uplift.
- Financial strategy – the Audit Scotland Colleges Audit 2016 called on all colleges to have a five- year financial strategy backed by a three or five- year financial plan. SLC will take

account of the Lanarkshire Regions strategic plans in line with the Financial Memorandum with SLC.

- The student support will be adequate for 2016/17
- Discussions on whether colleges should be self – insuring in ongoing and SLC will continue with Zurich until this is resolved.
- Meetings are taking place on a regular basis of the Regional Finance Group which comprises members of both finance and procurement functions.

9.3 The Chair gave his thanks for the report and those in attendance from SLC left the meeting at this point.

10. NCL Finance Report

10.1 Update on Facilities Management Contract: Iain Clark informed the committee that the contract was going well and that the first two post-award contract review meetings with ISS had also gone well.

10.2 Update on Tax on VS payments: Iain Clark presented updated information to the committee on the payments position.

Decision: The committee decided to continue to pursue outstanding payments.

10.3 NCL Quarterly Management Accounts:

10.3.1 Iain Clark reported that the operating position for the six months is a deficit of £535 K to budget -a £246k favourable variance though underlying phasing differences at this stage are expected to flatten more in line with the budget for the full year resulting in the removal of the current favourable variance to budget

10.3.2 The Chair of the Board noted the work that has gone into the NCL budgeting processes and thanked the staff preparing the reports.

10.3.2 The committee was informed that there would be issues from changes to the Employability Fund and that Business Development were currently preparing a forecast and impact assessment.

Decision: The forecast and impact assessment will be brought to the next meeting of the committee.

10.4 NCL Resource Return

The committee noted the report.

11. NCL Nurseries Review

This report has also been considered by the Audit and RGP Committees.

Decision: After discussion, it was agreed that the Chair will speak to Keith Fulton (who chaired the Audit and RGP meetings due to illness of the Chairs) to look at setting up a short-life working group with members from the three committees to consider this report. A report will be made to the Board and to the next meeting of all three committees.

12. NCL Finance Review Update

The Chair updated the committee on the review. A sub- committee of the Chair's Committee had been set up to review the College's finance function. He chaired this sub-committee with Rosemary McKenna and Jane McCartney. Brian Gilchrist provided support. The group had reported to a meeting of the Chairs on the 7th February and the Chairs committee had agreed the four recommendations from that sub- committee as follows:

- A working group be set up to consider regional funding as outlined at Item 8.1 above.
- Developing a one team approach. This will be a standing item on the Finance Committee agenda.
- Accurate financial reporting will remain a key priority for the Finance Team.
- The senior finance team will work with the college's policies on performance and competence. The Chair of the committee will discuss with the college how best this can be supported with progress reports being made to him.

The Chair thanked all those on the sub-committee for their contributions.

13. Approval of the Publication of Committee Papers for this meeting.

The committee approved the following papers for publication:

- The agenda
- Minutes of the meeting when approved after the next committee meeting
- The SFC Indicative Allocations and Tables
- The draft consolidated accounts timeline
- The minute of the SLC Finance and Resources Committee 14th November 2017 – link to SLC website
- The SLC Finance Committee Overview meeting of the 14th February 2017

The committee agreed that the other papers were non-disclosable.

14. AOB

The Principal updated the committee on awards received from SPARQS for the Be Engaged initiative and the marketing team has been short-leeted for four College Development Network awards. The Chair congratulated those involved.

15. Date of the next meeting: The date for the next meeting is the 5th June 2017 at 5pm in the Boardroom at the Motherwell Campus.