



**Item 5.1 LB 26/03/18**

**Minute**

**The Lanarkshire Board 11<sup>th</sup> December 2017**

**10.30 Boardroom Motherwell Campus**

**Present from the Lanarkshire Board:** Linda McTavish, Kenny Anderson, John Elliot, Moira Jarvie, Martin McGuire, Rosemary McKenna, Julie McKenzie, Daniel Moore, Matthew O'Hare, Professor Robert Pyper, Ann Stark, David Winning.

**In Attendance:** Iain Clark (Vice Principal -NCL), Sharon Drysdale (SFC), Keith McAllister (Head of Finance SLC), Diane McGill (Board Secretary -The Lanarkshire Board), Philip McGuiness (SFC), Penny Neish (Assistant to the Chair of the Lanarkshire Board), Lucy Nutley (Mazars), Derek Smeall (Vice Principal NCL), Heather Urquhart (Vice Principal NCL).

**1. Chair's Welcome**

Linda McTavish welcomed Board members to this winter meeting of the Lanarkshire Board. She noted that this meeting clashed with a meeting of the Employers' Association in Stirling and that Keith Fulton, Brian Gilchrist, Stewart McKillop and Angus Allan could not, therefore, attend this meeting of the Board. She also informed the Board that there would be a report and recommendation to the Board from the Remuneration Committee that met on the 7<sup>th</sup> December 2017 under Item 11 AOB.

**2. Apologies**

**2.1** There were apologies from Board Members as follows: Jean Carratt, Keith Fulton, Rose Harkness, Jane McCartney, Rosemary McKenna, Stewart McKillop, Paul O'Donnell, Stuart Reid and Ronnie Smith.

**2.2** There were apologies from the following attendees; Angus Allan, Brian Gilchrist

**3. Declaration of Interest**

**3.1** There were no declarations of interest.

**4. NCL Committee Minutes and Reports**

**Note:** The Chairs of the Lanarkshire Board committees decided at the Chairs' meeting on the 8<sup>th</sup> February 2016 to report by exception in their report to the Board and where there was a recommendation to the Board the committee chair would ensure that there was sufficient information for the Board to make its decision.

**4.1. CSAO Committee Minute 13<sup>th</sup> November 2017:** Dave Winning reported from the committee. The Board noted that the Student Support Review was currently still with the Scottish Government and would be on the agenda for the next meeting of the committee. The marketing dashboard which is presented to the committee was also brought to the attention of the Board. The Board noted the minute.

**4.2 Audit Committee 13<sup>th</sup> November 2017**

**4.2.1 Audit Committee Minute 13<sup>th</sup> November 2017:** Ann Stark reported from the committee there were no issues with the internal audit reports on the NCL EMA and Student Support

Funds that had been brought to the audit committee. The internal audit annual report which is at the regional level had given the opinion that NCL did have adequate and effective risk management control and governance processes to manage its achievement of the Regions objectives at the time of the audit work and that the Region has proper arrangements to promote and secure value for money. SLC is implementing recommendations on its Business Continuity arrangements and is continuing to develop its Business Continuity policy. There is an unqualified opinion from Mazars on the SLC accounts. There were no issues of concern raised in the SLC internal auditor's reports. It was agreed at this meeting that Mazars would write to the SFC about the reasonableness of the going concern assumption in the NCL accounts and this was followed up in the special meeting of the audit committee on the 7<sup>th</sup> December 2017.

#### **4.2.2 Annual Audit Committee Report:**

The Audit Committee recommended its Annual Audit report to the Board.

***Decision: The Board approved the Audit Committee Annual Audit Report***

**4.3 RGP Committee 20<sup>th</sup> November 2017:** The Board was informed that the discussion with Galliford Try was ongoing but the college was closer to an agreement with them and was hopeful of a satisfactory conclusion.

**4.4 Finance Committee Meeting 20<sup>th</sup> November 2017:** The Chair of the Finance Committee drew the Board's attention to Items 6 and 9 of the draft minute of the Finance Committee.

**4.4.1 Item 6:** He informed the Board that there has been ongoing dialogue with the SFC about the funding for NCL and that the College senior team had replied to a number of additional requests from the SFC. There are ongoing discussions regarding the voluntary severance scheme. As reported to the Audit Committee, a letter has been sent from the external auditors to the SFC about the reasonableness of the going concern assumptions for NCL and the Finance Committee noted the prolonged process and the associated issues raised by Linda MacTavish. Kenneth Anderson expressed the importance of the senior team to continue to engage and work with the SFC. He, therefore, updated the board on progress and the concerns raised in terms of the process as agreed at the Finance Committee meeting.

**4.4.2 Item 9:** The Finance Committee noted the ongoing budget discussions and the fluidity of the situation and that the college was very actively engaged in discussions with the SFC. However, the committee still felt it could not recommend a deficit budget to the board. In meantime, the committee has to ensure that the college's fiduciary duty is applied. There was assurance from the Vice Principal Resources that there were strong controls on spending at departmental level and that spend would be controlled by this mechanism if additional funds were received from the SFC to reduce the deficit i.e. core spending would not rise if additional funds were received although there may be some direct expenditure wholly related to the additional funding. Kenneth Anderson assured the Board that the Finance Committee were working hard on the budget and was prepared to meet on an urgent basis but the discussions with the SFC on the scenario plans are still ongoing and this is key to the budget. NCL was continuing to press for sufficient resourcing from the SFC to ensure its financial sustainability.

**4.4.3** Kenneth Anderson informed the Board that the ongoing discussions with the SFC have taken finance resource and as a result regional finance issues are not as far forward as expected and resource for the regional dimension will be raised with the SFC in the new year.



#### **4.5 Chairs' Committee 27<sup>th</sup> November 2017:**

**4.5.1** The Board was informed that the letter confirming funding from the SFC for the voluntary severance scheme was received during the Chairs' meeting and the meeting went into a short recess so that members could read the letter. The Chairs' Committee, after discussion, agreed to offer a voluntary severance scheme following receipt of the letter from the SFC at the meeting. A communications strategy would be put in place and the trade unions and the Board would be informed before staff were informed of the scheme. Staff will have time over the Christmas and New Year period to consider. The scheme will open for applications from Monday 4 December 2017 and the closing date for applications will be Friday 12 January 2018.

**4.5.2** The Chairs Group noted and endorsed the decision taken at the Finance Committee to continue to note the budget.

#### **4.6 Audit Committee 7<sup>th</sup> December 2017**

**4.6.1** The Board was informed that Lucy Nutley of Mazars had presented the NCL accounts to this special meeting of the Audit Committee and had stated the following: .

- The Financial Statements opinion, the regularity opinion and the opinion on other prescribed matters and all unqualified
- The auditors approach to significant risk is set out at pages 6 – 7.
- There are no matter to report on the valuation of the pension liability- p8
- There are no recommendations for the improvement of internal controls during our audit
- Audit differences – there were no material adjustments to the draft financial statements arising from the audit
- There have been no significant changes to accounting policies and the quality of the draft financial statements and the quality of supporting working papers are good.
- Significant matters discussed with management. The auditors sought assurance from the Scottish Funding Council (SFC) about the reasonableness of the going concern assumption and that core funding will continue to be advanced as required for a period of at least 12 months from the approval of the financial statements. On 27 November 2017, the Scottish Funding Council offered the College additional strategic funding for the 2017/18 financial year. In light of this additional funding and the auditor's review of the College's Business Scenario Plan, they consider that preparation of the financial statements on a Going Concern basis, is appropriate. There were no significant difficulties encountered during the course of the audit.
- There were no significant difficulties encountered during the course of the audit
- Financial management – NCL has effective arrangements including budgetary control that help the Board scrutinise finances p10 -11.
- Financial sustainability – NCL has adequate planning arrangements in place, however, it has identified significant financial sustainability concerns. In recognition of the significant financial difficulties facing the college it has produced alternative 5 year plans with various different operating structures. It is envisaged that the Business Scenario Planning will bring the college back to a surplus position in 2019-20. The college has obtained additional strategic funding from the SFC to fund a voluntary severance scheme which should decrease costs going forward. Without action and additional funding the college will operate at a significant deficit in the future which could in turn impact on performance.
- NCL has governance arrangements in place that provide appropriate scrutiny of decisions made by the Board.

- NCL has an effective performance management framework in place that supports progress towards the achievement of value for money.
- There is an additional fee for the preparation of three sets of accounts this year. This would reduce if this requirement changes in the future.

**4.6.2** Lucy Nutley had thanked the Finance team for all their work during the audit and this thanks was also given by the Chair of the Committee.

**4.6.3** The committee discussed and noted the letter of comfort from the SFC re the reasonableness of going concern assumption raised by the auditors. Linda McTavish is to meet with the SFC in the new year and will raise this issue of the circumstances of the receipt of the letter with them.

#### **4.7 Recommendation of the 2016-17 NCL accounts**

Kenneth Anderson informed the Board that the Finance Committee had considered the Financial Statements for 2016-17 before the Board on the 11<sup>th</sup> December 2017. Iain Clark had highlighted the financial performance to the committee at p 17. The underlying deficit has gone from £2,170 k (4% of total income) last year to £919k (1.7% of total income) this year. This has been the result of very tight cost control, primarily cutting back on IT and Estate budgets, and one-off financial gains. The current assets to current liabilities ratio is 0.5:1 and Iain Clark informed that anything below 1 was worrying. This comes back to the ongoing discussions with the SFC about the college's financial position and, in particular, to cash and the need for sufficient resourcing from the SFC for NCL.

***Decision: The Board approved the 2016-17 NCL accounts following the recommendation from the Audit and Finance Committees.***

## **5. Board Minutes**

### **5.1 Minute of the Lanarkshire Board 2<sup>nd</sup> October 2017.**

The draft minutes of the last meeting of the Board on the 2<sup>nd</sup> October 2017 were approved.

### **5.2 Matters Arising**

Linda McTavish informed the Board that as the issue of terrorism was going up the agenda for many organisations that there would be a presentation to the March meeting of the Board on this topic. She also referred to the self-evaluation exercise which was ongoing for the Board and which would inform the discussion on governance at the Board's strategic event on January 18<sup>th</sup> 2018.

### **5.3 Minute of the SLC Board 19<sup>th</sup> September 2017**

The minute of SLC Board meeting of the 19<sup>th</sup> September 2017 which is published on the SLC website was presented for information by Keith McAllister. He highlighted the following:

- SLC had met its credit target with a slight overrun of 500 credits and the college was confident that its target for 2017-18 would be met.
- The SLC annual accounts had been audited by Mazars and were with Iain Clark for consolidation
- The European Social Fund – there were concerns in this area resulting from the move to Brexit because of the level of funds SLC has under this fund and initial discussions have taken place.

- The Flexible Workforce Development Fund – there is a proposed £1million in funds for the Lanarkshire region with 25% for SLC. The rules attached to achieving the funding are very complex and there is discussion between the colleges and SLC has met with the Scottish Government about this and relaxing some of the rules.
- The risk register included a stronger statement on Business Continuity and the inclusion of the new data protection regulations (GDPR) which will come into force in May 2018.
- The Management Forecast for the 12 months to July 2017 projected a surplus for the 12 months of £35k. It is crucial that the college continues to match its income and expenditure.

The Board noted the SLC minute.

**6. Student Associations' Joint Report:** The Board heard from both Student Associations (SA) who presented their papers which are published on the NCL website.

#### **6.1 NCL SA Report and Item 6.2 SLC SA Report:**

The Board was informed by Daniel Moore about the broad range of activities and events that the NCL SA is undertaking including the promotion of the FE Fair attendance survey, Halloween activities, the NCL Graduation Ceremony, attendance by the Student President at the NUS Zone Conference, the NCL Christmas Fayre, the BE Heard Event, the achievements at the World Skills event, the increasing engagement with social media, the gender based violence campaign and the NCLSA leaflets.

***Action: There was discussion about the current FE attendance requirements which are creating issues for students and it was agreed that Daniel Moore will include an update on this in his next report to the CSAO Committee.***

**6.2** Julie McKenzie outlined the key recommendations from the Student Support Review as follows:

- An entitlement to a total of £8,100 financial support for further and higher education students, tied to the cost of living
- A proposal to significantly increase bursary support to over £4,000 for the poorest students in both further and higher education
- Changes to the terms and conditions of student loans, including raising the loan repayment threshold, and a write-off of further education student loan debt for students moving from further to higher education course
- Ensuring a positive interplay between benefits and the student support system, to ensure no-one in receipt of benefits is financially worse off by accessing education
- Choice on timing of student support payments
- Replacement of the 100 per cent attendance with a flexible and fair attendance criteria

There will be a vote at the NUS Conference on the next steps following publication of the report. She also highlighted the following activity:

- Executive training for the SLC SA
- The SLA looking to join the Glasgow Forum
- The SLA is continuing to develop the SLC SA defining roles and responsibilities

- There was ongoing engagement with a debate club and following up suggestions such as providing a quiet space room
- Increasing on-line visibility e.g. posts on Yammer.

The Chair thanked both presidents for their reports and congratulated them on the range of activity being undertaken in both colleges.

## 7. SLC Report to the Board

Keith McAllister reported as follows:

- SLC had worked with Wylie & Bisset on the Regional Assurance Audit and this had gone well with no issues to report
- SLC was ahead in achieving its credit targets on where it was last year
- The APUC procurement appointments in both colleges were working well and the joint procurement in waste management was going well and had been financially beneficial to SLC.

The Board noted the report.

## 8. Chairs' Report

### 8.1 Events and Awards

**8.1.1. Graduation Ceremonies:** The Chair reported that both graduation ceremonies had gone **very well** and she thanked Board Members for their attendance at the event.

**8.1.2 World Skills:** The chair reported that NCL had come third in the World Skills competition and Betsy Crosbie got a medallion of excellence at the World Skills final in Abu Dhabi.

**8.1.3** The Chair congratulated Angus Allan who received a green gown for excellence for leadership in sustainability.

**8.2 Board Membership Health and Safety Committee:** Linda McTavish proposed that she become the Board Member on the Corporate Health and Safety Committee following the resignation from the Board of Douglas Anderson.

***Decision: The Board approved the Chair becoming the member on the Health and Safety Committee.***

**8.3 Update on the Evaluation of the Lanarkshire Board:** The Chair encouraged those Board Members who had not responded to complete their evaluation forms by the 15<sup>th</sup> December 2018. This would allow for analysis by Professor Pyper for the Board's strategic event on the 18<sup>th</sup> January 2018 and would inform the governance session led by Jan Polley.

**8.4 Lanarkshire Board Recruitment:** The Chair informed the Board that there would be a fresh round of recruitment to bring the Board up to its full number of 22 following the resignation of Douglas Anderson. The nominations committee would meet to undertake the recruitment process.

**8.5 Lanarkshire Board Strategy Day:** The Board would receive the programme for the strategic event on the 18<sup>th</sup> January 2018.

**8.6** The Chair reported that the recent focus has been on the Scottish Government budget. The Scottish Government's attention is now turning to the chairs of the regional boards with six due to be appointed in April, one in July and Linda in October of this year. There is an issue of gender balance with the

regional chairs with all but one appointed being male. The Scottish Government is now likely to look at phased appointments. The Lanarkshire Board will have the majority of its members up for reappointment next year and this will be discussed by the nominations committee when it meets.

**8.7 SFC Funding Update:** The Chair informed the Board that there was ongoing discussion with the SFC about the business scenario plan and funding for NCL. This has been noted in the minutes from the Audit and Finance Committee. NCL is awaiting a letter from the SFC about its take up of ELS funds and there will be the potential of drawing down further ELS funds for NCL. The SFC will be looking to publishing its interim budget at the end of January 2018.

**8.8. Policy Consultation – a new social contract for students:** Julie McKenzie had already updated the Board on this in her Student President report to the Board at Item 6.2 above.

**9. SFC Update.** Sharon Drysdale updated the Board as follows:

- The 1<sup>st</sup> draft of the regional outcome agreement would be submitted to the SFC on Friday and would be 25 pages as opposed to 145. The key focus is now on tables and not on narrative. A lot of work has been done to get the document into this format with the focus on targets, gender, equality, retention, attainment and STEM subjects.
- The SFC is working with Education Scotland on new processes with HMIE's and outcome agreement managers working together on quality processes and self- evaluation reports. Both NCL and SLC have "How good is our college reports".

**Action: These reports will come to the next CSAO committee and Education Scotland will present to the Board.**

- The SFC is facilitating meetings on "how good is our workforce" to look at good practice and they are looking to have a Lanarkshire event with councils, schools and colleges.
- The SFC is also looking at the role of colleges in STEM hubs and there will be workshops and consultation on this
- The SFC will give feedback on the Board's evaluation report which was submitted in March 2017.

## **10. Approved Publication of Papers from the Board**

**The Board agreed to the publication of the following papers from this meeting:**

Item 5.1 - The Minute of the Lanarkshire Board of the 2<sup>nd</sup> October 2017

Item 5.3 - The Minute of the SLC Board of 19<sup>th</sup> September 2017 is published on the SLC website

Item 6.1 - The NCL Student Association Report

Item 6.2 –The SLC Student Association Report

**11. AOB:** At this point the Board Members from SLC and the SLC Student President left the meeting as did the NCL Principal and all attendees other than the Board Secretary.

Present for this part of the meeting: Kenneth Anderson, Moira Jarvie, Daniel Moore, Jacquie McGarvie, Linda McTavish, Mathew O'Hare, Professor Robert Pyper, Ann Stark and David Winning.

Kenneth Anderson informed the Board Members that the Remuneration Committee had met on the 7<sup>th</sup> December 2017 to consider senior management salaries and the salary of the Principal following the

pay rises awarded to staff through national bargaining. The Remuneration Committee had referred to the Remuneration Committee Key Principles and Policy which had been approved by the Board at its meeting on the 16<sup>th</sup> June 2016 and the key characteristics in the grid for approving the salary of the principal. Staff and students were consulted on the characteristics in the grid when it was devised. Kenneth Anderson presented the recommendation for the Principal's salary and the salary of senior staff and also on annual leave entitlement.

***Decision: The Board approved the recommendation from the Remuneration Committee.***

The Board was informed that the Remuneration Committee would meet in June 2018 to review and update its processes if necessary and the committees conclusions would be reported to the Board following that meeting.

## **12. Date of the Next Meeting**

The next meeting of the Lanarkshire Board will be on Monday 26<sup>th</sup> March 2018 at 5pm in the Boardroom at South Lanarkshire College.