

Item 4.6 LB 12/12/2016

Minute - Finance Committee

5.00 pm 29th November 2016 Boardroom Cumbernauld Campus

Present: Kenny Anderson, Paul O'Donnell, Moira Jarvie, Martin McGuire, Stuart Reid (by telephone)
In Attendance: Linda McTavish, Iain Clark, Stewart McKillop, Diane McGill, Keith McAllister, Derek Smeall, Penny Neish

Chair's Welcome

The Chair welcomed everyone to the meeting of the Committee.

2. Apologies

There were no apologies.

3. Declaration of Interest

There were no declarations of interest.

4. Minutes

4.1 Draft Minute of the Meeting of 19th September 2016

The minute was approved

5. Update on NCL Catering Contract

5.1 The report covers the first quarter to the 31st October 2016 Derek Smeall informed the committee that the year to date budget was for a surplus of 10k. The actual figures for the quarter show a surplus of £44k. This is an £84k improvement on the position when compared with the previous year. He informed the committee of the detailed position on income and expenditure at each catering site. The report noted that income had been affected by industrial action and by sickness. Expenditure variances were low and, overall, there had been a £13k underspend compared to the budget.

5.2 The Chair commented that the report was now in a good format for the committee and he thanked the staff for the work done. The committee noted that this was a good report with a lot of progress made in effectiveness and in providing a coherent catering provision across all campuses.

6. Update on the 2016-17 Budget

6.1 Linda McTavish and Martin McGuire updated the committee as follows:

- She and Martin McGuire had met with the Acting Chief Executive of the SFC and, in summary, the SFC position is that they are aware of the specific challenges and issues facing Lanarkshire. The SFC have said that the ESF price will be difficult to change but there is a recognition of this issue in the SFC and they are actively looking for ways to help the Lanarkshire Region. There will be a conference call in the next few days between SLC, NCL and the SFC to discuss solutions. The SFC Finance Committee would meet tonight and it is probable this will be discussed.

- Linda and Martin will go back to the SFC, if necessary, for a further meeting following the conference call.

6.2 The Chair summarised the position as follows: there are structural issues in the sector but the SFC are aware of the issues which are having a much greater impact on Lanarkshire – pension increases, pay settlements, revaluation of assets - and they will do what they can to help. The committee noted the ongoing contact with the SFC and the action being taken by the Chair of the Board and Martin McGuire, as the Chief Accountable Officer for the region, to address the budget position.

7. SLC Finance Committee – overview paper

7.1 Keith McAllister presented his report to the committee and the following was noted:

- The SLC Board has been recently recruited and a cycle of committee meetings had been postponed to allow the process of appointment to the committees. The new SLC Finance Committee met on the 14th November and papers would be available after the Board meeting on the 6th December 2016.
- The SLC Finance Committee agreed that the Lennartz appeal should be withdrawn.
- The SLC Finance Committee had considered the complexities arising from the FRS 102 changes and the transition to SORP 2015 and agreed to use management accounts to update the committee. The SLC finance committee agreed the Audited Financial Statements for the 12 months to July 2016 and these will go to the Board on the 6th December 2016.
- The KPMG Draft Annual Audit Report was distributed to the meeting for information. The report contains an unqualified audit opinion and it will go to the SLC Board on the 6th December 2016.
- The college is looking to produce a balanced budget for the year and the management accounts for the quarter to 31st October 2016 and year to 31st July 2017 will also go to the Board on the 6th December 2016.
- The remit of the Finance Committee has been reviewed and now includes items once covered by the Property and Estates Committee.

7.2 The Chair thanked Keith for his report. Members felt that this report was a good headline summary. Full papers will be available after the SLC board meeting for the committee and Chief Accountable Officer. Next year there will be consolidated accounts and discussions have taken place in the Lanarkshire Board’s Audit Committee and about the need to have processes in place to produce consolidated accounts. Both internal auditors have regional aspects in their audit plans and a process is being mapped out for the production of the consolidated accounts.

8. Regional Finance Reporting 2016-17 Accounts

Opportunities are being actively pursued for joint activity e.g. waste management procurement. Joint meetings between the Finance Departments are being held with another due in January. Policies have already been mainly realigned as part of the SFC Fundable Body process. The regional funding process (Cash Returns being made to the SFC by both colleges and funding due to SLC coming into NCL and, subsequently, being disbursed to SLC) is working well.

Action: It was agreed that a time-line for the production of the consolidated accounts would be brought to the next meeting of this committee. The committee recognises that the process of producing consolidated accounts will be challenging with very tight timescales.

Note: the attendees from SLC left the meeting at this stage in the meeting agenda.

9. Update on Review of Finance

9.1 Martin McGuire updated the committee on the Finance Review undertaken by Jim Godfrey. The report has been completed and is being considered by the Board's Chairs' Committee. They are considering the recommendations and how to take them forward in a solutions' focused way.

10. NCL Finance Report

10.1 Update on Student Funding

Iain Clark informed the committee that the audit was now completed and the process of agreeing management responses was underway. This report will be sent out to the audit committee when the report is finalised. The committee noted that there is an underspend in this area and the Chair of the Audit Committee will be briefed when the Audit report is finalised.

10.2 Update of Facilities Management Review

The committee was updated that following adherence to a fully compliant tender exercise, carried out in accordance with the open procedures as set out in the Regulations which implement Directive 2014/24/EU (the Public Contracts (Scotland) Regulations 2015), a Contract Award Notification was issued informing the bidders, ISS Mediclean Limited trading as ISS Facility Services Education, that they were the preferred bidder. A contract was awarded on the 1st November 2016 following a more detailed financial review by Iain Clark and no challenges being brought to NCL's attention. The contract will be for three years starting from the 9th January 2017. Iain Clark noted his thanks for the work undertaken by the procurement secondee Cheryl Spence and the work of the Estates Team. The Chair added his thanks for the work done.

10.3 Update on Tax on VS Payments

Iain Clark circulated a schedule showing the latest position on VS payments. After discussion, the committee agreed that the outstanding monies due from individuals who had not responded to the college should be pursued for the tax due. Others had now paid and it was clear in the compromise agreement that individuals were responsible for paying any tax due.

Action: A legal letter would now be sent to those owing the college money for tax due and a report will be made to the next meeting of the committee.

10.4 Update on the AMCOL Nursery Review

Iain Clark informed the committee that Wylie and Bisset had reviewed the nursery provision two weeks ago.

Action: The audit report on the review of nursery provision will be circulated to members of the Finance and Audit Committees once available and will be on the agenda for the next meeting of those committees.

10.5 NCL Quarterly Management Accounts

Iain Clark updated the committee as follows:

- The management accounts were prepared before the conclusion of the 2015/16 audit so any final adjustments have not been made yet but these are not expected to impact on the figures in the management accounts.

- The agreed full year budget figures reflect a £1,843k improvement on the first draft. The full year budget for 2016-17 shows an operating deficit of £2,107,566. The Chair and NCL Principal's actions to address this with the SFC are detailed at Item 6 above. The reasons for the deficit were reported to the last meeting of the Finance Committee on the 19th September 2016 and are also noted at Item 6 above.
- The operating position for the three months is a surplus of £300k to budget though underlying phasing differences at this early stage are expected to flatten in line with the budget for the full year. In response to specific questions asked by Stuart Reid by email, Iain Clark advised that a budget monitoring group met on 22nd November to discuss variances. They will continue to meet every 2 – 3 weeks. It was considered too early in the academic year to adjust forecasts based upon variances in the budget.

The committee noted the budget position and the actions being taken with the SFC by the Chair and the Principal.

10.6 NCL Resource Return

Iain Clark highlighted that The Resource Return is the standard template used by the SFC and is the document that the Scottish Government use in their accounting for the public sector. It is a different presentation of the same figures. The committee noted the Resource Return

11. NCL 2015/16 Draft Financial Statements

11.1 Iain Clark informed the committee of the following comments from the external auditors:

- The external auditors planned to issue a report to the Board on the 12th December with an unqualified opinion on the financial statements of the college for the year ended 31st July 2016 and on the regularity of the financial transactions reflected in those financial statements.
- Three new accounting standards came into force in 2015/16 which resulted in a restatement of the 2014/15 accounts and in addition a new education SORP has been implemented for the 2015/16 financial statements. The narrative required in the accounts due to the new standards provided a substantial summary of the College activities. Committee thanked the staff involved in putting together such a comprehensive report.
- There was a deficit of £1,963K based on a total income of £54,508 million and after non-cash pension adjustments of £1,146 k and allowable depreciation of £775k. There is an income and expenditure account balance of the £7,464 million at the 31st July 2016.
- The SFC had confirmed that consolidated regional accounts are likely to be required but that due to the timing of the regional arrangements being fully introduced the group accounts do not include SLC for 2015/16.
- The funding position will remain challenging going forward.

Action: After consideration of the papers, the committee agreed to recommend the accounts to the Board at its meeting on the 12th December 2016.

12. NCL Procurement Strategy

Iain Clark presented the Procurement Strategy for approval. It was noted:

- There was a legal requirement for NCL to have a procurement strategy. The advice from APUC was that the legal requirement for the procurement strategy was based with NCL at the present time rather than as a regional funding body.

- Notwithstanding the legal advice the Committee noted that both colleges are working closely on procurement e.g. waste contracts. Both colleges have secondees from APUC to help with procurement and they will continue to collaborate.

The Chief Accountable Officer advised the committee that this was an area where there were opportunities for a regional approach and where a regional strategy would be looked at for the future. The committee agreed with this view.

Action: The committee approved the Procurement Strategy.

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

The committee approved the following papers for publication

- Minutes of the meeting when approved after the next committee meeting
- The SLC Finance Committee Overview
- The NCL Procurement Strategy

The committee agreed that the following papers were non- disclosable because they contain commercially sensitive information or publication would prejudice the effective conduct of public affairs or will be published by the Scottish Parliament.

- The update on the NCL Catering Contract (commercially sensitive)
- The Update on the Facilities Management Review and Contract Award (commercially sensitive)
- The Quarterly Management Accounts (prejudicial)
- The NCL Resource Return (prejudicial)
- The NCL 2015/16 Draft Financial Statements (Scottish Parliament)

14. AOB:

14.1 The Chair of the Board updated the committee that the dates for the Board's Strategic Event would need to be moved from the 19/20th January to the 2nd and 3rd February 2017. The date of the 20th January would now be used for the required Health and Safety Training for the Board with a second follow up session on the 27th February at 5pm after the Audit Committee meeting. The committee noted this update which would be reported to the Board on the 12th December 2017.

14.2 Iain Clark advised that out of the seven colleges that were challenging the HMRC on Lennartz payments six had now withdrawn their action on legal advice that the case could not be won. SLC reported this in their paper at Item 7 above. HMRC are also now threatening action for a "frivolous case".

Action: The committee agreed to withdraw from the legal challenge to HMRC on Lennartz. Iain Clark will contact the HMRC accordingly.

14.3 Moira Jarvie asked to note her concerns that senior management had received a salary increase while support staff in the College were still in dispute. The Chair noted these concerns. However, Moira was reminded that the SMT are not part of the national bargaining process and that the decision was made by the Remuneration Committee and approved by the board. The College required to set out a policy for senior staff and it had done so.

15. Date of the next meeting: The date for the next meeting is the 6th March 2017 at 5pm at 101 Park Street at the Coatbridge Campus.