

Item 4 FC 11/09/2017

Draft Minute - Finance Committee

5.00 pm 5th June 2017 Board Room Motherwell Campus

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

In Attendance: Iain Clark, Gordon Kerr, Janice McAulay, Diane McGill, Stewart McKillop, Linda McTavish Penny Neish. Paul Watson and James Rutherford attended up to Item 6 and then left the meeting. Stewart McKillop and Gordon Kerr left the meeting after Item 9.

1. Chair's Welcome

The Chair welcomed everyone to the meeting of the Committee.

2. Apologies

There were apologies from Keith McAllister.

3. Declaration of Interest

Iain Clark and Moira Jarvie declared an interest in Item 11 on the agenda as Directors of AMCOL Ltd.

4. Minutes

4.1 Draft Minute of the Meeting of 6th March 2017.

The minute was approved

5. Matters Arising

Martin McGuire informed the committee that he had written to the SFC asking for the table in the indicative allocation of funds for 2017 showing a £1.1 million loan repayment for NCL be amended to make it clear that this is for the former Coatbridge College and not NCL.

6. Update on NCL Catering Contract

6.1 Paul Watson and James Rutherford spoke to the committee about the third 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 third quarter figures show a surplus of £116.2K. This is an improvement of £57k when compared to the previous year and £9.2k against budget. They confirmed that the strike had had an impact on income in this quarter.

6.2 The Chair of the Board congratulated the team on their progress to date.

Decision: Review of In-house catering services delivery.

Paul Watson would send the draft review criteria that catering services were working on to Iain Clark. Kenneth Anderson and Iain Clark would then draw up the proposed criteria and send this to Paul Watson for comment. Kenneth Anderson and Iain Clark would then meet with the catering services team before the end of June 2017.

7. SFC Funding Update

7.1 Update on 2016-17 Budget Discussions with SFC

7.1.1 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. The SLC Principal also attended the last meeting with the SFC in a pan Lanarkshire discussion about underfunding of the region. It was agreed that the colleges would submit a document setting out scenarios and implications based on different funding options for Lanarkshire and this has been submitted.

7.1.2. The committee was informed that not only is the Lanarkshire Region underfunded but that this will be further exacerbated by National Bargaining unless funding is put in place to cover pay settlements. There is a governance issue for Boards in the college sector if there are no additional funds to cover pay awards agreed through national bargaining and this has been raised at the Employers Association meeting on the 31st May 2017 with John Swinney.

7.1.3 The college is in dialogue with Audit Scotland about the commentary their forthcoming report on last year's accounts and the outcome will be reported to the Board on the 19th June 2017.

7.1.4 The Chair of the Board, following a meeting of the Chairs Committee on the 30th May 2017, has asked the Chair of the SFC Board and the SFC Chief Executive to meet with the Lanarkshire Board's Chairs' Committee to discuss relations with the SFC.

7.2 2017-18 Lanarkshire Funding Allocations

7.2.1 The committee considered the final regional funding allocation for 2017-18 showing the overall funding to the Lanarkshire Region over key headings and the allocation to both NCL and SLC.

Decision: The committee agreed to recommend this to the Board and this will be presented by Kenneth Anderson at the Board meeting on the 19th June 2017.

8. Regional Finance Reporting

8.1 The Chair informed the committee that the remit of the group is being established and an initial scoping exercise has been undertaken. SLC are looking at policies and procedures as reported to their Audit Committee on the 20.02.17. Gordon Kerr informed the committee that there is a focus on harmonisation of policies and procedures. There is a draft document on regional cash allocation and disbursement. There has been a meeting and the document is to be agreed by the working group and Iain Clark and the NCL team. This will be finalised by the end of the academic year.

Action: Gordon Kerr will send a copy of the draft document to Kenneth Anderson.

8.2 Update on the Legal Basis for Consolidated Accounts

8.2.1 Lucy Nutley of Mazars has now attended both Audit Committees. It was reported at the Lanarkshire Board Audit Committee on the 22nd May 2017 that Mazars have taken up clarification of the issue of consolidated accounts with Audit Scotland and also of their remit. The Finance Committee was informed that there are concerns about the timescales to produce consolidated accounts given the current lack of clarity on this issue. Gordon Kerr informed the committee that this issue was one for the colleges to clarify given that they agreed what the auditors would audit.

Decision: The Chair of the Finance Committee would write to the SFC to clarify the position on consolidated accounts and on what basis these should be prepared. Gordon Kerr would send his draft letter on this issue to Iain Clark and Kenneth Anderson.

9. SLC Finance Committee

9.1 SLC Finance and Resources Committee Minute 14/022017.

Stewart McKillop highlighted the following from the minute:

- The Management Forecast shows a projected surplus for the 12 months of £15k
- SLC in line with others in the sector has challenges in maintaining a positive bank balance particularly at the SFC year- end date of the 31st March 2017. The sector, the region and the college have all made representations to the SFC about this.
- The Finance Committee will receive a 5 year financial strategy at its meeting in May 2017
- Review of policies and procedures- there has been an update of the anti- bribery policy.
- The committee had received a report on the work done by the dedicated procurement officer in SLC but also in collaborative work with the NCL officer on bringing a regional perspective to procurement.
- The Estates Report sets out a much reduced programme of activities due to a lack of funding for capital and maintenance. This is reflected in the reports to the Lanarkshire Board's RGP committee on the 5th June 2017 where the issue of lack of funding for NCL estate works was highlighted.
- SLC will be subject to the imposition of government banking arrangements from 1st April 2017
- Student support funds will be adequate for 2016-17.
- The sector is campaigning to be excluded from being self- insuring and current arrangements with Zurich are being extended
- The regional finance group has been meeting on a regular basis and currently is prioritising upcoming procurement contracts that may be acceptable for joint procurement and is also looking at regional reporting and consolidated accounts.

9.2 Overview Paper for the SLC Finance and Resources Committee Meeting of 8/5/2017.

Gordon Kerr highlighted the following from the report by Keith McAllister:

- 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. Salary claims once settled are due to be implemented as at 1st April 2017 and may thus influence the end of year financial situation.
- The college utilised its cash flow facility as at 31st March 2017. The SFC in response to a sector wide response brought forward the payment of the April 2017 drawdown to minimise the period of overdraft use.
- The 5 year plan that has been drafted was discussed and accepted by the committee and recommended for approval to the Board. Members noted that the college would strive to produce a balanced budget for the 5 years of review and to eliminate the need for an overdraft.

- Draft documents on the preparation and monitoring of budgets were presented and accepted by members

The committee noted the report.

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

10. NCL Finance Report

10.1. Update on Tax on VS payments: Iain Clark presented updated information to the committee on the payments position. The Finance Department was commended on the work it had undertaken to get payments in and the level of repayment achieved to date.

Decision: The committee decided to continue to pursue outstanding payments with letters threatening court action. A further report will be brought to the next meeting of the committee.

10.2 NCL Quarterly Management Accounts:

10.2.1 Iain Clark reported that the current forecast for the year to July 2017 using actuals to December 2016 and projections for the remaining 7 months shows an operating deficit of £2,286K - £178 k unfavourable to budget.

10.2.2 The operating position for the nine months is a surplus of £475k - a favourable position due to additional SFC grants and phasing of childcare income, an ALF capital grant release and recovery of shared costs for the Kirkintilloch Campus. This favourable position will be eroded and by the end of June/July there will be a cash flow problem. As reported at Item 7.1.1 above, there is ongoing discussion with the Principals and the Chair of the Board with the SFC about the financial position in NCL and the Lanarkshire Region as a whole. The committee reflected on the fact that there are very few lines that the college can influence in the P and L account. The funding options document has been submitted to the SFC as noted at Item 7.1.1 above and there will be an update to the Board on the 19th June 2017.

10.3 NCL Resource Return

The committee noted that the return had been audited by Wylie & Bisset and that they were happy with the return. The committee noted the report.

11. NCL Nurseries Review

The Chair informed the committee that the short term working group to review the nursery provision that was agreed at the last meeting had been set up with Kenneth Anderson chairing and with Paul O'Donnell and Dave Winning as members. It is due to have its first meeting on the 19th June 2017. The group will report back solely to the Finance Committee which will make a recommendation in due course to the Board.

12. NCL Finance Review Update

The Chair updated the committee that he is keeping in touch with Iain Clark and Janice McAulay and is pleased with the Finance Team's response to the review.

Decision: Martin McGuire and Kenneth Anderson will hold a meeting with the Finance Team to give feedback to staff and to set out a facilitated team building framework in the new academic year to continue the momentum and morale building of the review.

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 minute of the SLC Finance and Resources Committee 13/02/17 – link to SLC website

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

14. AOB

The Principal updated the committee on the Art and Design exhibition at the Klrkintilloch Campus which had a number of interesting exhibits and was well attended.

15. Date of the next meeting: The date for the next meeting is the 11th September 2017 2017 at 5pm in the Boardroom at the Cumbernauld Campus.