

Item 4.2 FC 12/03/18

Special Meeting of the Finance Committee 11th December 2017 Boardroom Motherwell Campus

Minute

Present: Kenneth Anderson, Moira Jarvie, Martin McGuire, Stuart Reid

In Attendance: Iain Clark, Lucy Nutley (Mazars), Janice McAulay, Diane McGill, Linda McTavish, Penny Neish.

1. Chair's Welcome

Kenneth Anderson welcomed everyone to this meeting of the committee and thanked them for coming to this specially convened committee to consider the NCL accounts for 2016-17.

2. Apologies

There were apologies from Paul O'Donnell. SLC did not attend on this occasion as the discussion was on the NCL accounts only.

3. Declaration of Interest

There were no declarations of interest.

4. NCL 2016-17 Accounts – Recommendation from Audit Committee 7th December 2017

4.1.1 Annual Audit Report to Board of Management and the Auditor General for Scotland

Lucy Nutley presented the annual audit report and noted the following:

- The Financial Statements opinion, the regularity opinion and the opinion on other prescribed matters are all unqualified
- The auditors approach to significant risk is set out at pages 6 – 7.
- There are no matters to report on the valuation of the pension liability- p8
- There are no recommendations for the improvement of internal controls during their 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
- 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.

4.1.2 Lucy Nutley thanked the Finance team for all their work during the audit and this thanks was also given by the Chair of the Finance Committee. Stuart Reid noted that there were no surprises in the report. The Finance Committee is well informed about the financial situation and has been in the forefront of leading discussions with the SFC.

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

4.2. Draft Financial Statements for Year Ended 31st July 2017

4.2.1 Iain Clark presented the Financial Statement for 2016-17. He highlighted the financial performance to the committee at p 17. The underlying operating 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 and cutting back on IT and Estate budgets. There have also been a number of one off gains which have improved the situation. The current assets to current liabilities ratio is 0.5:1 and Iain Clark informed the committee that anything below 1 was worrying. This comes back to the ongoing discussions with the SFC about the college's financial position and the college will need to go to the SFC for funds to cover the cash position between the academic and financial year.

Decision: the Finance Committee agreed that the Financial Statements and accounts should be recommended to the Board.

4.2.2 Iain Clark informed the committee that OSCR had confirmed that the consolidated accounts could only be in the name of NCL. The consolidated accounts have to be submitted by the end of January 2018. Linda McTavish asked that a timeline be drawn up between NCL and SLC to set out a process for the preparation of consolidated accounts. Martin McGuire noted the need for the SLC accounts to come to the relevant Lanarkshire Board committees prior to the preparation of consolidated accounts. There will be no extension for the submission of the consolidated accounts next year. Resources will be needed from the SFC to support this and this has been raised with the SFC and will be followed up in the discussions about NCL finances.

4.3 NCL Internal Audit – Regional Assurance for the SFC Funding Audits

This report came to the Finance Committee for information. It highlights that the internal audits of credits, Student Support Funds and EMA at NCL and the internal auditors' review of the audits of

these funds by SLC's auditors Scott Moncrieff had not identified any issues and these funds had been used in accordance with the guidance issued by the SFC. The Finance Committee noted the report.

5. AOB

There was no other business.

6. Date of the next meeting.

The next special meeting of the Finance Committee to consider consolidated accounts will be arranged for the end of January (arranged subsequently for the 24th January 2018). The next ordinary meeting will be Monday 12th March 2018 at 5pm in the Boardroom at the Cumbernauld Campus.