

## **Item 4 LB FC 10/09/2018**

### **Draft Minute - Finance Committee**

**5.00 pm 4<sup>th</sup> June 2018 Boardroom Motherwell Campus**

**Present:** Kenny Anderson, Moira Jarvie, Martin McGuire, Stuart Reid.

**In Attendance:** Iain Clark, Keith McAllister (**part**), Janice McAulay, Diane McGill, Stewart McKillop (**part**), Linda McTavish, Penny Neish.

#### **1. Chair's Welcome**

The Chair welcomed everyone to the June meeting of the Committee.

#### **2. Apologies**

There were apologies from Paul O'Donnell.

#### **3. Declaration of Interest**

There were no declarations of interest.

#### **4. Draft Minutes.**

**4.1** The minute of the meeting of the 12<sup>th</sup> March 2018 was approved.

#### **5. Matters Arising**

##### **5.1 Update on 2018-19 budget discussions with the SFC.**

**5.1.1** Iain Clark informed the committee that the College was in discussion with the SFC and that the Sector was awaiting formal guidance within the FFR on a number of areas including cost of living assumptions.

**5.1.2** Martin McGuire reported that all possible options had now been examined in the scenario plan. He raised the prospect of NCL being given a cash loan by the SFC which would be paid back over a 3-4 year period. This is what the SFC would prefer to do. This does not address the underlying funding issues for Lanarkshire. It also does not address the issue of unfunded cost of living rises resulting from national bargaining. The college has worked hard to reduce costs through savings and from the VS scheme and would be in a position to move into surplus in two to three years but it will be put back into deficit from these unfunded costs resulting from national bargaining. Martin McGuire noted that the colleges that had not harmonised contracts were having the gap funded whereas NCL, which had harmonised quickly as part of the merger process, was not being funded and that there is an inherent unfairness in this approach.

**5.1.3** Finance was raised with the SFC during the strategic dialogue visit on the 23<sup>rd</sup> May. The theme of financial sustainability had been highlighted in the background evidence and during the meeting with board members and senior staff. Stewart McKillop advised that funding model was on the agenda at the Principals meeting next week at Colleges Scotland.

**5.1.4** Stuart Reid reiterated the importance of the committee and the Board not approving deficit budgets and offered to attend any further meetings with the SFC.

**5.1.5** This position will be reported to the Board by both the RGP and the Finance Committee.

## **5.2 SFC Funding and remit for Regional Finance Reporting**

The committee received the remit for the review of regional finance which will consider structural arrangements, assurance for the chief officer and both boards and future planning. Approaches had been made to the SFC for additional resource to assist with the funding of the work. In order to be cost effective there had been discussions with the Glasgow Regional Board. It was felt that there was mutual benefits for some of the regional finance arrangements to be considered on a broader basis. Arrangements still had to be finalised and the Chair will keep members advised of developments. Stewart McKillop noted that SLC were pleased to engage within the terms of the agreed remit and that, whilst he wouldn't want the remit to impinge on the governance of SLC, he wanted to reassure the committee that SLC was happy to have an open book approach with The Lanarkshire Board. Stewart McKillop also offered to ensure that a Certificate of Assurance was issued to The Lanarkshire Board from South Lanarkshire College in a similar way that had happened in the past with the SFC.

**Action: KA will report back to the next meeting of the committee on progress.**

## **5.3 AMCOL Board and Nursery Review**

The issue of the living wage for those in the nurseries was raised by both Martin McGuire and Moira Jarvie.

**Action: After discussion it was agreed that this is a material issue and the sub- committee that had been looking at nursery provision would be reconvened as soon as possible to discuss this matter.**

## **6. SLC Finance Committee**

**6.1** Keith McAllister presented his Head of Finance Reports that he had made to the SLC meetings on the 12<sup>th</sup> February 2018 and the 10<sup>th</sup> May 2018.

- The management accounts are showing that SLC is on track for a balanced budget. The impact of the known and unknown increases in salaries flowing from national collective bargaining was noted as was the improvement in the college's cash position at the end of March beginning of April with the college not having to utilise its overdraft facility at this point.
- The draft indicative budget for 2018/19 again showed a balanced budget. This would be referred to the SLC Board for approval. It was noted that no guidance had been received from SFC to date re the Financial Forecasting Return. This should give a list of assumptions that colleges should make in its longer-term planning to establish an element of consistency. It was noted that the forecasts would encompass six years. Members of the Committee discussed the contribution towards national bargaining and for what period that would be required. It was expected that this information should be contained in the forthcoming guidance, but it was agreed that the impact was likely to be considerable.
- Procurement – SLC members welcomed the joint procurement initiatives with New College Lanarkshire.

- At the February meeting members considered a report on the Nursery tender, with the bid received from Bertram Nurseries being accepted. This would result in an increase in income for the College and a move to the Glasgow Living Wage for staff from the start of the new contract.
- Banking - It was noted that the delay in moving to the new banking arrangements had been overcome and that the transition had been completed.
- Insurance Arrangements for the Sector –the continuation of the derogation for business insurance until July 2021 had been agreed.
- Lennartz - It was reported that Messrs Scott Moncrieff had undertaken their penultimate annual review of the College’s Lennartz situation and that the College should be repaying less than its initial liability. This, however, was still subject to review in December 2018.
- Financial Statements – The SLC committee noted that there were two items which would affect the “book” surplus / deficit for the year but which would not affect the management accounts, those being the potential movement in the Strathclyde Pension Fund liability and the writing off of an excess in the Lennartz liability.

## **7. NCL Finance Report**

### **7.1 NCL Quarterly Management Accounts to April 2018**

#### **7.1.1** Iain Clark updated the committee as follows:

- The Full Year Budget figures have not yet been formally recommended to the Board.
- A detailed review of the draft Budget 2017/18 figures against audited results for 2016/17 was attached to the October accounts.
- The Forecast figures are based on actuals to February, as previously reviewed, including a £700k provision for potential inflationary Teaching Staff increases. Support Staff increases are already built in to the Forecast.
- The operating position for the year to date is a deficit of £697k, £1,660k favourable to Budget. The full year forecast deficit of £1,630k is £1,304k favourable to Budget.
- The Cash Budget for Priorities for Fiscal Year 2017/18 has now been fixed annually by SFC at £863k (including Amcol), based on the 2015/16 figures.

#### **7.1.2** Income YTD is £1,616k (4.3%) favourable to Budget. Major differences are:

- SFC Grants £1,335k favourable
- Education Contracts £301k favourable
- Tuition Fees £301k favourable
- Other Grant Income £363k unfavourable
- Other Operating Income £43k favourable

#### **7.1.3** Expenditure YTD is £44k (0.1%) favourable to Budget, of which:

- Staffing costs are £193k unfavourable
- Other Operating Expenses are £244k favourable
- Depreciation, VAT and Interest costs are £6k unfavourable.

The above trading position excludes operating figures from the College subsidiary (Amcol).

**7.2.4** The Chair noted that the college currently forecasts an “underlying operating position” close to break-even in percentage terms for 2017/18 and excluding the unfunded Cost of Living provision

would be even closer to break-even. The Chair further stated that there are good achievements in the year to date figures for the SFC grants, education contracts and tuition fees income lines which are all currently favourable to budget. This again highlights the impact of unfunded costs from national bargaining.

**7.2** The committee noted that the SFC and Scottish Government intend to stop the requirement for Resource Return submissions from Colleges. The suggestion is that the Cash Flow Return will require more information and there will be an in-year / mid-year FFR update required.

### **7.3 Update on tax on VS Payments**

Iain Clark informed the committee that c. £6,500 owed by two individuals remained from the original outstanding payments due of c. £138,000 and that costs of recovery would now exceed any benefit and the likelihood of further recovery was extremely remote

***Decision: The committee decided to end the debt recovery process***

The Chair thanked those involved in the work undertaken to recover as much of the debt as they had given that this was public money.

### **7.4 Section 22 Update**

**7.4.1** Linda McTavish reported that she has a meeting scheduled with Caroline Gardiner -the Auditor General -on the 13<sup>th</sup> June 2018 and she would report to the Board on the 18<sup>th</sup> June in her Chair's report about this and the Parliamentary Audit Committee hearing. She also said that it was important to keep the Section 22 report in perspective.

**7.4.2 Notification to OSCR:** The Board Secretary informed the committee that, further to consultation with the Chairs' committee members who had agreed there should be a notification to OSCR, she had discussed the list of items that would result in a notifiable event to OSCR with the Chair of the Board to determine the basis of the notification. None of these applied to the Section 22 report and at the request of the Chair she had contacted OSCR. They had asked for a copy of the report which she had sent and had now come back to her saying that they required nothing further and had filed it in their notifiable events file.

## **8. Update on the NCL Catering Contract**

**8.1** The committee considered the report and welcomed the predicted budget surplus and that this is an increased surplus from last year. They also noted the service improvements made and the information about the work going on between catering and the faculties. However, the Chair and the committee whilst appreciating that absence statistics were now included in the report still felt that the report should contain more detailed information about absence reporting and the work with the HR department on addressing this issue.

***Action: Iain Clark will inform the catering team of the Chairs request.***

## **9. Approval of the Publication of Committee Papers for this meeting.**

The committee approved the following papers for publication:

- The agenda
- Minutes of the meetings on the 12<sup>th</sup> March 2018
- The minute of the SLC Finance and Resources Committee 12<sup>th</sup> February 2018 and 10<sup>th</sup> May 2018 – link to SLC website

- Item 7.4 the Section 22 report

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

## **10. AOB**

**10.1** Linda McTavish thanked the Board members for their continued support in the current period.

**10.2** After discussion, it was agreed that the Finance Committee would meet as scheduled on the 19<sup>th</sup> November and an extra special meeting would be held to agree the financial statements in the consolidated accounts.

**10.3** The Chair thanked Janice McAulay who will be leaving the college for the work that she has done in the Finance Department and wished her well for the future.

**11. Date of the next meeting:** The date for the next meeting is the 10<sup>th</sup> September 2018 at 5pm in the Boardroom at 101 Park Street at the Coatbridge Campus.