

Item 4.1 FC 4/02/2019

Draft Minute - Finance Committee

5pm 19th November 2018 Boardroom Cumbernauld Campus

Present: Kenny Anderson, Moira Jarvie, Martin McGuire, Paul O'Donnell, Matthew O'Hare

In Attendance: Iain Clark, Keith Fulton, Keith McAllister, Diane McGill, Stewart McKillop, Penny Neish.

1. Chair's Welcome

The Chair welcomed everyone to the November meeting of the Committee. He also welcomed Matthew O'Hare to his first meeting of the Finance Committee. He thanked Keith Fulton for attending the meeting.

2. Apologies

There were apologies from Stuart Reid.

3. Declaration of Interest

There were no declarations of interest other than Moira Jarvie and Iain Clark who are members of the AMCOL Board.

4. Draft Minutes.

4.1 The minute of the meeting of the 10th September 2018 was approved.

5. Matters Arising

5.1 Matthew O'Hare asked about the change to bad debt procedures where current students who have bad debt will have computer access denied and be advised to contact the Finance Department before reinstatement of access. This would be after 90 days during which time reminder emails and letters would have been sent. Iain Clark assured the committee that the computer access ban would be lifted when the student had contacted the Finance Department and was, therefore, temporary. This has proved to be a good way to get the students to engage with the Finance Department so that they can help them to come to a financial arrangement to pay their fees. Stewart McKillop informed the committee that SLC were also thinking of doing this.

5.2 Update on Nursery Review: The Chair updated the committee that the working group - comprising Kenny Anderson, Dave Winning and Paul O'Donnell - to take forward the nurseries review had met. The group had received an updated paper from Celia Devine which updated on nursery provision at the AMCOL run nurseries as well as the campus nurseries at Coatbridge and Cumbernauld.

The Chair reported as follows:

The group had made 3 recommendations that they will report to the board meeting in December. As the first recommendation was urgent it had been agreed with the interim chair of the board: 1. AMCOL should move quickly to pay the living wage as a minimum for all staff. 2. The college should work with Celia Devine to model options for nursery provision across the College campuses. Requested that AMCOL consider a business case that looks at the feasibility of all staff coming under college terms and conditions with a 3 to 5% surplus. 3. In order to be able to discuss issues that will be raised in recommendation 2 with sensitivity the review group should be re-constituted to involve all relevant stakeholders.

6. Regional Finance Update

Kenny Anderson reported that Andy Kerr had sent him draft proposals re assurance. These involved the concept of a portal with all the necessary documents for both colleges being shared. However, there were structural and forecasting elements that had to still be considered. Keith Fulton and Andy Kerr would meet with the Glasgow Colleges Regional Board on the 12th December to see how they work and there will be feedback to the Board on the 13th December from that meeting. The two Board Chairs had also met with the SFC following the 1st October Board meeting and a short term working group will be established to look at financial procedures and processes between NCL and SLC. Andy Kerr will send draft Terms of Reference for the group to Keith Fulton. In the meantime, the senior finance staff at both colleges continue to meet on a regular basis and are collaborating on the production of the consolidated regional accounts.

7. SLC Finance Review Meeting 5th September 2018

7.1 Keith McAllister informed the committee that the main focus of the meeting was to present SLC's management forecast for the 12 months to July 2018, the draft budget for 2018/19, and the 5 year forecast for the period to 2022/23. The Funding Council issued their finalised Grant in Aid allocation for 2018/19 in May and, in the ensuing period, there was a reallocation of activity within the Region.

- **Management Forecast – 12 months to July 2018.** The Management Forecast shows a projected surplus for the 12 months of £9k. The Region was awarded strategic funding to address the low level of activity rate funding relating to ESF activity. The College was also awarded additional credits in April 2018, the income from which has increased the projected surplus for the year. The Cash-flow Return for the period to July 2019 provided to the Funding Council in September 2018 shows that the College is hopeful of not having to use its overdraft facility in the year to come. SLC members were asked to note that the Funding Council has amended the range of returns which the colleges must make, with more emphasis being placed on this Cash-flow return and the removal of the quarterly Resource Return. An in-year financial forecast will be required in January / February.
- **Draft Budget for the 12 months to July 2019.** The College is forecasting a balanced budget but this must be caveated for the implications of any increases re national bargaining that may arise during the year. Modest increases in income and expenditure have been incorporated into the model.
- **Draft Forecast for the 5 years to July 2023.** Throughout the period, SLC is, again, forecasting a balanced budget but this must be caveated for the implications of any increases re national bargaining that may arise during the year. Modest increases in income and expenditure have been incorporated into the model. Account has been taken of the Funding Council's guidance on activity levels and, in particular, the ending of ESF activity in 2021/22. The Funding Council are

revisiting the allocation of activity and the College has made the assumption that there will be a decrease in activity levels of 2.9% in 2022/23, but there is planned to be an increase in credit value. Modest increases in costs have been incorporated into the model but more challenging income targets must be set to compensate for anticipated cost increases. The increased income targets are seen to be realistic, given the level of current alternative income activity.

- **Procurement Update:** the College now has a dedicated Procurement Officer who has been seconded from Advanced Procurement for Universities and Colleges (APUC). The post-holder works with the Head of Finance and leads the College on meeting its legal responsibilities and on obtaining best value for money, working with their equivalent colleague at New College Lanarkshire re bringing a Regional perspective to procurement. The Procurement Officer is also working on a Procurement Strategy and this will be presented to the next meeting of the Finance and Resources Committee.
- **Estates Revaluation.** This is required every three years for accounts purposes and the comparatives with the previous valuation have been incorporated into the paper. This revaluation figure will affect the College's depreciation charge for the year, but this has not been brought into the figures for 2017/18. . This will be undertaken for the financial statements and it will affect the management accounts but not, of course, involve any diminution of cash. However, an estimated depreciation charge taking into account this revaluation has been incorporated into the 5 year forecast. Members will note that the 2018 valuation includes the new building and that the increase in valuation is not so significant as to adversely affect the financial statements to any great degree.

Keith McAllister also reported that SLC will not have to pay back £292 k on its Lennartz loan and this would be reflected in the 2017-18 accounts.

The committee noted the report in the context of the discussion about the FFR at the Board meeting on the 1st October- see Item 8.4.2 in the Board minute.

7.2 Keith Fulton asked about BREXIT and the committee was informed that Keith McAllister's report had gone out to the college Principals and that there was now a spin off group that was looking at how colleges are preparing for BREXIT. A checklist is being prepared and the SFC have assigned 2 members of staff each for the HE and FE sectors and 2 in addition to take the overview in dealing with BREXIT.

7.3 Keith Fulton set out the process for the submission of the SLC FFR for clarity as follows:

- The FFR is approved by the SLC Board.
- SLC sends the FFR to the NCL Vice- Principal Resources, the Principal and the RSB Chair for review and comment.
- If the RSB endorses the FFR it is sent to the SFC. If following discussion the RSB cannot endorse the document the FFR is sent to the SFC with that noted
- Queries come through the RSB
- The RSB liaises with the SFC
- Any revised version comes to the RSB for further review prior to submission

Action: A note of the meeting between Andy Kerr, Keith Fulton and the SFC will go the Board.

8. NCL Finance Report

8.1 NCL Quarterly Management Accounts

8.1.1 Iain Clark presented the quarterly management report and highlighted the following:

- Full Year Budget figures, including changes proposed in the Lanarkshire Region Business Plan, were formally approved by the Board on 1st October 2018. The budget figures included in these accounts reflect the underlying operating position, but do not currently include additional changes to staffing and funding incorporated in that plan.
- The NCL management accounts operating position for the year to date is a deficit of £255k, £958k favourable to Budget.
- The Underlying Operating Deficit/Surplus is based on actual results less total Depreciation net of total Deferred Capital Grants, which has been budgeted at a deficit (pre-Business Plan) of £904k compared to the 2017/18 unaudited £602k surplus.
- The Cash Budget for Priorities for Fiscal Year 2018/19 has now been fixed annually by SFC at £863k (including Amcol), based on 2015/16 figures.
- Income is £177k (2.2%) unfavourable to Budget. Major differences are:
 - SFC Grants £93k favourable
 - Education Contracts £57k unfavourable
 - Tuition Fees £41k unfavourable
 - Other Grant Income £9k unfavourable
 - Other Operating Income £162k unfavourable
- Expenditure is £1,134k (12.1%) favourable to Budget, of which:
 - Staffing costs are £343k favourable
 - Other Operating Expenses are £860k favourable
 - Depreciation, VAT and Interest costs are £69k unfavourable.

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

8.1.2 The Chair of the committee noted that it was important to watch the culture in the college regarding finance - managers spending their budget on agreed priorities is important to the student experience.

8.1.3 Keith Fulton drew the committee's attention to the fact that NCL had still not had any acknowledgement or approval of the Business Plan. The SFC have communicated on support for voluntary severance. He emphasised that there needs to be an agreed plan which acts as a base for monitoring and reporting. He noted that Sharon Drysdale had said at the Board meeting that the plan may not be signed but that there would probably be a letter acknowledging receipt of the plan and the SFC's agreement.

Action: Keith Fulton would pursue this with the SFC. It was also agreed that there needed to be clear communication with staff about the VS scheme.

8.1.4 Paul O'Donnell felt that these issues now needed to be externalised and that NCL cannot continue to try to deal with these within the college. He asked if the unions could not support NCL with the SFC. The committee was informed that Iain Clark is now meeting with the unions on a regular basis to inform them of the financial position and this was welcomed by Moira Jarvie who reiterated the importance of communication with staff.

8.2 Progress on 2017-18 Consolidated Accounts. Iain Clark informed the committee that Mazars had audited SLC and that the auditors were currently working through consolidated documentation and

that there was an open and transparent approach. Papers were due to be sent to the Audit Committee on the 28th November 2018. He informed the committee that Mazars had queried the additional section on regional benefits that had been included this year following discussion with Mazars and Linda McTavish.

Action: After discussion, the committee felt that this section should remain and Iain Clark would follow this up with Mazars.

9. Update on the NCL Catering Contract

9.1 Iain Clark presented the catering report as prepared by the Catering Service to the committee as follows:

The catering service is showing a surplus and a larger surplus than projected. Service improvements are ongoing with improved collaborative working with the Service Industries and Supported Learning Faculties. The main issue remains the level of absence including long term sickness. At the last meeting of the committee more detail was requested regarding the absences and to assist with this request HR have presented the following information:

- Data collected by APSE performance networks across more than 50 authorities shows an average absence rate of **4.65%** in catering services
- The College absence rate is **3.5%**
- The College catering absence rate for the period from 01/08/18 to 30/09/18 is **8.9%**

The level of absence is a clear concern for the committee. There is regular contact with the HR department to help to resolve the issues and Moira Jarvie is working with staff as agreed at the last meeting of the committee.

Action: The committee will continue to monitor the absence rate. Iain Clark, Kenneth Anderson and Keith Fulton will meet with the management team. The team will be asked to come to the next committee meeting on the 4th March 2019. The future reports to the committee will be in categories and not by job titles.

10. Progress and Review NCL Business Scenario Plan

The committee noted the paper which set out the responsibilities and arrangements for monitoring the business plan.

Action: There will be a standing report on the Finance Committee agenda as there will be on the other committees and on the Board agenda.

11. Approval of publication of committee papers from this meeting

The committee approved the publication as follows:

The agenda

The minute of the 10th September 2018

A link to the SLC web site for Item 7

12. AOB

Stewart McKillop asked for it to be minuted that Andy Kerr had asked about the discussions at the Employers Association re the SFC wanting to reallocate funds on the basis of updated staffing complements. The committee was informed that this would also impact on NCL because of the loss of the prisons contract and an in year recovery would impact on the business plan. There is also the issue of the impact on colleges that harmonised on merger and who are not being funded for this whilst others who did not are now being funded to harmonise. Keith Fulton and the chairs of other more disadvantaged regions have requested a meeting with Alex Linkston and he will copy a letter regarding this to Stewart McKillop.

Action: It was agreed that the Lanarkshire region will vigorously oppose an in year claw back.

13. Date of the next meeting: The date for the next meeting is the 4th March in the Boardroom at the Coatbridge Campus.