

Item 4.2 FC 2/03/2020

Approved Minute - Finance Committee

6pm 9th December 2019 – Boardroom Cumbernauld Campus

Present: Kenneth Anderson, Paula Blackadder, Moira Jarvie, Christopher Moore.

In Attendance: Ann Baxter, Iain Clark, Keith Fulton, Ruth Holland (Mazars), Keith McAllister, Diane McGill, Stewart McKillop, Penny Neish, Lucy Nutley (Mazars), Ronnie Smith.

1. Chair's Welcome

Kenneth Anderson welcomed everyone to this special meeting of the Finance Committee which was meeting primarily to consider the Regional Financial Statements Year ended 31st July 2019. He noted, however, that the NCL Procurement Report, Procurement Strategy and Modern Slavery Statement would also come to this meeting on an annual basis. He warmly welcomed Paula Blackadder to her first Finance Committee meeting.

2. Apologies

There were apologies from Matthew O'Hare and the committee was informed that he has spoken to the Chair of the Board and has resigned from the committee due to work commitments.

3. Declaration of Interest

Moira Jarvie and Kenneth Anderson both intimated that they would have to update their Register of Interests but there was no specific interest for this meeting.

4. RSB 2018-19 Consolidated Accounts

4.1 Draft Annual Audit Report Year Ended 31st July 2019

4.1.1 Lucy Nutley informed the committee that there had been a short meeting before the Audit and Risk Committee and a number of suggested amendments had been made to the draft report. The auditors would make a number of changes and an amended copy would be sent to the Board Secretary on Tuesday 10th December 2019.

4.1.2 There is an unqualified opinion on the financial statement, on regularity and on other requirements prescribed by the Auditor General for Scotland – namely that the remuneration, performance report and governance statement have been properly prepared in accordance with the relevant legislation.

4.1.3 The conclusion against each of the four wider scope dimensions is as follows:

- The Lanarkshire Board has arrangements in place, including budgetary control, that help the Board members scrutinise finances. Currently, consolidated regional financial information is not available to Board members during the year;

- The Lanarkshire Board has adequate financial planning arrangements in place and results from the first year of the Business Plan are encouraging. However, financial sustainability concerns, initially raised in 2017, remain;
- New College Lanarkshire has governance arrangements in place that provide appropriate scrutiny of decisions made by the Board. We consider that regional governance arrangements, while meeting the requirements of the Lanarkshire Colleges Order have scope to become more efficient; and
- The Lanarkshire Board has an effective performance management framework in place that supports progress towards the achievement of value for money.

4.1.4 She thanked Iain Clark and his team for all their efforts to get to where we are now in difficult circumstances with the resignation of the Financial Controller earlier in the year and the time to recruit to that post and then two illnesses of key staff during the audit process. Ronnie Smith apologised to the Chair of the committee for the issue of the papers to the committee being delayed by two days but noted the particular circumstances this time round. Kenneth Anderson also acknowledged the additional pressure of producing consolidated accounts. Iain Clark gave assurance that the responsibilities to the Finance Committee are taken very seriously and that this year had been a very difficult one due to the circumstances highlighted.

4.2 Regional Financial Statements Year Ended 31st July 2019

4.2.1 Iain Clark thanked Mazars and SLC for their contributions to the consolidated accounts. He highlighted the following:

- The Consolidated Statement of Comprehensive Income and Expenditure is at P 47 and shows a Regional deficit of £625K. However, **the key metric for the SFC and Audit Scotland is on Page 18 which shows an Underlying Operating Surplus Position of £375k (0.7% of expenditure) for NCL and £1,494k (2.0% of expenditure) for the Region.**
- The statement at P 47 shows an actuarial loss of £ 7,481 K in respect of pension schemes.
- The Consolidated Balance Sheet is at P 49 of the statements and this is healthy showing £31,341K of net assets including the pension liability and the same figure for Total Reserves.
- The Consolidated Statement of Cash Flows at P50 shows an increase in cash and cash equivalents in the year of £3,541K
- There is an explanation of the McCloud ruling at P 76 in Note 24 about the pension schemes and this sets out that the revised estimate of the increased liabilities for NCL of £906K and £227k for SLC.

4.2.2 He commented that the accounts were positive for this year but that the position was looking very tight for future years principally due to the National Bargaining settlement and unfunded future Cost of Living increases. Stewart McKillop asked that the point that SLC had asked for further disaggregation of some information be noted.

Decision: After discussion, the committee recommended the Regional Financial Statements for approval to the Board and noted that the Audit and Risk Committee was recommending the external auditors Annual Audit Report to the Board for approval.

Note : The external auditors left the meeting at this point.

5. Annual Procurement Report

5.1 The Executive summary sets out the requirement for any public organisation with an annual regulated spend of £5 million or more to develop a Procurement Strategy and then to review it annually.

5.2 NCL has over 725 active suppliers with whom the college did business in the reporting period and the total procurement expenditure excluding VAT was £9,487,336.

5.3 The college has been optimising use of national, sectoral, local or regional C1 collaborative contracts and frameworks. As well as bringing leverage based savings, the burdens of risk, contract and supplier management are shared and the number of resource intensive formal local tenders that need to take place is reduced significantly.

5.4 There was discussion around aspects of the report, relating to community benefit, benefits of working with local suppliers and how it fitted with the procurement strategy.

Action: The Committee noted the report and asked that update report on procurement to be brought to the June meeting of the Finance Committee.

6. Procurement Strategy

6.1 The committee was informed that the Procurement Strategy had been updated and aligned with the ROA and the Regional Strategy.

Decision: The Finance Committee recommended the Procurement Strategy to the Board for approval.

7. Modern Slavery Report

7.1 The Finance Committee was informed that a Modern Slavery Statement is a Home Office requirement and that this had in previous years been adopted by SLC to form a regional statement. Stewart McKillop confirmed that SLC was supportive of the statement. The committee asked for the sentence beginning "Preliminary work is under way" to be moved to the section on What we are doing now.

Decision: The Finance Committee recommended the Modern Slavery Statement to the Board for approval subject to the change noted. The statement will also be put to the AMCOL Board.

8. Head of Finance Report to the RSB

8.1 SLC Finance Committee Minute 4th Nov 2019

Keith McAllister update the Lanarkshire Board Finance Committee as follows:

- The minutes of the meeting of 4th November 2019 are attached for information.
- Audited Financial Statements for the 12 months to 31 July 2019: The audited Financial Statements were reviewed by the SLC Finance and Resources Committee on 4th November

2019 and approved by the SLC Board of Management on 26th November 2019. These have been signed by the external auditors.

8.2 SLC Accounts to July 31st 2019

The Lanarkshire Board Finance Committee noted the minute of the SLC Finance Committee of the 4th November 2019 which gave details of the SLC statements.

Action: The Lanarkshire Board Finance Committee noted the minute of the SLC meeting.

8.3 SLC FFR

8.3.1 Keith McAllister updated the Lanarkshire Board Finance Committee as follows:

Following review by SFC, the College updated its 5-year FFR. This was reviewed and recommended for approval by the SLC Finance and Resources Committee on 4th November and approved by the SLC Board of Management on 26th November 2019. Papers attached for information are:

- Updated FFR
- Commentary to the updated FFR supplied to the Board of Management
- Scenario planning document requested by SFC

Action: The Lanarkshire Board Finance Committee noted the updated FFR submission and that this would also be presented to the Lanarkshire Board at its meeting on the 16th December 2019.

9. AOB

9.1 Iain Clark presented the alternative scenario to the FFR which the SFC had requested from NCL to show the impact of zero funding support for voluntary severance. The initial FFR has fully funded severance over the length of the Business Plan. The SFC are “stress testing” the sector in relation to funding requirements. This paper will go to the Board at its meeting on the 16th December 2019.

Action: The Finance Committee noted that this scenario puts the underlying operating position into increasing deficit over the next 5 years and that under this scenario any VS would have to be under statutory terms. The Chair expressed his concerns about this and that the Business Plan had been agreed with the SFC on the basis of their support for the VS elements in built into the plan. He would raise this at the Board Meeting.

10. Date of Next Meeting

The date for the next meeting is Monday 2nd March 2020 at 5pm in the Boardroom at the Cumbernauld Campus.