



Item 5.1 LB 23/03/2020

## Approved Minute

The Lanarkshire Board 16<sup>th</sup> December 2019

10.30 am Boardroom Motherwell Campus

**Present from the Lanarkshire Board:** Ronnie Smith (Chair), Kenny Anderson, Paula Blackadder, Jean Carratt, Dianne Dixon, Yvonne Finlayson, Rose Harkness, Moira Jarvie, Andy Kerr, Michael McGlynn, Stewart McKillop, Ryan McRobert, Christopher Moore, Barbara Philliben, Elizabeth Newlands (SLC Student Vice President), Alatair Rennie, Dave Winning.

**In Attendance:** Angus Allan (Depute Principal SLC), Ann Baxter (acting Vice Principal – NCL), Iain Clark (Vice Principal -NCL), Brian Gilchrist, Ruth Holland (Mazars), Carolyn Laird (Assistant Principal – NCL), Diane McGill (Board Secretary -The Lanarkshire Board), Keith McAllister (Head of Finance SLC), Penny Neish (Assistant to the Chair of the Lanarkshire Board, Jason Quinn (Assistant Principal-NCL).

**Observer:** Connor Mooney attended as a member of the Board's new mentoring programme.

### 1. Chair's Welcome

1.1 Ronnie Smith welcomed everyone to this meeting of the Board and new Board Members to their first Board meeting. He also welcomed Connor Mooney who is participating in the Board's new mentoring programme as an observer.

### 2. Apologies

2.1 There were apologies from Board Members as follows: John Elliott, Lorraine Cowan, Keith Fulton, Matthew O'Hare and Calum Smith. There was also an apology from Linda McLeod (SFC).

### 3. Declaration of Interest

3.1 There were no declarations of interest.

### 4. NCL Committee Minutes and Reports

**Note:** The Chairs of the Lanarkshire Board committees decided at the Chairs' meeting on the 8<sup>th</sup> February 2016 to report by exception in their report to the Board and where there was a recommendation to the Board the committee chair would ensure that there was sufficient information for the Board to make its decision.

**4.1. Chairs Committee 29<sup>th</sup> October 2019:** no points were raised from the Chairs' Committee minute.

**4.2. CSAO Committee Minute 18<sup>th</sup> November 2019:** the Board noted the key performance indicators discussion at 11.1 of the minute and that NCL's performance was definitely improving with a big drop in early withdrawals. Further improvement is also anticipated as a result of changes that have been implemented.

**4.3 Audit and Risk Committee 9<sup>th</sup> December 2019:** Yvonne Finlayson thanked the auditors for the work they had done following the meeting on aspects of their Annual Report. The recommendation to the Board to approve the annual accounts is at Item 5 on the Board's agenda.

**4.4 RGP Committee 9<sup>th</sup> September 2019:** there were no issues raised on this minute.

#### **4.5. Finance Committee**

**4.5.1 Finance Committee Meeting 18<sup>th</sup> November 2019:** there were no issues raised on this minute.

**4.5.1 Finance Committee Meeting 9<sup>th</sup> December 2019:** Kenneth Anderson highlighted the following from the minute.

- Procurement Strategy – there had been a good discussion at the meeting and updates will be brought to the June meeting of the committee. The Finance Committee recommends the report to the Board for approval.
- The Modern Slavery Statement will come to the Finance Committee on an annual basis. The Finance Committee is recommending the statement to the Board for approval.
- Kenneth Anderson raised the issue at Item 9 of the minute. The Board was asked to note the position. One aspect of the Business Plan is meeting regularly with the Scottish Funding Council (SFC) and this would be flagged up at a meeting that had been arranged with the SFC. Board Members reinforced that the Business Plan was predicated on receiving funds for voluntary severance and this had been agreed with the SFC. There would be major implications if this commitment from the SFC was not met. The Chair of the Board highlighted the effort that had gone into the Business Plan and he would raise this with the SFC and keep the Board informed of developments. Item 9 is as follows:

#### **Finance Committee meeting 9<sup>th</sup> December 2019**

**Item 9.** 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 16<sup>th</sup> 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.*

**Decision:** *The Board approved the Procurement Strategy and the Modern Slavery Statement and noted the position set out in Item 9 of the Finance Committee minute of the 9<sup>th</sup> December 2019. Iain Clark would send an accompanying letter with the FFR to the SFC. The Board noted the revised SLC FFR at Item 8.3.1 of the Finance Committee Minute of the 9<sup>th</sup> December 2019.*

#### **5. Audit and Finance Committee Recommendations and Board Approval of the 2018 -19 Consolidated Accounts.**

The Board considered the Annual Audit Report which has unqualified opinions and the Regional Financial Statements. Key points from the Regional Financial Statements and Annual Audit Report are set out in the minute from the Audit and Risk Committee at Item 8 and the Finance Committee Minute of the 9<sup>th</sup> December 2019 at Items 4.1 and 4.2 and extracts of these items from the minutes are appended to this minute for ease of reference.

**Decision: The Board approved the Annual Accounts and the Regional Financial Statements for 2018-19.**

## **6. Board Minutes**

### **6.1 Minute of the Lanarkshire Board 7<sup>th</sup> October 2019**

The Board approved the minute.

### **6.2 Matters Arising**

There were no matters arising.

### **6.3 SLC Board Minute**

The Board noted the minute

## **7. Student Association Reports**

Ann Baxter presented the NCL student association report and Elizabeth Newlands the SLC Student President presented the SLC student report. Both reports are published in the Board Section of the NCL website. The Chair thanked both for the student associations reports and the Board noted the range of activity undertaken.

## **8. Staff Members Update**

**8.1 NCL Update:** Moira Jarvie informed the Board that the job evaluation process was near the end. There has also been movement on NCL policies such as the whistleblowing policy and family friendly policy and the unions have been involved. The Chair thanked her for her report.

## **9. Chairs Report**

**9.1 NCL Awards and Achievements:** Christopher Moore updated the Board about the World Skills event. NCL has been named best in the UK for skills provision with students achieving 4 gold, 4 silver, 6 bronze and 3 highly commended awards at the "skills Olympics" with 119 different organisations attending. He was going to hold a celebratory lunch on the 15<sup>th</sup> January 2020 and was delighted to invite Board Members to this lunch as well. The Chair congratulated students and staff for a great achievement and noted that German competitors met with Angela Merkel which reflected the profile that this event has in Germany.

**9.2 National Committees:** The Chair reported that he was now on the Colleges Scotland Board and attending CDN and Colleges Scotland meetings and would report on these to future meetings of the Board.

**9.3 Update from the Employers Association:** It was reported that the next round of pay discussions was up coming. The EIS and UNISON had been invited to meet with the Employers Association and there was now a working group on GTS registration.

**9.4 SFC Self Evaluation of the RSB:** This report had not been received yet by the RSB. It is due to go to the SFC Board on the 30<sup>th</sup> January 2020. The Board will receive a copy when it is available.

**9.5 Review of the RSB:** The review is a starting point for a discussion with the SFC and would be sent to the SFC with a covering letter from the Chair which would include a request for a meeting with the Chief Executive of the SFC. There will be further reports to the Board.

**9.6 Board Strategy Day:** The Chair said that the timing for the strategy day would be after the new Principal of SLC - Aileen McKechnie - is in post. He also wanted to hold a Lanarkshire summit in the summer with key partners such as the local authorities to engage a conversation about the economy of the Lanarkshire Region. Andy Kerr said that he welcomed this but there would need to be a working group to drive this and ensure a quality delivery. Michael McGlynn informed the Board that the city region economic strategy was about to be launched and the Lanarkshire Region was part of this.

## **10. Regional College Business**

### **10.1 Monitoring Arrangements and Reporting – NCL Business Plan.**

The Board was informed that

- There would be a meeting with the SFC on the 28<sup>th</sup> January 2020. There has been a welcome improvement in retention rates as noted at 4.2 above.
- The Chairs Group would consider the format of this report for future committee and Board meetings.

The Board noted the report.

## **11. Assigned College Business**

### **11. SLC Report to the Board.**

Andy Kerr highlighted the following:

- There had been positive feedback from the HMIE visits
- SLC is the top performing college in Scotland based on the latest performance indicators
- The SLC constitution has been agreed by its Board and encompasses the points raised by Keith Fulton
- The SLC FFR has been amended and approved by the SLC Board
- Two Board Members have stepped down and there will need to be recruitment to the Board, Stewart McKillop will retire at the end of February and Aileen McKechnie takes up post from the 2<sup>nd</sup> March 2020.
- Christopher Moore and the NCL executive team have spent time at SLC and the agenda for the staff development day has been shared with SLC.
- SLC is the only college to have IIP Platinum status.

The Board noted this report.

## **12. Approval of Publication of Papers**

**The Board agreed to the publication of the following papers from this meeting:**

The agenda

Item 5.1 The Minute of the Lanarkshire Board of the 7<sup>th</sup> October 2019

Item 5.2 The Minute of the SLC Board of 15<sup>th</sup> September 2019 which is published on the SLC website



Item 7.1	The NCL Student Association Report
Item 7.2	The SLC Student Association Report and Newsletter
Item 9.1	NCL Awards and Achievements
Item 10	NCL Business Plan

**13. Written Procedure** – the Board Secretary reported on the recent written procedure to approve the appointment of the new SLC Principal and the Board noted the report.

**14. AOB:** Christopher Moore thanked the senior team at SLC for their support and for hosting the recent visits from the NCL senior team.

**15. Date of the Next Meeting: The date of the next meeting**

The next meeting of the Lanarkshire Board will be at 5pm in the Boardroom at South Lanarkshire College.

## **Appendix 1 Extracts from the Audit and Risk Committee and Finance Committee Minutes of the 9<sup>th</sup> December 2019**

### **Extract from the Audit and Risk Committee 9<sup>th</sup> December 2019**

#### **8. RSB Consolidated Accounts**

##### **8.1 Regional Financial Statements Year Ended 31<sup>st</sup> July 2019**

**8.1.1** Iain Clark thanked Mazars and SLC for their contributions to the consolidated accounts. It had been a difficult year due to a resignation of a key member of staff and the time to recruit to that post, and then significant staff absence of senior Finance Staff during the audit period. He underlined the fact that the responsibility to the A&R committee was taken very seriously. 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.**
- 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.

**8.1.2** Stewart McKillop highlighted the fact that there were disaggregated elements in the consolidated accounts – estates are owned separately and staff are separated - so why are the Pl's amalgamated. He asked that the point that SLC had asked for further disaggregation of some information be noted.

##### **8.2 Annual Audit Report Year Ended 31<sup>st</sup> July 2019**

**8.2.1** 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 10<sup>th</sup> December 2019.

**8.2.2** 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.

**8.2.3** 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.

**8.2.4** She confirmed that the accounts would be signed by Martin McGuire and Keith Fulton.

**8.2.5** 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 absences 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.

**8.2.6** Iain Clark responded to a question from Ryan McRobert about the McCloud ruling. There is an explanation of the McCloud ruling at P 76 in Note 24 in the Regional Financial Statements and this sets out the impact on the pension schemes and that the revised estimate of the increased liabilities for NCL of £906K and £227k for SLC. He emphasised that the college has no control of this area and it is a valuation by the actuaries.

***Decision: Following this discussion, the A and R Committee recommended the Annual Audit Report Year ended 31<sup>st</sup> July 2019 to the Board for approval.***

#### **Extract from Finance Committee 9<sup>th</sup> December 2020**

#### **4. RSB 2018-19 Consolidated Accounts**

##### **4.1 Draft Annual Audit Report Year Ended 31<sup>st</sup> 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 10<sup>th</sup> 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 31<sup>st</sup> 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.***