

**South Lanarkshire College
Finance and Resources Committee (Board of Management)
Held on 4th September 2019**

Present Andy Kerr (Chair)
 Clare Gibb (by telephone)
 Tricia Donnelly
 Stewart McKillop

In Attendance Keith McAllister
 Angus Allan
 Angela Martin

Apologies Stuart Dillett

1. Declarations of Members' Interests

Mr Kerr and Mr McKillop declared their membership of The Lanarkshire Board.

2. Minutes of the Previous Meeting

The Minutes of the meeting held on 29th April 2019 had previously been agreed by the Board of Management.

3. Finance Manager's Report

Members noted that a number of questions had been raised in writing by Ms Gibb and Mr Dillett and these had been answered and copies of both passed to all Committee members.

The main purpose of the report was to present the College's management forecast for the 12 months to July 2019 and 5-year budget to year 2023/24. It also presented updated reports on Procurement and Estates.

Management Forecast – 12 months to July 2019

The Management Forecast shows a projected surplus for the 12 months of £109K, this is marginally higher than budget.

Mr McAllister took members through the commentary. Detailed discussion took place regarding the forecast management figure and the audited financial statements. Members stressed the importance of these figures being considered in parallel with a reconciliation between management forecasts and finalised accounts. Mr McAllister stated that he would produce commentary that fully reconciled these two sets of figures.

With the added complication of Consolidated Accounts for the Region, it was especially important that the College continued to produce clear and auditable figures. Members were informed that it was hopeful that in due course both colleges would produce a set of accounts which are college-specific in addition to the Consolidated Accounts for the Region.

Discussion then ensued on the constant monitoring of the cashflow and the importance of maintaining working capital to the College.

Members attention was drawn to the commentary on Payroll. Harmonisation of lecturing staff is now complete, and the cost of living increase has been implemented. There is a Job Evaluation Scheme for the support staff being introduced to harmonise salary levels across the country and although this should have been implemented as at September 2018, this will now not take effect until 2019/20 with appropriate backdated payments which have been incorporated into the forecast. Discussion took place on meeting the cost of these initiatives should these not be met through central, ring-fenced funding, Mr McAllister stated that should the College be required to meet this cost then it would involve the reshaping of resources.

The Principal added that the College had over-traded by around 800 credits and this may amount to additional funding in the region of £96K, although this was still to be confirmed. It is likely that New College Lanarkshire will not quite meet their credit target.

Mr McAllister stated that, as in previous years, no assumption other than Budget had been made re Pension Provision. Members sought clarification on the demographic of the College and the impact that this might have in the future. The Principal gave an update on the present position.

Members then agreed the Management Forecast for 12 months to July 2019.

Accounting for Backlog Maintenance – Year ending 31st July 2019

The College received £1,375K in respect of Backlog Maintenance Grant. Members noted the detail of the paper explaining the use of these monies across the College.

Draft Budget for the 12 months to July 2020

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.

Members were updated on the scenario planning already in place to address these implications.

The Committee then recommended draft Budget for the 12 months to July 2020 for approval to the Board of Management.

Draft Forecast for the 5 years to July 2024

Mr McAllister drew members' attention to the draft forecast for the 5 years. He added that a full commentary and the Funding Council's template would be presented to the Board of Management.

Throughout the period, the College is again forecasting a balanced budget, but this is heavily caveated by the implications of national bargaining of which the College has no control and the impact of EU funding withdrawal.

Account has been taken of the Funding Council's guidance on activity level and, in particular, the end of ESF activity in 2021/22. The Funding Council is revisiting the allocation of activity and the College made the assumption that there will be a decrease in activity levels of 3.1% in 2022/23. There is however also a plan to increase the value of a credit which will result in a decrease in sector income of 1.9%.

The forecast assumes that EU-supported funding will be replaced by the Funding Council. With this amounting to over £1.3 million per annum to the College, the implications of this not being replaced have to be seen as a substantial risk to the College. The Committee discussed the implications of this on both income and staffing.

Modest decreases 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 shown are seen to be realistic, given the level of current alternative income activity. The Principal elaborated on the impact of the withdrawal of ESF income. He stated that although it amounted to £1.3 million of income, this should be seen in the context of a total income of £18 million for the College. The added complication was the knock on effect to the College from other organisations with whom the College work who are also reliant on European Funding.

Members agreed that many scenarios existed and that the College would continue to plan as best possible to face them.

Discussion then took place in regard to the value of the credit and the hoped standardisation of this which should benefit the College.

The Committee then recommended the draft forecast for the period 2023/24 to the Board of Management.

Financial Forecast Return (FFR)

Mr McAllister stated that this paper would be drawn up for the Board meeting on 17th September 2019. Ms Gibb asked that members of the Finance and Resources Committee have sight of it prior to this and Mr McAllister agreed to arrange.

Estates Report

This report is drawn up by the Head of Facilities. Members agreed that this report had greatly improved and welcomed the information on monitoring service level agreements and giving comparison to previous periods.

Procurement Update

The report had been distributed with the papers, outlining the contracts agreed by the College since the Committee last met.

Discussion took place in regard to the processes in place. Members were informed that an external audit had taken place and had come back as a clean audit with no recommendations for action.

The College's procurement officer had also produced an annual report, which the Committee reviewed. It was noted that whilst the College was not obliged to prepare this report, it did so as a demonstration of good practice.

Members expressed their approval for the preparation of an annual report and wished this practice to continue.

Fraud

Members had been informed of an instance of fraud in February 2019. This was reported to police and the incident was also reported to the Region and to College's external auditors and Audit Scotland as per current guidance. Details of the incident were discussed.

Mr Allan informed members of the processes for prevention in place and the work that had been done to re-emphasise the procedures to all College staff.

Members noted the incident and the actions taken.

4. Approval of Publication of Papers

The Committee approved the publication of all papers marked 'for publishing' by the reporting officers.

5. Any Other Competent Business

Principal Accounting Policies - Mr McAllister asked the Committee to note that no changes were proposed for the 2018/19 financial year. Members asked that the paper be circulated for their reviewed prior to the Board meeting.

Membership of Committee – Mr Kerr informed members that Ms Johnston would be a member of the Audit Committee from the next meeting in November 2019. This information had been given to the Audit Committee and agreed by Ms Johnston.

There being no further competent business the Chair closed the meeting by thanking everyone for their attendance.