

South Lanarkshire College

Finance and Resources Committee of the Board of Management

**Meeting to be held on Monday 6th November 2017
at 17.30 hours in the Boardroom
(Chair of Audit Committee to attend)**

AGENDA

1. Apologies.
2. Declaration of Members' Interests.
3. Minutes of Previous Meeting 6 Sept. 2017
4. Matters Arising
5. **Draft Audited Financial Statements
for 12 months to July 2017** (Appendix 1)
*Committee to review in conjunction with the recommendation of the
Audit Committee. Finance Committee to recommend approval of the
Financial Statements by the Board of Management.*
6. **Draft Annual Report of the External
Auditors to the Board of Management
and the Auditor General for Scotland** (Appendix 2)
*Note that the draft of the report of the external auditors being
provided to the Audit Committee has been attached for the information
of members of the Finance Committee.*
7. **Management Accounts -
Quarter to Oct 2017 and Year to July 2018** (Appendix 3)
Committee to review and note
8. **Quarterly Resource Return (QRR) October 2017** (Appendix 4)
Committee to review and note
9. **Report on Estates and Facilities** (Appendix 5)
Committee to review and note
10. **Report on Procurement** (Appendix 6)
Committee to review and note
10. AOCB

South Lanarkshire College
Finance and Resources Committee (Board of Management)
Held on 6th November 2017

Present John Gallacher
Clare Gibb
Stuart Dillett (by phone)
Stewart McKillop

Robert Ralston (Chair of the Audit Committee)

In attendance Keith McAllister
Angela Martin

Lucy Nutley, Messrs Mazars (external audit)

Apologies Angus All

1. Declarations of Members' Interests

No declarations were received.

2. Minutes of the Previous Meeting

The minutes of the meeting held on 6th September 2017 had previously been approved by the Board of Management.

3. Finance Manager's Report

Mr McAllister stated the main purpose of the report was to present the College's Audited Financial Statements for the 12 months to 31st July 2017, the management accounts for the quarter to October 2017 and the management forecast for the year to July 2018.

The Audit Committee met directly prior to this Committee meeting and had considered the draft Annual Report of the External Auditors to the Board of Management and the Auditor General for Scotland and also had before them a copy of the draft audited financial statements.

The Audit Committee had at this meeting accepted the report of the external auditors allowing the Finance and Resources Committee to consider the financial statements for recommendation to the Board of Management for approval.

Draft Audited Financial Statements for the year ended 31st July 2017

Mr McAllister directed members to the Statement of Comprehensive Income and Expenditure (p.33) and the indicated surplus of £15K for year ended 31st July 2017. The Principal stressed the importance of the College reporting a balanced budget performance.

Discussion took place regarding the increase in staffing costs and the meeting of these costs in light of the pay awards being agreed through national bargaining. Members enquired as to the financial risk to the organisation. The Principal stated that the Scottish Government had made a commitment to fund the increases in lecturing costs over a two-year period, although it was not

entirely clear whether this would cover all national bargaining increases. He added that after that two-year period, it would be the College's responsibility to address this.

Performance Report (p.8 and 9)

Members noted that the College had met its performance targets and had indeed done so for the last seven years. The Principal highlighted that at present the College was 4000 credits ahead of target. Discussion took place in regard to the expansion of the College at a time when many others are contracting. It was noted that the College maintained high attainment rates and that measures were in place to ensure that the quality of provision was maintained.

Members' attention was drawn to the content of note 26 – Central Government Accounting and that some narrative would be added to this area for clarification, as requested by the Auditor.

Discussion then took place regarding note 27 – Summary of Bursary and Other Student Support Funds. Mr McAllister highlighted that the College receives almost £4M each year in student support funds and careful management had resulted in a minor underspend which would be returned to SFC. He stressed the importance of not overspending in this area as it would result in a direct cost to the College.

Mr McAllister asked members to note that there would be minor changes to the financial statements, some of which had been included in a separate page entitled "Review of Annual report and accounts" which members had been issued with. These changes, however, were largely presentational and there would be no changes to the figures contained in the statements.

Members then recommended the Financial Statements to the Board of Management for approval.

Principal Accounting Policies

Mr McAllister confirmed that no changes had been applied to the Principal Accounting Policies during the year. **Members noted the document and recommended the content to the Board of Management for approval.**

Annual Audit Report to the Board of Management and the Auditor General for Scotland – for the year ended 31st July 2017

Ms Nutley informed the Committee that this would now go to the Auditor General with the College Accounts. Members noted.

Management Forecast – 3 months to October 2017 and the year to July 2018

Mr McAllister stated that the Management Accounts show a projected surplus for the year to July 2017 of £33K which is marginally higher than budget. This is healthier than this time last year.

Members noted that the effects of national collective bargaining and that the effect for the current financial year had still not been established. The awards of all staff had not yet been agreed and Mr McAllister stressed that any forecast would have to contain the proviso that settlements may result in an increase in salary costs. It was also stressed it has not been clarified to what extent the Funding Council would be meeting additional award costs.

The Principal stated that the cashflow would continue to be challenging but he was confident that the College's long-term objective of not having to use the overdraft facility would be achievable in the medium term.

John Mather Trust – explanation was given of this fund awarded to the College. Members noted and welcomed these monies and the benefits to the students.

Members agreed that subject to the minor changes the Management Forecast should be forwarded to the Board of Management for approval. An updated copy would be forwarded to members and to Mr Ralston, Chair of Audit in advance.

Return in Public Sector Format showing the Funds received from Scottish Funding Council in the half year to September 2017

Members noted the content of the reports, Resource Budget Control – College Quarter Resource from 1st April to 30th September 2017, Annual Budget Return to 31st March 2018 and Cash to RDEL Reconciliation for the Financial Year to 31st March 2018. Discussion took place regarding the double handling of reports to satisfy the needs of external bodies.

4. Estates Report

Members noted the content of the report. Discussion took place around the allocating of this report to the Finance and Resources Committee and the need to improve the content and formatting of the report. In particular, members wished to be kept informed of efficiencies/savings being made.

It was agreed that Ms Gibb would meet with the Principal to take forward the changes to this report.

5. Procurement Report

Mr McAllister stated that Scottish Public Procurement is governed by a legal framework which stems from the European Procurement Directives. He added that at present South Lanarkshire College did not have full procedures and processes in place to ensure meeting with the legislation defined by Scottish Government but that APUC (Advanced Procurement for Universities and colleges) is providing assistance and expertise via a placement within the Finance Department.

Discussion took place in regard to the content of the report and in particular the savings being achieved through collaborative tendering. Members welcomed this and commented on the excellent information within the report.

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

SOUTH LANARKSHIRE COLLEGE

Report to: FINANCE AND RESOURCES COMMITTEE

From: Keith McAllister
Head of Finance

Date: Meeting of 6th November 2017

1 Introduction / Purpose of Report

The main purpose of this Report is to present the College's Audited Financial Statements for the 12 months to 31 July 2017 and the management accounts for the quarter to October 2017 and the management forecast for the year to July 2018.

Immediately prior to this meeting, the Audit Committee will have met. They will have considered the draft Annual Report of the External Auditors to the Board of Management. The Audit Committee also had before them a copy of the draft audited financial statements. All being well, they will have accepted the report of the external auditors, which will allow the Finance Committee to consider the financial statements and, if appropriate, recommend them to the Board of Management for approval.

The Committee is also asked to consider and approve the amended Principal Accounting Policies.

The meeting will also be presented with a draft remit of the Finance Committee for their consideration.

2 Executive Summary

2.1 Annual Financial Statements

The draft Financial Statements are attached as **Appendix 1**. The Total comprehensive income for the period (see page 33) was £205k (2016 - £218k). However, members should refer to **Appendix 3D** for a reconciliation of this figure to the Management Forecast as presented to the Finance Committee in September 2017.

Note that the draft report of the external auditors has been attached as **Appendix 2** for the information of members of the Committee.

Both of these documents have been reviewed by the Audit Committee.

Members to recommend the Financial Statements to the Board of Management for approval.

SOUTH LANARKSHIRE COLLEGE

Report to: FINANCE AND RESOURCES COMMITTEE

From: Keith McAllister
Head of Finance

Date: Meeting of 6th November 2017

2.2 Principal Accounting Policies

There have been no changes to the Principal Accounting Policies applied during the year and detailed on pages 29 to 33.

Members to recommend the Principal Accounting Policies as contained in the Financial Statements to the Board of Management for approval.

2.3 Management Forecast – 3 months to Oct. 2017 and the year to July 2018

The Management Accounts show a projected surplus for the year to July 2017 of £33k, marginally higher than Budget. **Appendix 3B** refers whilst appendix 3A contains a brief narrative on the figures.

Appendix 3D reconciles the Management Forecast as presented to the Finance Committee in September 2017 to the audited Financial Statements position.

Appendix 3E shows the balance sheet position as at October 2017 whilst the cashflow forecast document as remitted to SFC in October is attached as **Appendix 3F**. Members should note the cash deficit situation as at March 2018. Members will be aware that FE colleges will be subject to Treasury banking arrangements and, as such, should not have access to bank overdrafts. However, following representation to the Scottish Funding Council by several colleges, FE colleges will continue to have an overdraft facility. It is, of course, one of management's medium term objectives to move to a situation where this will not be necessary.

Members to review and note the Management Forecast for the year to July 2018.

2.4 Quarterly Resource Return – October 2017 (Appendix 4)

The College has to make quarterly resource returns to SFC as part of Government accounting arrangements. The latest submission is attached for information of the Committee.

Members are asked to note the contents of the Report.

SOUTH LANARKSHIRE COLLEGE

Report to: FINANCE AND RESOURCES COMMITTEE

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2.5 Report on Estates and Facilities (Appendix 5)

As will be noted in the Procurement Report, there are many estates-related contracts being reviewed and being subject to tender. This will be ongoing and increasing.

Members are asked to note the contents of the Report and review the updated Estates Strategy for onward submission to the Board.

2.6 Report on Procurement (Appendix 6)

The Report summarises activity in the area of procurement. The College was particularly pleased with the collaborative tender issued in respect of waste management. The performance of the erstwhile provider was giving cause for concern and we were confident that the cost of the service was not competitive. The new provider will save the College at least 33% of what was paid previously and potentially more.

Members are asked to note the contents of the Report and, in particular, the work being undertaken on the extension of procurement throughout the College.

South Lanarkshire College

Finance and Resources Committee of the Board of Management Estates Report

Appendix 5

November 2017

Reporting period: July 2017 to September 2017

Executive Summary

1. Sustainability
2. Planned Activities
3. Works Completed

1. Sustainability

Solar PV panels on workshop wing have produced 197 Mwh, offset 104.52 Co2 and earned £21,694 plus the incoming energy saving of £13,790 (0.07 per KWh) total saving of £35,484.00 from install in June 2013.

This is in accordance with the projected payback time.

Energy Consumption

Nov - Jan	Gas - kWh	Electricity - kWh
2015/16	473,383	610,539
2016/17	514,183	623,987
Percentage Variance	+8.5%	+2.2%

Feb - Apr	Gas - kWh	Electricity - kWh
2016	511,828	602,567
2017	537,762	628,662
Percentage Variance	+5%	+4%

May - Jul	Gas - kWh	Electricity - kWh
2016	401,218	458,727
2017	317,628	461,039
Percentage Variance	-21%	+0.5%

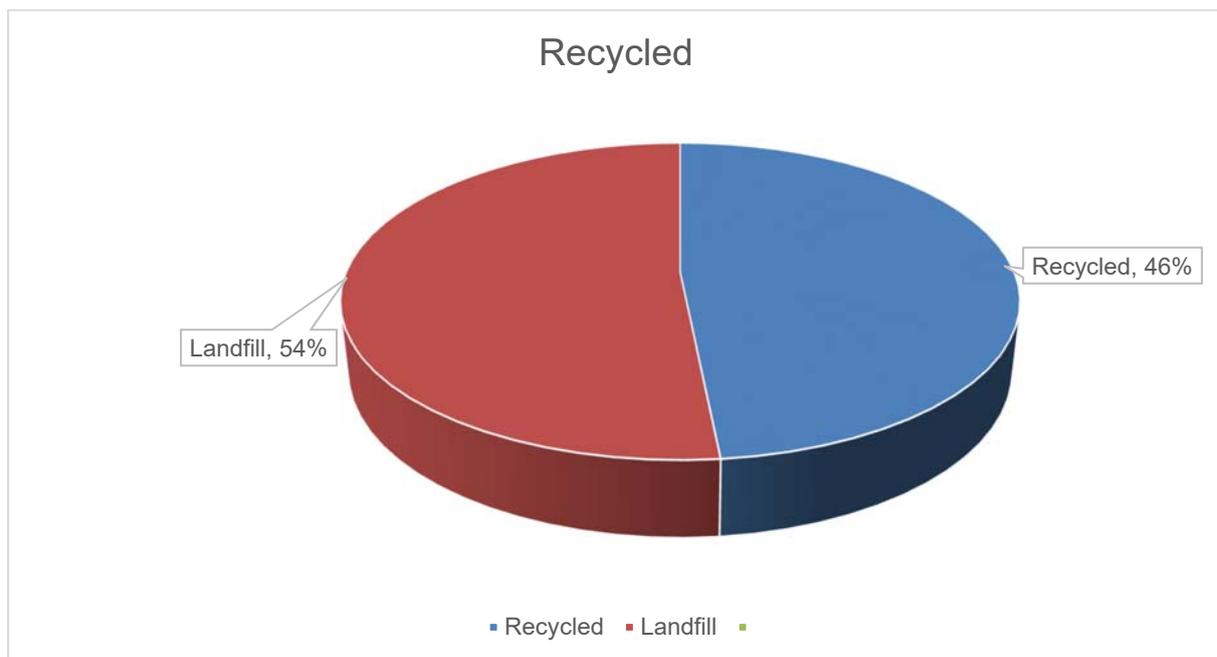
Jul - Sep	Gas - kWh	Electricity - kWh
2016	237,194	483,927
2017	280,471	493,781
Percentage Variance	+18%	+2%

Water

Cubic Metres Consumed		
Jul – Sep	Main Building	Annex
2016	2,325	6
2017	1,909	6
Percentage Variance	21.54 Increase	62.5 Decrease

Waste

Waste recycling for this quarter (May – July 2017) was 100 tonnes compared to 117 in last quarter. Recycling figures for this period are a total of 46%



Drop in recycle rate is due to contractor's method of reporting, incorporating all other waste in vehicle thus other less recycle active businesses are effecting our figures. Moving forward this will be corrected due to change in contractor

2. Planned Activities

Lab (162) issues to contractor. Expected to start mid-November for 1 week.

Mobile phones – in process of changing contract. Remain with EE via Procurement Scotland Tender process.

Security alarm, proximity card, refuge call point maintenance – Switched from Boston Networks to Connelly Security Systems, 1 yr contract.

Waste – Contract awarded to William Tracey via Procurement Scotland Tender process. Minor teething problems being ironed out.

Electricity Feed In Tariff (FIT) – Self billing by Scottishpower results in reported income.

3. Completed Activities

October works completed – refer to Annex A

Procurement Report**Overview**

Scottish Public Procurement is governed by a legal framework which stems from the European Procurement Directives. These link back to a strategy which is in place to ensure public purchases are made in a simple, fair and transparent manner and that all public spending follows the same processes and procedures.

Recently derived from the European Directives is the Procurement Reform (Scotland) Act 2014, which details legislation that must be followed.

South Lanarkshire College currently does not have full procedures and processes in place to ensure it is meeting with the legislation defined by the Scottish Government. APUC are providing assistance and expertise to ensure the appropriate processes and procedures are implemented to make certain the legislation is adhered to.

This legislation is applicable to all regulated procurements that exceed a contract value of £50K.

Below is an overview of the progress made to date. Further updates will be provided regularly over the coming months.

Contracts**Tender Process**

A tendering process is being developed that can be applied uniformly across the college. A more informal process will be applied to requirements under the £50K threshold, and a formal procedure will apply to those above the £50K threshold.

Details of this process will be contained within the Finance Regulations and Procedures document, however please see below a summary of the suggested format the process will take:

Level of Expenditure	Category of Purchase
< £5,000	Low Value Purchasing Procedure
£5,000 - £9,999	One written quotation
£10,000 - £49,000	3 Formal Quotations
=>£50,000 - £164,176 (Goods & Services)	Regulated Procurement (Reform Act)
=>£2,000,000 - £4,104,394 (Works)	Regulated Procurement (Reform Act)
=>£164,176 (Goods and Services)	EU Regulated Procurement
=>£4,104,394	EU Regulated Procurement

Procurement Report**Recent Contracts Awarded**

Requirement	Previous Supplier	Current Supplier	Award Date	Value	Estimated Annual Saving	Improved Efficiency/Benefits
Electricity	Scottish Power	EDF Energy via SP f/w	1 st November 2016	Approx £200K per annum	Approx £20K	Benefit from framework contract conditions and contract management
Gas	Total Gas	Total Gas via SP f/w	Planned to be 1 st Feb 2017	Approx £78K per annum	Approx £12k	As above
Multi-functional devices	Ricoh	Capital Solutions	October 2016	£28k per annum	Approx £7.5k	As above
Waste Management	Viridor	William Tracey	Sept 2017	£43k per annum	Approx. £20k	Service improvements which will be monitored according to new framework contract.
Mobile Phones	EE	EE	November 2017	£25k p.a.		Issues with account manager communication being escalated.

Operational Plan

The table below contains projects that will be taken forward in the next 6 to 9 months

Requirement	Current Supplier	Est Award Date	Value	Improved Efficiency/Benefits	Comments
Nursery Provision	Bertram	Nov. 2017	Currently income of £40k p.a.		Tender under Evaluation
Water Quality Management	ECG	Dec. 2017	£5k p.a.	Potential cost savings	JB to run mini-comp with CF to appoint 2 suppliers for monitoring and testing
PPE	Various	March 2018	£20k p.a.	Spend will become on contract	Lead by NCL for staff and student PPE
Water Supply	Anglian Water via Scottish Procurement framework	TBC	Approx £38K p.a.	Benefit from framework contract conditions and contract management	Contact made with Anglian water
Paper	Lyreco	March 2018	11k pa – Potential	Currently using non framework products & suppliers	Current paper is off contract and more expensive than

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Procurement Report

			24.5% saving		contracted product. A move to recycled paper is also recommended as a cost saving
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Collaborative Opportunities

As the college is an APUC member, a record of all collaborative contracts the college partake in, should be maintained. This is done using a system called Contract Uptake. APUC uses this system to generate various annual reports.

As North Lanarkshire College and South Lanarkshire College are part of the same region, it is logical that they should collaborate on procurement aspects that will be of benefit to both institutions.

Such areas of collaboration include, the tendering policy and value thresholds, the procurement strategy, and joint contracts where there are common areas of spend. The tendering policy and procedures have already been edited to reflect those similar to New College Lanarkshire, and the Procurement Strategy is underway.

Areas identified for common spend are waste management and pest management, which are planned to be tendered early 2018.

Collaborative contracts include frameworks set up by APUC, Scottish Procurement, Crown Commercial and others.

The system has been recently updated to reflect the college's current collaborative contract usage, which is still low, however the following contracts are newly awarded:

- Waste Management (collaboration with NCL)
- Taxi Services (collaboration with NCL)
- Fire Walls (Crown Commercial framework)

The following tenders are works in progress

- Water Supply (Scottish Procurement)
- Mobile Phones (Scottish Procurement)
- PPE (collaboration with NCL)
- Water Quality Management (APUC Framework)

APUC have been set a target that institutions should have 40% of their total spend as participation of collaborative contracts.

As the college works through the contract wave plan, opportunities for moving to collaborative spend should present itself.

Contract Register

As the college is an APUC member, a contract register should be maintained using the system Hunter. Legislation states that only contracts with a total spend value over £50K are required to be published publicly. This information has been updated for the college and can be

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Procurement Report

accessed via the college website; for lower contract spend, information can be accessed via Hunter.

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Procurement Report

Finance Regulations and Procedures

The Financial Regulations are currently under review and the Procurement Manual has been updated in line with recent legislation, with defined processes and procedures. The manual is currently in its first draft but following approval, should be made accessible to all college staff.

Procurement Strategy

The college is not obliged to publish a Procurement Strategy as the total annual spend for the college is below the required minimum. However, a Procurement Strategy is currently under development and a draft is currently being reviewed. This will be in line with best practice and reflect the college's regional partner, New College Lanarkshire.

Operational Procurement Review

The college is not obliged to complete a full PCIPS assessment as the total annual spend for the college is below the required minimum.

Sustainability

Part of the recent changes to legislation from Scottish Government, is the Sustainable Procurement Duty, where published tenders should consider how the local area can be benefit economically, environmentally or socially.

Sustainability should also be built into the procurement process and sustainable objectives set, which are then monitored and reported upon.

The Flexible Framework has recently been completed for the college, identifying actions within specific areas which the college will need to work towards to improve its sustainability within Procurement.

A sustainability group already exists within the college, therefore it will be considered how the issues discussed within this group can be linked back to Procurement, and a log of possible sustainable opportunities kept, which can be referred to for upcoming tender exercises.