

**South Lanarkshire College
Finance and Resources Committee (Board of Management)
Held on 1st February 2021**

Present C Gibb (Chair)
S Dillet

In Attendance A Kerr
A McKechnie
S McManus
K McAllister
L Reid

1. Apologies – P Donnelly (comments and questions submitted to Chair beforehand – highlighted in yellow).

2. Declarations of Members' Interest

Ms McKechnie and Mr Kerr declared their membership of The Lanarkshire Board.
Mr Kerr also declared his membership of the Board of the Scottish Funding Council.
Mr Dillet declared his employment with a College supplier, idverde.

3. Minutes of the Previous Meeting

The minutes of the meeting held on 2nd November 2020 had previously been agreed by the Chair of the Committee and the Board of Management.

4. Matters Arising

Following the report provided on procurement at the last meeting, Ms Gibb asked for an update on progress with improving controls in relation to contract management, suppliers, etc. **Action:** Mr McAllister agreed to present this at the next meeting. He advised that the College is supported by APUC (<https://www.apuc-scot.ac.uk/>), and that work was in train to ensure swift action in relation to improvements here; and that, going forward, all procurement would be supported by a contract or via a purchase framework agreement. **Action:** He will provide an update on progress with that to the Committee at the next meeting.

Ms Gibb noted that there was not a current Estates Strategy and Ms McManus advised that this would be addressed as a matter of priority, given the important connection between estates and curriculum development. Ms Gibb offered her assistance in this regard.

5. Head of Finance Report

K McAllister advised that the main purpose of the report was to present the College's management forecast for the 12 months to July 2021.

6. Management Forecast 2021

The forecast incorporated the latest financial information but Mr McAllister stated that he would be performing a major review for the first six months (i.e. to January 2021)

with a view to updating this year's forecast and providing a base for the forthcoming budget forecast for the period 2021/22 to 2023/24. He also asked the Committee to note that the College is to complete a Mid- Year Return for the Funding Council by the end of March. This would be presented to the Committee at its next meeting.

On the figures, he reported that commercial fee income is being adversely affected by the lockdown situation to a significant degree but that additional activity, for example, with schools and local authority provision, had gone some way to making this up. He added that activity with SDS had not been as badly affected as was initially anticipated, but this would be monitored closely on a monthly basis.

Ms Gibb referred to Ms Donnelly's written questions –

Q1. *Ms Donnelly/Ms Gibb noted that 5 months performance to date has been extrapolated to predict financial position to academic year end. The caveat being this is subject to ongoing risk assessment of the situation. I presume that the following are subject to risk assessment and ongoing monitoring: salary/ non salary/ permanent/ temp staff costs; recurring and non recurring costs and known/ anticipated liabilities ie. Reversing provisions for staff annual leave carry over; any foreseen or anticipated covid related expenses etc.*

Mr McAllister responded that all income and expenditure is subject to risk assessment and ongoing monitoring. It had been policy for the management reports for this Committee to forecast ahead to the end of the financial year bringing in risk assessment rather than concentrate on cash accounting. To do this, all available information on future income and expenditure streams is encapsulated in the forecast figures.

He asked members to note that the Funding Council had provided additional funding for capital purchases to allow the College to better deal with the implications of remote working. A summary of all the current SFC income streams had been supplied with the papers for the meeting.

He noted the importance of increased budgetary monitoring across the college in both staff and non-staff costs in supporting robust financial management.

Ms McKechnie advised that staff were encouraged to continue to take annual leave to support their own wellbeing. The college policy on carry forward was five days maximum, with prior permission from the line manager.

Q2. *Ms Donnelly/Ms Gibb noted the SFC's indicative funding announcements expected Feb/March and the Head of Finance's pragmatic approach to produce a revised budget once in receipt of funding parameters.*

Mr Kerr noted that the SFC would consider indicative allocations in early March. He asked about the College approach to accessing the new funding streams being made available (eg. Young Persons Guarantee and the National Transitions Training Fund). Ms McManus advised that there were a significant number of new initiatives now available, as outlined in the paper attached at Annex 2, and that this presented a challenge to the College, where we did not always have the capacity to respond swiftly,

recognising the need to maintain core provision. Ms McKechnie noted that the College was selecting carefully those programmes to which we were able to respond and prioritising our engagement appropriately – this would require a flex of our offer to meet these new opportunities. The work here was supported by the graduate intern, conducting research into the business reach of the College; and would require careful marketing in due course. Ms Gibb noted that all this would require careful balancing.

Q3. *Ms Donnelly/C Gibb asked about the budgetary monitoring at departmental and faculty level- has this increased monitoring enabled dynamic KPIs to be set in this regard?*

Mr McAllister reported that a new system of budgeting and budgetary reporting was in train, with individual budget holders being both accountable for income and spend in their respective areas, and also being “owners” of their budget with an element of flexibility.

On staffing changes, Ms McManus advised that a staffing group has been set up and will meet weekly. Changes to staff requirements will be put forward with an attached business case. Ms McKechnie added that this new process to support vacancy management was proportionate but required line managers to consider all options around backfill, including making a case for replacement.

Mr Dillett enquired if the College was confident with the financial projections, particularly with regard to core funding. Mr McAllister advised that a return is produced by MIS with a summary of student numbers and is presented to the College Leadership Team weekly. Latest reports, plus supporting information from Faculty heads, indicate that student activity will reach the College target, although this will be the subject of regular monitoring.

Mr Dillett asked if there was an issue attaining credits if virtual learning continues and there are withdrawals. Mr McAllister advised that withdrawals are still fully funded provided the student is still engaged at a cut off date set by the Funding Council. The risk of increased withdrawals for January starts was noted.

Ms Gibb referred to Ms Donnelly’s question/s -

Q4. *Ms Donnelly/C Gibb noted in the forecast against budget that a shortfall in core income was unlikely due to current activity levels however it was asked whether any shortfall in other income areas would be netted off against reduction associated activity costs? Noted also is the forecast for college to be in funds at end of academic year and it was to be presumed that changes to this will be identified via ongoing risk management.*

Mr McAllister replied that staffing costs were lower than anticipated although he informed members that the lower student numbers in some areas would not result in an automatic reduction in staffing numbers or costs. He also confirmed that the College did expect to have funds in hand at the end of the financial year, but that the situation

after that time was not so clear. Much would depend on the impending 2021/22 funding announcement from SFC and whether income levels remained as per forecast.

Ms Gibb questioned the budget and forecast showing a trend towards deficit; and asked whether bursaries were being utilised fully. Mr McAllister stated that the financial climate was extremely challenging and the College would find it difficult not to show a deficit this year. As regards bursary expenditure, this is ring-fenced and the College effectively distributes these funds to students on behalf of the Funding Council with no impact on either income or expenditure in the profit and loss account. There may be a requirement to return some FE bursary funding to the SFC, though the HE student support funding was already fully committed (with no scope for viring between the two funding streams). Ms McKechnie noted that the SFC had already issued an instruction for a cessation of childcare bursary, and we anticipated this for travel bursaries too. Funds would be redirected to hardship funding.

Mr Dillett asked if the College was confident regarding sustainability re the 25% reduction in non-salary expenditure and queried the £75,000 overspend on salaries. Although staffing costs might not be as variable, Mr McAllister stated that costs for student consumables and the costs of running the building were expected to be lower than anticipated. An across-the-board 25% cut in non-salary expenditure budgets was imposed in November in anticipation of the expected decrease in fee income. He added that the effect of this was still to be reviewed in terms of feasibility and that he was holding meetings with all budget holders to follow this up. The overspend on salaries was largely as a result of additional agency staffing to replace long term absence, where these posts were crucial to the running of the organisation. Ms Gibb noted that the College remains a going concern. Mr McAllister advised that we have built up some cash reserves over a period.

Ms Gibb asked about KPI monitoring process – Mr McAllister informed that work is continuing with collating statistical information re spend, salary and non-salary expenditure over the past three years to give management a robust baseline for analysis and future planning.

Mr Kerr noted the number of initiatives being introduced to improve our financial control systems and asked if this was being managed carefully. Mr McAllister advised that he had agreed a wide-ranging improvement programme with the College's Supply Chain Manager. This focussed on increased reporting to budget holders and heads of department, and on making the College's procurement arrangements more robust. There was a plan for staff development which will have an emphasis on procedures being put in place to assist budget holders with managing their own budgets and obtaining best value. Ms McKechnie noted that much of this was not about the introduction of new processes but about requiring adherence to existing procedures; and that appropriate training was being introduced to support staff in this.

Mr Kerr asked for an update on the Job Evaluation process. Ms McKechnie responded that the Job Evaluation remains a work in progress, led by Colleges Scotland. The current exclusion of the heads of support functions from the national exercise was noted.

Ms Gibb noted that the Finance Sub-Committee agreed to recommend to the Board that we retain the overdraft facility at the current level of £300,000 at an estimated annual cost of £4500.

Ms Gibb referred to Ms Donnelly's question/s -

Q5. *Ms Donnelly/C Gibb - SFC - noted re SLC data incorporated within Region report. Is it possible to note as per historical concerns that this report fails to fully illuminate /demonstrate SLC's individual performance- and in the context of Covid challenges and future regional development discussions that this feels even more relevant?*

Mr McAllister explained that there will be costs associated with the dissolution process. Ms McKechnie advised that there will be costs and savings. She added that the audited financial statements for the current financial year will be presented in a consolidated way, but that this may be the last time that this would happen. She noted that SFC remains keen to move forward with the process and is offering advice to the two Colleges on appropriate next steps. There will be future scope to highlight SLC performance.

7. Alternative Funding Opportunities

Mr McAllister asked the members to note the opportunities that are being made for the College to attract additional income.

Ms Gibb referred to Ms Donnelly's question/s -

Q6. *Ms Donnelly/C Gibb noted re proposed funds - Will submissions for both funds detail the costs, and expected I&E and approaches for deployment? Is further resource required to enable SMT to meet deadlines?*

Discussed at Q2 above.

8. Review of the Remit of the Finance Committee

Ms Gibb referred to Ms Donnelly's question/s -

Q7. *Ms Donnelly/Ms Gibb - Remit and papers. No proposed changes or comments on ToR appendix*

This is more my thoughts than a recommendation per se. Overall I feel that the style of reports and ToR/remit of committees enable Board of Management to examine operationalisation of strategy and to retrospectively review performance. Going forward it might be useful to consider the development of a reporting framework that refers to specific performance elements of budget, owners of these at SMT/ Dept/ mgt levels, along with strategic measurements defined within strategic priorities- that enable committees, SMT and BoM to easily track progress against anticipated performance.

Ms Gibb asked if the plan was to revise all Committee Remits. Ms McKechnie advised that all Committee Remits are being revised and will be presented to the Board in March.

Ms Gibb asked that the wording of responsibility under the Terms of Reference section be reviewed and clarified. **Action:** Report back if any changes necessary (KMCA).

Revised Finance & Resources Committee Terms of Reference approved by members subject to final consideration and consistency check across all Committee remits.

9. Estates Report

Ms Gibb queried the service control section regarding corporate compliance. Ms Gibb requested that there be a statement of compliance. **Action:** Mr McAllister confirmed that this would be presented to the next meeting of the Committee.

Ms Gibb asked that stock of materials and waste control purchase process to be reviewed. She noted that there should be an improved approach to stock control. **Action:** Mr McAllister agreed to provide an update on these at the next meeting.

Ms Gibb asked for confirmation that the deadline of 31st March for the SFC allocation of funding would be met. Mr McAllister responded that concerns had been raised regarding this deadline date across the sector with SFC and discussions are ongoing. The College, though, had plans in place to maximise its spend within the confines of the dates. **Action:** Mr McAllister agreed to contact SFC with the College's concerns.

Ms Gibb asked that this point be included in the Operational Risk Register. **Action:** KMCA. Ms Gibb suggested that a list of potential contract liabilities should be collated and presented to SFC.

The performance issues with idverde were noted. Ms Gibb asked, as part of our approach to good governance, that additional information should be associated with any red RAG-rated supplier contract, including a clear note of actions required as route back to green. **Action:** Mr McAllister agreed that future reports will have enhanced narrative to cover this point. Ms McManus advised that, from a governance perspective, it would not be appropriate to discuss this with Mr Dillett in attendance.

Mr McAllister advised of the work that the APUC Supply Chain Manager is carrying out in supporting an improved approach to contract management, including in relation to just-in-time ordering.

Members noted the Estates Report and agreed the value of a statement of compliance on how contracts are being delivered; and that this new approach to contract management should be visible in the new Estates Strategy. **Action:** Mr McAllister

10. Procurement Report

Mr McAllister took members through the plan of work prepared with the Supply Chain Manager. Whilst exacting, it formed the basis of a new calendar of works that would be reported upon at successive meetings of the Committee. Mr Kerr asked if the College had adequate resources to achieve what was being planned. Mr McAllister advised that other members of the Finance team were assisting and we may also seek some additional assistance from APUC. The programme would be reviewed on a weekly basis.

Ms McKechnie advised members that the College is considering an increase in procurement professional hours. She also advised that the College may seek an extension to the Internal Audit contract to provide some additional support here, including in relation to advice provision on stock/inventory control measures.

11. AOCB

Ms Gibb spoke about recent High Court judgement re claims submitted under Business Interruption insurance policies. She noted that the College had responded to the High Court judgement in terms of submitting a claim and was waiting on a formal response from its underwriters.

There being no other business, the Chair thanked members for their attendance and closed the meeting.