

**South Lanarkshire College
Finance and Resources Committee (Board of Management)
Held on 10th February 2020**

Present Clare Gibb (Chair)
Stuart Dillett
Tricia Donnelly
Andy Kerr
Stewart McKillop

In Attendance Aileen McKechnie
Keith McAllister
Angus Allan
Angela Martin

1. Declarations of Members' Interest

Mr McKillop and Mr Kerr declared their membership of The Lanarkshire Board. Mr Kerr also declared his membership of the Board of the Scottish Funding Council.

2. Minute of the Previous Meeting

The Minutes of the meeting held on 4th November 2019 had previously been agreed by the Chair of the Committee and the Board of Management.

3. Matters Arising

Audited Financial Statements for the year to 31st July 2019 – these had gone to the Board of Management in December 2019, were duly approved and would be presented to the Scottish Parliament in Spring of this year. They cannot be released for publication until this concluded.

Estates and Facilities – the works attached to the Dilapidation Fund had now been agreed and gone out to tender. All monies must be legally committed by 31st March 2020 and the College is on schedule for this to happen.

Appointment of additional Counsellors – these SFC-funded posts have now been appointed and counselling rooms are being created. This would allow many more students to access the service.

4. Finance Manager's Report

Mr McAllister stated that the main purpose of the report was to present the College's management forecast for the 12 months to July 2020 and the most recent submissions to the Funding Council.

Management Forecast – 12 months to July 2020

The Management Forecast showed a projected surplus for the 12 months marginally above budget. Members noted the commentary on this.

It was noted that there had not been any changes to date to the initially allocated income from the four main SFC funding sources. Additionally, with the activity target now met, there was no risk of these funds being clawed back.

Mr McAllister stated that the extended format of the Income and Expenditure schedule was to highlight the additional strands of SFC income to allow better comparison of actual to budget. There were three items in relation to “Salaries Contribution” which required to be highlighted:

- SFC had decided to withhold the element of grant which is to offset costs of certain areas of the collective bargaining agreements and this would be released to the colleges once those new agreements were in place. The Principal stated that this related to the Job Evaluation Process for support staff which was due to be completed last year, but would now not be completed until, at least, this financial year.
- The UK government have agreed to fund the increase in employer contributions re the lecturing pension scheme in both 2019/20 and 2020/21. The increase is from 17.2% of salary to 23% of salary, although the College do not have written confirmation of what the level of support will be in following years. In response to a query from Ms Gibb, Mr McAllister stated that the additional cost amounted to approximately £335k for 2019/20.
- A backdated allocation to the college sector this year in relation to prior year National Collective Bargaining agreements which have now been agreed.

Payroll – it was noted in the narrative to the forecast that the results of collective bargaining agreements had produced settlements well above the Scottish Government’s target of 1.0% for the public sector in previous years, with the resultant flow-through affecting 2019/20. It was noted that SFC had made a specific allocation to the colleges to cover a part of this in the current year.

Detailed explanation was given of the contribution being made by the Funding Council for the costs attached to National Bargaining. Members noted that there was no clear indication of the monies for the coming years and concerns were raised as to the impact of this on the College’s bottom line going forward. The Principal stated that, within the FFR, no assumption of an uplift in income had been made.

Discussion ensued on the benefits or otherwise with regard to funding, of colleges having their classification as registered public bodies changed, as suggested via the recently released Cumberford- Little Report.

Ms Gibb stated that it was key that the full Board of Management understood in the same detail the possible impact going forward and asked that Mr McAllister provide a full narrative to this end.

Fees - are expected to be above target this year via increased backdated income from CITB activity and increased full time HE numbers.

Non-Salary Expenditure – mostly in line with budget. Some increases may be seen in Academic Supplies but this is in line with the additional income generated from additional activity.

Members enquired if the non-salary expenditure within the College was in line with that of other colleges and if this was comparable. Mr McAllister stated that no sector-wide benchmarking was in place and often comparison would prove difficult as it would not be considering like for like. However, he did mention that a local benchmarking initiative had been set up and that the College had been invited to participate in this. He would report back to the Committee when results were available. Members stated that it was important for them to be aware of the 'tipping points' in these areas of expenditure but that realistic levels of effort be used to collect comparisons. Mr McAllister suggested that he raise this at the next Benchmarking Group meeting he attended.

Cashflow – continues to be managed closely on a daily basis. The College submits a monthly cash drawdown request to the Funding Council. Members noted the most recent return made by the College.

Mr McAllister stated that the College was not expecting to require an overdraft at the noted 'pinch-points' at the end of March 2020 and around the end of the College's financial year in July/August 2020. However, he stated that mid-January was now the crucial point in the year as far as cashflow was concerned as the College received a significant proportion of its fee income around then.

Overdraft facility - Members agreed that, whether it was anticipated or not that the College use the overdraft facility, it was important to maintain the option. Discussion took place on the problems attached to trying to re-instate an overdraft facility under Government banking arrangements once it had been ended, and the costs attached at present. It was agreed by the Committee to recommend to the Board to continue to maintain the overdraft facility, with an extension of one year.

Scottish Government Draft Budget 2020-21 Analysis (Document published by Colleges Scotland)

Government Spending on Colleges

The key headlines in the 2020-21 Draft Budget in relation to the sector as highlighted by Colleges Scotland were identified as:

- The Scottish Government had increased current level of revenue funding for the college sector by 5.2% in cash terms (approximately 3.6% in real terms), with the Draft Budget for 2020-21 confirmed at £640 million. This represents an additional £33.5 million against the Draft Budget for 2019-20. Mr McAllister did, however, point out that a more appropriate comparison would take account of sums distributed by SFC since the initial allocation.
- The Scottish Government planned to reduce current levels of capital funding for the college sector with the Draft Budget for 2020-21 confirmed as £35.7 million. This represented a reduction of £11.9 million against the draft budget for 2019-20. However, it was important to note that last year's figure included £22 million of capital funding for the Forth Valley College campus build in Falkirk. In 2020-21, up to £3 million has been allocated for the Dunfermline Community Learning Campus. This left £32.7 million for capital, which compared to an equivalent figure of £25.6 million for 2019-20, therefore representing an increase of £7.1 million available for backlog maintenance and lifecycle costs.

Members noted the outline information laid out and looked forward to the detailed allocation from SFC.

Procurement Update

The College is continuing to make progress on procurement process and procedure. This continues to be discussed at College management meetings to ensure staff are fully abreast of the importance of following the correct Procurement processes and policies. The Procurement Annual Report and Strategy documents are now in the final stages of completion. The College will have its Operational Procurement Review in March; this will be carried out by APUC.

Discussion took place regarding the collaborative opportunities presented by APUC and it was noted that the College was meeting the target percentage for collaborative spend. Ms Gibb asked for more information on the percentage of total spend and Mr McAllister agreed to have this done for the next meeting of the Committee.

The Principal informed members that the member of staff assigned by APUC to the College had moved on and that an appointment would hopefully be in place in March/April.

Members were reminded of the Workshop that had been arranged previously for smaller sized suppliers to ensure they fully understood, and were part of, the procurement process in the wider public sector as well as the College. Mr McAllister stated that it was hoped that this could be replicated in the coming months and the College hoped to undertake this exercise in collaboration with New College Lanarkshire. Members welcomed this initiative, highlighting that it was particularly of service to smaller organisations and would in some way be contributing to the local economy. It was agreed that the Committee would be kept informed of progress.

5. Estates Report to the Finance and Resources

Members noted the content of the report and Ms Gibb noted the good results highlighted in the RAG report matrix.

6. Regional Financial Statements

Mr McAllister had circulated the Regional Financial Statements for Year ended 31st July 2019 with the papers for the information of members. It was agreed that this document should go to the forthcoming full Board meeting.

The Principal pointed out that many of the points within the financial statements raised by the Board of Management, particularly on presentation, had been addressed but that a number remained outstanding and this would be taken forward by Ms Glen, as the Chair of the Audit Committee.

Members raised concern as to the amalgamation of both finance and performance indicators for the Region as this did not fully illustrate the performance of the individual colleges. It was agreed that this was not in the best interests of the Board, staff and students at either college who did not to have a clear overview of disaggregated finances and statistics.

It was noted, however, that there was progress in the collaboration between the two colleges and members welcomed the joint working between the two senior management teams since the arrival of the new Principal. The Principal was happy to state that a culture of trust was being built.

It was agreed that the Board would be updated on the points raised and it was noted that a report had been commissioned by the Scottish Government on governance within the Region, which may contain a projected way forward.

7. Approval of Publication of Papers

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

There being no further competent business, the Chair closed the meeting by thanking everyone for their attendance, particularly the outgoing Principal and his successor.