

South Lanarkshire College
Finance and Resources Committee of the Board of Management
Held on 8th May 2017

Present J Gallacher
 C Gibb
 S McKillop

In Attendance A Allan
 K McAllister

Apologies S Dillett
 A Martin

1. Declaration of Members' Interests

Mr McKillop declared his membership of The Lanarkshire Board.

2. Minutes of the Previous Meeting

The minutes of the meeting held on 14th February 2017 had previously been approved by the Board of Management.

Under Matters Arising, the Principal updated the meeting on the ongoing industrial relations situation in the sector.

3. Finance Manager's Report

The main purpose of this Report is to present the College's management forecast for the 12 months to July 2017; the 5-year budget / financial forecast to 31 July 2022; and the other finance-related issues.

Management Forecast – 12 months to July 2017

The Management Forecast shows a projected surplus for the 12 months of £18K.

Income

Mr McAllister took members through the income lines, noting the move from Alternative Funding to Fees. He explained that the College had delivered more fee-bearing full time HN activity than was contained in the Budget. There has also been a rise in evening class activity in the year. The income from these two strands of activity have replaced the level of alternative funding that had been contained in the Budget.

Mr Gallacher asked whether the College was on course to achieve its credits target in 2016/17; Mr Allan replied that it was 80 short of target but these should be forthcoming before the end of the year. This ensured that both core grant in aid and the Youth Employment Initiative (i.e. the SFC / ESF funding) were not at risk.

Payroll

As noted previously, the results of the collective bargaining agreements have produced settlements above the Government's target of 1.0% for the public sector. It was also noted that a salary award as at 1st April 2017 is pending. Mr McAllister stated that an allowance for this has been incorporated into the year's forecast. He also asked members to note that the Apprenticeship Levy commenced on 1st April 2017. This had not been accounted for in the Budget when it was originally drawn up.

Non Salary Expenditure

Other than increased spend re SFC Grants, which are a contra to increases in income, it was noted that the only major adverse variance was on Net Depreciation. Mr McAllister stated that the College has earmarked more expenditure for capitalisation than originally anticipated, but that this would be subject to review at the end of the financial year once all appropriate expenditure had been reviewed.

Balance Sheet – as at 31st March 2017

Members noted that the College, in line with others in the Sector, has challenges maintaining a positive bank balance, particularly at the Funding Council's own year-end date of 31st March. Mr McAllister confirmed that the College had gone into temporary overdraft at the end of March. However, he added that the sector has been informed that those colleges with an existing overdraft facility would be allowed to carry on these arrangements. Additionally, in response to submissions from several colleges, SFC had advanced its April drawdown payments. This allowed the overdraft situation to be cleared much sooner than expected. Members welcomed these developments.

Cashflow and Drawdown Returns for Scottish Funding Council – March 2017

Mr McAllister asked members to note the content and layout of the returns made to the Funding Council (Appendices 1G and 1F). Members acknowledged the documents.

Members noted the forecast and the College's current financial position.

4. Long Term Planning for the College Sector

Mr McKillop presented a document circulated by SFC in relation to 5-year financial planning (Appendix 2). Although SFC pointed out that the document was only indicative and that funding would not be known past 2017/18 even when that year's figures were confirmed, the document allowed the sector to prepare its 5-year financial projections with a degree more certainty. This was welcomed by members.

Mr McKillop took the meeting through the main points: the loss to the sector of the Employability Fund and its replacement by the Flexible Workforce Development Fund; the added activity re Childcare; and the ending of the Youth Employment Initiative and the plans to replace it with Developing Scotland's Workforce programme. All of these, he stated, would carry their own challenges and opportunities. Although no financial values were attached to the figures, both he and Mr McAllister were hopeful that the income available to the College would not drop beyond that which would itself cause a financial problem. It was acknowledged that activity was scheduled to decrease for the Region in the final year of the 5-year period.

Ms Gibb asked for clarification as to why different colleges received different funding per credit, even within the same region. Mr McKillop explained that these were largely historic differences that SFC would be aiming to smooth out. He also confirmed to Ms Gibb that the Risk Register did indeed reflect the issues re both short and long term financial sustainability. As regards whether the College would be exposed in posting a surplus when so many were posting a deficit, he replied that it wouldn't be.

5. Financial Strategy KPIs

Mr McAllister presented a schedule on Key Objectives, aimed at giving the College financial targets for the forthcoming 5-year period. He stated that the targets for surpluses and cashflow were modest but, he hoped, achievable.

Members agreed to recommend that the Board approve the targets.

6. Budgeting Procedures

• The Budgetary Process

Mr McAllister took members through two draft documents relating to budgeting. The first of these, **The Budgetary Process** (Appendix 4A), was a policy document that outlined the principles and responsibilities inherent in the budgeting process, including planning and monitoring. Mr Gallacher referred to section 7.6 and suggested that the College should target a break-even situation rather than an operational surplus. Mr McAllister agreed to make the change and the other suggestions in sections 7.13 and 7.14 which would amend "budgets" to "approved budgets".

Ms Gibb asked if there was a review process and Mr McAllister replied that all policies and procedures now have a review date incorporated into them.

Members agreed to recommend that the Board approve the document.

• The Budget Preparation Procedure

The second document, **The Budget Preparation Procedure** (Appendix 4B), detailed the process of actually preparing the budget. Members noted the document.

7. Budget for 2017/18 and Financial Forecasts for the Following 4 Years to July 2022

Mr McAllister presented the draft budget for the period above, together with a commentary. He noted that both Audit Scotland and the Scottish Funding Council now looked for colleges to prepare either 3 or 5-year financial plans, and referred to the most recent Board of Management meeting where it had been decided to opt for a 5-year plan.

He detailed the assumptions made in the process and, whilst the sector was unsure of movements in central and EU funding over the period of review, members were of the opinion that those assumptions were reasonable. Included in those assumptions was that EU funding, whilst ending in 2020/21, would be replaced by another tranche of funding in 2021/22. This, again, was accepted by the Committee.

Members agreed to recommend that the Board approve the budget.

8. Procurement Update

Members examined the Procurement Report. Discussion took place in regard to collaborative recent contracts. Mr Gallacher asked for clarification on the annual savings being reported in the schedule of contracts and Mr McAllister agreed to have this reviewed by the Procurement Manager and a corrected version issued.

9. Estates Report

Mr McAllister took members through the Report. Clarification was requested on two of the statistics contained in the Report and Mr McAllister agreed to have these verified and an updated version issued.

Mr McKillop stated that the format and content of the Report would be reviewed which was welcomed by members.

10. Finance Issues Briefing

Mr McAllister referred members to Appendix 8 which detailed the decommitment re ERDF funding, the early extinguishing of the Lennartz creditor and the extension of the current insurance arrangements by one year.

Members noted the contents of the Briefing.

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