

# **South Lanarkshire College**

## **Finance and Resources Committee of the Board of Management**

**Meeting to be held on Monday 14<sup>th</sup> November 2016  
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 30 May 2016
4. Matters Arising
5. **Draft Audited Financial Statements  
for 12 months to July 2016** (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 - (Appendix 3)  
Quarter to Oct 2016 and Year to July 2017  
*Committee to review and note*
8. Remit of the Finance Committee (Appendix 4)  
*Committee to review and recommend acceptance  
to the Board of Management*
9. Report on Estates and Facilities (Appendix 5)
10. Activity Calendar – Board of Management (Appendix 6)
10. AOCB

**South Lanarkshire College**  
**Finance and Resources Committee (Board of Management)**  
**Held on 14<sup>th</sup> November 2016**

<b>Present</b>	John Gallacher (Chair) Clare Gibb Stewart McKillop  Robert Ralston (Chair of Audit Committee)
<b>In attendance</b>	Angus Allan Keith McAllister Angela Martin
<b>Apologies</b>	Stuart Dillett

**1. Declaration of Members' Interests**

No declarations were received.

**2. Minutes of the Previous Meeting**

The minutes of the meeting held on 30<sup>th</sup> May 2016 had previously been approved by the Board of Management

**3. Matters Arising**

Financial Statements – at the meeting on the 30<sup>th</sup> May 2016, Mr Gallacher had raised an interest on the publication of the published accounts across the Sector and how the other colleges may have fared. Mr McKillop stated that the overall picture for the Sector had been poor with 16 colleges predicting a deficit for 2016/17. Mr McAllister stated that all accounts were available for public scrutiny.

National Bargaining – an update was given by the Principal on the current position in National Bargaining for both EIS and Unison. Mr Gallacher updated members of the information which had been given at the Funding Council, Board Training Event.

Grant-in-Aid – discussion took place regarding the allocation of grant-in-aid across Lanarkshire and the key cost to all organisations of salaries. Members were assured that all salary expenditure was fully scrutinised every month. The Principal added that, in addition to this, the Senior Management Team met to discuss class size and contact hours for lecturers.

Members agreed that this continuous monitoring was essential in this key cost area.

Procurement – the work with the APUC was proving extremely positive. A conference for suppliers and, in particular, for SMEs to assist them in preparing

tender submissions, had been arranged at New College Lanarkshire and, if required, an additional one would be organised in-house for our local suppliers.

Lennartz - Mr McAllister updated members on the appeal to HM Revenue and Customs re Lennartz. He reported that the professional firm engaged by a group of colleges to pursue their appeal had withdrawn their services as they felt that the case was not one which could be won. Mr McAllister asked for approval not to pursue the claim further and this was agreed. The College had not incurred any cost in being part of this action.

#### **4. Draft Audited Financial Statements for 12 months to July 2016**

Mr McAllister stated that, in line with the FRS 102, changes had been made to last year's figures and this has caused relatively dramatic changes to the prior year comparatives. He added that the College had worked to a checklist and looked for examples of good practice across the Sector.

Discussion took place about the format and the transition to SORP 2015. All agreed that a format agreeable to the Auditors had been reached and the use of management accounts to update the Committee would be the best way forward.

Members agreed that it would prove increasingly difficult for the College to make income predictions and maintain adherence to budgets until there was a measure of stability in the sector's funding. The Principal stated, however, that the College would continue to work towards a balanced cash budget on an annual basis.

Mr McAllister drew members' attention to the Statement of Comprehensive Income and Expenditure. However, he cautioned members to note that, due to the one-off changes made following the transition to FRS102, the accounts did require to be analysed thoroughly. In that regard, he also drew attention to the management accounts schedule Appendix 3D which mapped out the reconciliation of the management accounts to the published accounts. This schedule highlighted that the surplus based on management accounts was just above breakeven.

**Discussion ensued on the draft published accounts and members then agreed the Audited Financial Statements for the 12 months to July 2016, having been discussed in conjunction with the assurances of the Audit Committee, could now go forward for approval by the Board of Management at the December meeting.**

#### **5. Draft Annual Report of the External Auditors to the Board of Management and the Auditor General for Scotland**

Members were informed that this document had been distributed for their information and that it had previously been presented to the Audit Committee. **They had acknowledged that it contained an unqualified audit opinion and they had agreed to remit it to the Board of Management for approval.**

## **6. Management Accounts – Quarter to October 2016 and Year to July 2017**

Having distributed the document prior to the meeting, Mr McAllister asked members to note the content. Discussion took place in regard to contingencies for and the generation and incorporation of non-core income into the projections.. Again, Mr McKillop stressed that the College was looking to produce a balanced budget for the year.

Mr Gallacher enquired about the latest progress in relation to the tendering process for the College Nursery. The Principal stated that, having been satisfied re the potential complications of local authority childcare funding, this would now go ahead in the New Year.

**The Committee then agreed to forward the Management Accounts to the Board of Management in December 2016 for their information.**

## **7. College Foundation**

Discussion took place in regarding to the standing of this body. Mr McAllister explained that the Foundation stood as an entirely independent body, and not as a subsidiary of the College.

## **8. Remit of the Finance Committee**

Ms Martin stated that the remit was draft for agreement by the Committee and then referred to the Board of Management for final approval. She explained the changes made in relation to legislation and the inclusion of items once covered by the Property and Estates Committee.

**Members noted the changes and agreed the Remit for approval at the Board of Management.**

## **9. Report on Estates and Facilities**

The Committee reviewed the report and Ms Gibb asked about planned preventive maintenance and the opportunities for applying for grants. Mr McAllister agreed to keep the Committee informed of potential developments in this area.

## **10. Board of Management – Activity Calendar**

Ms Martin stated that this would very much be a working document which would change in line with the requests of the Board and its Committees. The Committee agreed the contents listed in relation to the Finance Committee.

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 14<sup>th</sup> November 2016

## 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 2016 and the management accounts for the quarter to October 2016 and the management forecast for the year to July 2017.

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 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 32) was £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 May 2016. The Management forecast surplus for the period was £6k (see **Appendix 3A**).

The Committee should refer to Note 26 of the Financial Statements which details the adjustments made to the accounts for the introduction of FRS102.

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 14<sup>th</sup> November 2016

## 2.2 Principal Accounting Policies

Whilst the Committee was presented with the reasoning behind any changes and refinements to Policies in May 2016 via the briefing note on FRS102, we wanted the input of our external auditors before having the Policies agreed. Pages 27 to 31 detail these and the Committee are asked to approve them.

**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. 2016 and the year to July 2017

The Management Accounts show a projected surplus for the year to July 2016 of £10k, marginally higher than Budget. **Appendix 3A** refers.

**Appendix 3D** reconciles the Management Forecast as presented to the Finance Committee in May 2016 to the Audited Statements position.

**Appendix 3E** provides a brief commentary of the 2016/17 forecast, taking into account the known factors as at October 2016.

The cashflow forecast document as remitted to SFC in November is attached as **Appendix 3F**. Members should note the situations as at March and July. Members will be aware that FE colleges will be subject to Treasury banking arrangements and, as such, will not have access to bank overdrafts. The College's position has been made clear to the Funding Council.

**Members to review and note the Management Forecast for the year to July 2017.**

## 2.4 Remit of the Finance and Resources Committee

There have been a number of changes to responsibilities, and to reference documents, since the last refresh of the Finance Committee remit. The draft attached as **Appendix 4** is presented to the Committee for their consideration. Once a finalised draft is agreed, the remit should be sent to the Board of Management for their approval. It should be noted that a similar exercise is being carried out re the Audit Committee.

**Members to review and recommend the Remit of the Finance and Resources Committee 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 14<sup>th</sup> November 2016

## 2.5 Report on Estates and Facilities

**Members are asked to note the contents of the Report.**

## 2.6 Activity Calendar of the Board of Management

**Members are asked to note the Calendar, particular as it affects the work of the Finance Committee.**

## 2.7 Claim to HMRC re Lennartz

Seven Scottish FE colleges collaborated via an APUC tender to pursue a claim to recoup VAT on past new build projects from HM Revenue and Customs. Accounting firm Ernst & Young were successful, but have ultimately decided not to pursue the matter further following advice from their litigation department. Without their support, College management do not feel that any claim can be pursued at this time.

**Members are asked to agree to forego the pursuit of any claim with HMRC at this time.**

## **SOUTH LANARKSHIRE COLLEGE (BOARD OF MANAGEMENT)**

### **FINANCE and RESOURCES COMMITTEE**

#### **Constitution and Membership**

The Board of Management will establish a Committee of the Board to be known as the Finance and Resources Committee.

The Committee and its Chair will be appointed by the Board. There shall be four members, one of whom shall be the Principal. A quorum shall be a minimum of two members of the Committee.

#### **Terms of Reference**

These Terms of Reference ensure that the Finance and Resources Committee has specified authority and resources to form an opinion and to make recommendations and report to the Board.

#### **Proceedings**

The Committee should meet four times per year. The Depute Principal and the Head of Finance will attend as specialist advisors. One of these meetings will be to recommend approval of the College Financial Statements to the Board of Management and the Chair of the Audit Committee should be in attendance at this meeting.

#### **Duties**

The duties of the Committee shall include:

- Maintain a strategic overview of all matters concerned with Finance and the maintenance and development of the College estates and to advise the Board of Management accordingly.
- Review the College's finance and procurement strategies, with a view to recommending their acceptance to the Board of Management.
- Advise the Board on the overall strategy and planning for the College's property and estates, with a view to recommending any strategy documents to the Board of Management for their approval.
- Consider the College's Annual Report and Financial Statements and, in conjunction with the opinion of the Audit Committee on the report of the external auditor, recommend these for approval to the Board of Management, and, if required, to the Regional Strategic Board for consolidation purposes.
- Approving annual operating plans and budgets prior to their submission to the Board of Management, ensuring that they reflect the College's strategic plan and take account of key risk areas.



- Consider and advise the Board of Management on matters of governance, including those matters concerning the Regional Strategic Board.
- Monitoring management accounts as compared to plans and budgets.
- Review submissions / reports made by the Head of Finance on financial and estates-related matters prior to presentation to the Board.
- Monitor all financial and estates-related returns requested by outside bodies, in particular, the Scottish Funding Council.
- Advise the Principal regarding expenditure on services to the College.
- Ensuring that funds provided by the Scottish Funding Council and other funders are used in accordance with the terms and conditions specified in the appropriate offers of funding.
- Examine College policies on financial and estates-related issues, ensuring that they retain currency and relevance.
- Approve the College Financial Regulations.
- Monitor the College's Financial Memorandum with the Regional Strategic Body.
- Advise the Board on the progress of capital and estates programmes and on the efficient and effective maximisation of the College properties.
- Examine any issues which may have financial / estates implications or which may be referred to it by the Board of Management.
- Review the College's Annual Climate Change Duties Report

### **Reporting Procedures**

The Committee should direct the minutes and appropriate papers of its meetings to the Board of Management.

After approval, the Committee's Minutes and appropriate papers should be directed to the Regional Strategic Board and be published on the South Lanarkshire College website.

Finance and Estates Committee  
(Board of Management)  
November 2016  
Appendix 5

*Reporting period: August to October 2016*

## **Executive Summary**

1. Risk
2. Sustainability
3. Planned Activities
4. Other major activities

## 1. Risk

One live insurance claim ongoing. (Delivery Driver)

## 2. Sustainability

Solar PV panels on workshop wing have produced 185 Mwh, offset 98.22 Co2 and earned £20,387 plus the incoming energy saving of £12,950.00 (0.07 per KWh) total saving of £33,337.00 from install in June 2013.

### Energy Consumption

Nov – Jan	Gas - kWh	Electricity - kWh
2014 / 2015	513,577	575,132
2015 / 2016	473,384	610,539
Percentage Variance	8% Decrease	6 % Increase

Feb – Apr	Gas - kWh	Electricity - kWh
2015	930,366	552,523
2016	458,001	551,282
Percentage Variance	50% Decrease	0.2% Decrease

May – Jul	Gas - kWh	Electricity - kWh
2014 / 2015	1,695,570 Meter issue - corrected	341,030
2015 / 2016	842,223	458,727
Percentage Variance	N/A	34% Increase

Aug – Oct	Gas - kWh	Electricity - kWh
2015	278,827	481,660
2016	267,397	Awaiting statement
Percentage Variance	4% Decrease	% Decrease

### 3. Sustainability (Cont.)

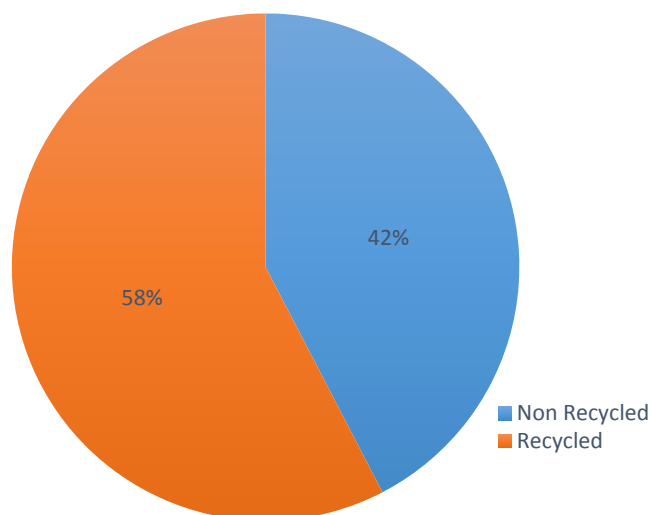
#### Water

Cubic Metres Consumed		
Aug – Oct	Main Building	Annex
2015	2299	N/A
2016	3007	9
Percentage Variance	31% Increase	N/A

#### Waste

Waste recycling for this quarter (Aug - Oct 2016) was 110 tonnes compared to 144 in last quarter. Recycling figures for this period are a total of 58%

#### Waste



#### 4. Planned Activities

- Completion of conversion of rooms 342 / 344 to communal area by 18<sup>th</sup> Nov
- Kitchen 247 ventilation system to start shortly. Tender awarded to **React**.
- 5 Year Electrical Testing Ongoing.
- Regular PPM activities

#### 5. Other Major Activities

No other major activities planned.

**Finance Committee – November 2016 – Appendix 6**

**BOARD OF MANAGEMENT – ANNUAL ACTIVITY CALENDAR 2016 – 2017**

	<b>Audit</b>	<b>Finance &amp; Resources</b>	<b>Development</b>	<b>Human Resources</b>	<b>Board Meeting</b>	<b>Events</b>
<b>November/December 2016</b>	Monday 14/11/16	Monday 14/11/16	Tuesday 22/11/16	Wednesday 23/11/16	Tuesday 06/12/16	
			Submit media plan for summer 2017 Action learning pilot/self-evaluation Internal Audit Programme Learner Engagement			
<b>February/March 2017</b>	Monday 20/02/16	Wednesday 15/02/17	Tuesday 21/02/17	Wednesday 22/02/17	Tuesday 14/03/17	
	Internal Audit Appraisal and External Audit Quality Survey		Submit media plan for August intake.  Review 2016/17 winter campaign.			<b>LGBT – PURPLE FRIDAY – 24/02/17</b>  <b>EQUALITY AND CHOICES EVENT -</b>
					<b>Tuesday 07/02/17</b>	
					<b>Principal's Update</b>	
<b>April/May/June 2017</b>	Monday 15/05/17	Wednesday 10/05/17	Tuesday 09/05/17	Wednesday 17/05/17	Tuesday 06/06/17	
	Consideration and approval of Principal Accounting Policies.  Review of Draft Internal Audit Plan and agreement of work schedule.  Review of External Audit Strategy	Approval of Annual Budget Approval of Financial Forecast Return (FFR) – subject to SFC timetable.  Summer works planning finalised.	Commence Student President/Vice President Election Process.  Update on mailing distribution and media  Review of recruitment levels to inform targeted marketing requirements.  Action Learning Pilot update  Internal Audit Programme for Academic year 2016/17		Approval of Annual Budget – recommended by F&R	<b>DESTINATION SUCCESS –</b>
<b>BOARD OF MANAGEMENT APPRAISAL AND EVALUATION</b>						

**Finance Committee – November 2016 – Appendix 6**

	<b>Audit</b>	<b>Finance &amp; Resources</b>	<b>Development</b>	<b>Human Resources</b>	<b>Board Meeting</b>	<b>Events</b>
<b>July/August/ September 2017</b>	Monday 28/08/17	Wednesday 06/09/17	Tuesday 05/09/17	Wednesday 30/08/17	Tuesday 19/09/17	
	Written representation to TLB to confirm compliance with Code of Good Governance, Financial memorandum and delegated financial limits  Annual Report to BOM	October works – submitted.  Annual Health and Safety Review  DSE Assessment issued to all staff	Student Association Elections commence  Review of August recruitment.  Agree media plan for Nov/Jan intakes.  Course Approvals  Academic Board  External and		Annual Report from the Audit Committee  Financial Update	<b>ALL STAFF CONFERENCE</b>  <b>PRIDE MARCH/EVENT</b>  <b>FRESHERS' WEEK</b>
<b>October/November/ December 2017</b>	Monday 06/11/17	Monday 06/11/17	Tuesday 07/11/17	Wednesday 15/11/17	Tuesday 05/12/17	
		Consideration and recommendation for approval of Annual Audited Financial Statements	Submit media plan for summer 2018		Approval of Annual Audited Financial Statements	<b>CONSTRUCTION AWARDS –</b>  <b>STUDENT GRADUATION DINNER</b>  <b>GRADUATION</b>  <b>HEALTH AND WELLBEING EVENT (PINK DAY)</b>
					<b>Tuesday 10/11/17</b>  Board Training Day 12 noon to 1700 hours	
<b>Register of Members' Interests to be updated</b>						