South Lanarkshire College
Finance Committee (Board of Management)
Held on 9th March 2016

Present J Gallacher
S Dillett
K McInnes
S McKillop

A Allan
K McAllister
A Martin

1. Declarations of Members' Interests

Mr Dillett asked the meeting to note that he was a Trustee of The South Lanarkshire College Foundation. There were no other declarations of interest

Minutes of the Previous Meeting

The minutes of the meeting held on 30th November 2015 had previously been approved at the Board of Management.

2. Matters Arising

Financial Statements – Mr McAllister informed members that all Colleges' Accounts would be presented to the Scottish Parliament on 22nd March 2016.

National Bargaining - the Principal informed members that Unison had accepted the pay offer of 1% and the backdated monies had been paid to staff in the February salary. EIS have not accepted the offer and have indicated 37 days strike action, the first date being 17th March. It was to be hoped that South Lanarkshire would not be closed on all of those 37 days. The Principal stated that it had been agreed that all students be told that the college would be closed on that day, with a view being taken on subsequent strike days, should they arise. He added that all due care would be taken to ensure all students were aware of the circumstances in that this was a national dispute as opposed to one specifically concerning South Lanarkshire College.

Members were informed that the Principal remained in ongoing dialogue with the College EIS representatives. Discussion took place regarding the reasons for, and effects of, the strike action.

3. Management Accounts

Management Forecast -12 months to July 2016

Mr Gallacher stated that the figures presented were very much on track to what had been anticipated. Discussion then took place in regard to cashflow; it was noted that the Funding Council financial year end of 31st March gave all colleges a particular problem in that they were restricted in how much of their August – July income they could draw down before that date. Mr McAllister explained the current issues with ESF/ERDF payments and the effect that continued hold ups may have on the College's cashflow. Mr Gallacher suggested that the bank should be approached in advance and made aware that there may be a period of time when the overdraft agreement may be breached. Mr McAllister stated that the Funding Council had already been informed that this breach may occur and they had offered assistance. It was agreed that the bank should be contacted in case of the need for a Plan B.

4. Update on Grant-in-Aid Allocation 2016/17

The Principal stated that an indicative letter had been received in January although there was not enough detail to allow a robust budget for 2016/147 to be prepared. It was hoped that a final allocation would be issued by 21st March 2016. He explained that the Funding Council would meet with representatives from NCL and SLC to discuss the split of the allocations of funds to the Region and that this was welcomed.

There was then detailed discussion on the allocation of credits and the movement in funding across the sector. The Principal stated that he was confident that the College would deliver its targets for 2015/16, a situation which gave the Funding Council confidence in the allocation of any additional activity to the College that may arise.

5. Finance – Key Performance Indicators

Mr McAllister stated that it had hoped it would be helpful for the members to have sight of these figures. Members discussed the detail of the paper. Members made particular comment on the unit rate being received by the College per unit of activity compared to the Scottish average, and the increase in activity over the three years of review that was highlighted.

6. Finance Issues Update

Mr McAllister stated the paper sought to update the Committee on all new matters financial and in regard to governance.

<u>Procurement</u>

The Procurement Reform Act (Scotland) affects Scottish colleges from April 2016. There is a significant impact on the College in that it must comply with a complex and expansive set of rules and regulations, the main one of which is that all contracts with a potential value over £50k will have to be the subject of a tender. There will also be a significant requirement re reporting and transparency. The College is working with APUC to develop a strategy to deal with the new arrangements.

<u>Banking</u>

All bodies to which the SPFM is directly applicable, including bodies sponsored by the Scottish Government (SG), are required to have their core bank accounts with the Government Banking Service (GBS). Funds held in bank accounts with the Government Banking Service (GBS) have the effect of reducing the cost of government borrowing or increasing government income from interest. The Scottish Government Banking contract is part of GBS and is operated in Scotland through RBS/Nat. West Bank.

FE Colleges in Scotland have been given until April 2017 to transfer over from their existing bankers to GBS. Colleges currently banking with RBS will be transferred first, and following this the project integration team from RBS will be in touch with us to discuss the practicalities and agree upon a timetable for changeover.

We will receive no interest on credit balances and apparently no overdraft facilities will be available. This latter point is problematic for colleges with Financial Year/Academic Year income allocations creating cash flow problems around March each year and strategic funding being paid substantially in arrears. A sector wide solution to this problem is required.

<u>"Depreciation Cash"</u>

The Committee should note that the Funding Council have stated that what they term "depreciation cash" can be used for, amongst other things, to make up the shortfall in student support funds and the repayment of any Lennartz balance. It should be noted that the College does not have a shortfall in student support funds in 2015/16.

This may result in what is being termed a "technical deficit", but College management, with the approval of the Finance Committee, do not wish to post a "technical deficit" unless it is absolutely necessary.

Insurance

The sector should be falling into line with Government insurance arrangements in April 2017. Essentially, the College would self-insure but would be required to arrange certain essential cover (e.g. motor insurance). The sector feels that this leaves the colleges very exposed and is actively campaigning against this proposal. Colleges Scotland is preparing a business case for submission to the Scottish Government to allow the sector to retain its current insurance arrangements.

The SG's approach is that colleges would self-insure, with SG picking up "larger" claims. With no definition of what a "larger" claim is, and whether this would be tailored to the size and financial situation of individual colleges, the College is of the view that self-insurance should be resisted at all costs.

Additionally, there is an expertise in handling claims that the College simply does not have and a lack of technical assistance would leave the organisation particularly exposed in today's compensation claim climate.

Lennartz

As directed by the Board, the College joined with six other FE colleges to participate in a tender exercise to appoint a firm to pursue a claim for submission to HMRC in respect of the "Lennartz" principle. A firm was duly appointed four months ago, but the movement on the claim has been disappointingly slow and it is being felt that the firm are not pursuing the issue as per the tender requirement. The College has flagged its dissatisfaction with the lead contact of the colleges' group and they agreed that the firm's performance and plan for the way forward is not satisfactory. A meeting is being arranged with the firm to establish whether we should continue with their services. The contract is on a "no win, no fee" basis, so no costs have been incurred as yet. The College will not sign any contract with the firm until it is satisfied that they will undertake what was originally required of them.

Board members agreed that the College should not sign up to this agreement unless the firm involved comply with the terms of the initial invitation to tender.

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