**Approved Minute Special Meeting of the Finance Committee**

**6 pm Monday 5th December 2022 – Blended Meeting**

**Face to Face: Cumbernauld Campus and Via Zoom**

**Present: Board Members:** Face to face: Christopher Moore Via Zoom: Moira Jarvie, Barbara Philliben,

**In Attendance:** Face to Face:Ann Baxter, Iain Clark, Diane McGill, Penny Neish, Andrew Mulvay, Ronnie Smith Via Zoom: Keith McAllister, Alan Sherry. Lucy Nutley and Suzie Graham attended for Items 4 and 5 and then left the meeting.

1. Chair’s welcome: Barbara Philliben was the Chair for this meeting and she welcomed all to the meeting.

**2. Apologies for Absence:** There were apologies from Paul Blackadder.

**3. Declarations of Interest:** There were no declarations of Interest.

**4. SLC 2021/22 Accounts and Financial Statements:**

**4.1** Keith McAllister and Alan Sherry informed the committee that the Governance Statement in the SLC accounts was still under discussion with Mazars. It was hoped that the wording would be agreed soon. The SLC Board is due to meet on the 6th and 8th December 2022 and there will be further consideration of the Governance Statement following those meetings.

**4.2** For the current year 2022/23 SLC are mitigating the financial position as far as possible looking to savings through best utilisation of resources e.g. through procurement and APUC and the use of the temporary lecturing budget.

**4.3** It was noted that the Scottish Government will be publishing its budget on the 15th December 2022.

**5. RSB Consolidated Accounts:**

**5.1.1 Annual Audit Report 2021/22:** The regional report is in draft pending discussions and agreement on the SLC Governance Statement. Lucy Nutley presented the Draft Regional (NCL) Annual Audit Report to the committee as follows.

* **P 4 & 5** The auditorsanticipate an unqualified opinion, without modification, on the financial statements, on regularity and on other requirements (the remuneration and staff report, performance report and Governance Statement). There are adequate arrangements in place for Financial Management, Financial Sustainability, Governance and Transparency and Value for Money. However, the auditors consider that the college’s ability to remain financially sustainable over the medium to longer term remains a significant risk. This is in the context of a sector wide financial sustainability issues.
* **P 15 Significant matters discussed with management**
* It was noted that at 31 July 2022 the College’s share of the Strathclyde Pension Fund was recorded as a notional surplus as the value of the defined benefit obligation was less than the fair value of the plan assets at that date, meaning that the pension liability usually recorded is now a pension asset. The auditors have had discussions with management as to the most appropriate accounting treatment and disclosure of the pension asset.
* During the course of the audit, the financial position of the College changed resulting from a late announcement from the Scottish Funding Council (SFC) and the college seeking clarification on the announcement that declared that Colleges who had not met their credit targets could use a 2% tolerance for missed credit targets for core plus deferred credits. This resulted in the College being able to release around £819k of a credit provision that was intended to be returned to SFC, into income. The impact has increased income but the reported adjusted operating position has remained as a deficit as at 31 July 2022. Lucy Nutley advised that other Colleges were in the same position and had the same audit point raised.
* At the time of writing discussions are still ongoing between external audit and South Lanarkshire College regarding their Governance Statement. Until this is agreed, New College Lanarkshire are unable to finalise the Regional Governance Statement.
* **Appendix 1** sets out the Letter of Representation and Appendix 2 the unqualified opinion.

**5.1.2** Lucy Nutley re-iterated her thanks to the Finance Team and all who were involved in the accounts process for their help over the years and Iain Clark in turn thanked Lucy and her team for the work that they had done with NCL on the accounts over their period as external auditors.

**5.2 RSB Financial Statements 2021/22**

**5.2.1** Iain Clark presented the draft statements noting that they were finalised apart from tidying some wording around disclosures, any post-balance sheet events, and for the Governance Statement which has to reflect the Governance Statement from SLC which is in the process of being finalised. He highlighted the following:

* **P 23** It was noted that the Underlying Operating Position is (£355k) for the Region and (£1,788k) for NCL. NCL plus its direct subsidiary Amcol made a combined Underlying Operating Deficit of (£1,432k). The deficit at NCL was mainly as a result of an unfunded VS scheme which cost a total of **£1,719,656 (c£1.145m recorded in 2021/22 Accounts)** in order to bring **a** predicted future annualised salary saving of **£2,517,766**, including on costs (i.e. Employer’s National Insurance and Pension contributions).
* **P 61** This shows the Consolidated Statement of Comprehensive Income and Expenditure for the year ended 31st July 2022. The balance sheet remains strong overall due to the Fixed Assets and Pensions Asset, however Working Capital is a concern.
* **P 92** This page shows the Adjusted Operating Position on a Central Government Accounting basis. Under the FE/HE SORP, the Region recorded an operating deficit of £7,844k for the year ended 31st July 2022. After adjusting for the non-cash allocation provided under Government rules, the Region shows an “adjusted” deficit of £6,784k on a Central Government accounting basis. It was noted that the key accepted metric for Audit Scotland and the Scottish Funding Council is the Underlying Operating Position. The Underlying Operating Position deficit of £355k adjusts for the actual depreciation less deferred capital grants as well as for non-cash pension adjustments, Transformation Funding and any non-government capital grants, in line with Scottish Funding Council guidance.

**5.3 AMCOL Financial Statements:** The Committee noted the AMCOL Financial Statements which are separately audited and approved by the AMCOL Board. **The Income & Expenditure Account recorded a surplus of £556,478 including the gain on revaluation of assets.** There is also a healthy balance sheet with cash funds of c£1.8m and net cash provided by operations for 2021/22 was £414,880.

**5.4** The Regional Financial Statements have a Governance Statement that cannot be completed until the Governance Statement is finalised at SLC. The Regional Accounts are, therefore, still in draft.

***Decision: The Board will receive the Draft Annual Report and the Draft Financial Statements for information at its meeting on the 12th December 2022.The Finance Committee agreed to recommend to the Board that it defers the approval and signature of the Regional (NCL) Annual Audit Report and consolidated Financial Statements 2021/22 to special meetings of the Lanarkshire Board ARC and Finance Committees and the Board with the meetings to be held in order to meet the accounts submission deadline.***

**6. Procurement Reports**

Andrew Mulvay the NCL Supply Chain Managerpresented the following reports **:**

**6.1 Annual Procurement Report:**

**6.1.1** This report covers the period of 1st August 2021 to 31st July 2022 and addresses performance and achievements in delivering New College Lanarkshire’s organisational Procurement Strategy. New College Lanarkshire has completed 7 regulated contracts during the reporting period:

* GPA regulated procurements (goods and services worth more than £177,897 (excluding VAT); works worth more than £4,447,447 (excluding VAT)) amounted to £628,484 (excluding VAT). There were 2 such procurements completed.
* PRA regulated procurements [goods and services worth more than £50,000 (excluding VAT), works worth more than £2 million (excluding VAT)] amounted to £438,753 (excluding VAT). There were 5 such procurements completed.

**6.1.4** In addition, the College also completed a number of below regulated procurements (goods and services worth less than £50,000 (excluding VAT), works worth less than £2m (excluding VAT). These amounted to £332,535 (excluding VAT). There were 12 such procurements completed.

**6.1.5** New College Lanarkshire has approximately 635 active suppliers with whom the College did business in the reporting period and the total procurement expenditure excluding VAT was £8,798,522. This comprises of £6,980,900 (79.34%) of regulated expenditure and £1,817,622 (20.66%) of non-regulated expenditure. The exceptions to compliance were noted and the rationale for the exceptions were fully accepted being the Legal fees for the SLC Governance matter (fully refunded by SLC and now being directly met by SLC) and the Legal Fees for the Cladding matter (which included rechargeable fees as agreed by the College and directed by BTO).

**6.2 Procurement Strategy**

**6.2.1** The Procurement Reform (Scotland) Act 2014 (PRA) requires any public organisation which has an estimated annual regulated spend of £5 million or more to develop a Procurement Strategy and then review it annually. This requirement took effect from 31 December 2016. Organisations (including HE and FE institutions are required to develop and publish a Procurement Strategy were also required to publish an APR, reflecting on the relevant reporting period of the Procurement Strategy. The Strategy was initially approved by the College’s Finance Committee on the 18th November 2019. This is the annual update.

**6.2.2** The Public Procurement Group (PPG) in Scotland provides strategic direction, support and monitors progress on the procurement reform agenda. In 2021, a set of new public procurement priorities were developed:

* Leadership and Visibility;
* Sustainable Economic Recovery;
* Supply Chain Resilience (public sector);
* Maximise impact of the sustainable duty (including post EU-exit implications);
* Climate emergency (including carbon reduction and a circular economy);
* Achieving professional excellence (against national policy and standards) - people and capability;
* Develop our use of systems to exploit sustainable outcomes and support reporting.

The priorities have been aligned with the SFC’s Priority Outcomes as further detailed in the College’s Regional Outcome Agreement 2021 – 22, the New College Lanarkshire “Strategy 2025” and the Strategic Objectives of the Regional Strategy 2018 – 2023.

**6.3 Modern Slavery and Human Trafficking Statement**

**6.3.1** The Colleges are committed to ensuring that there is no Modern Slavery or human trafficking in the college’s supply chains or in any part of its business.  Across the Colleges, there is a Tendering Policy and Procedure, Procurement Strategy, Equality Policy and a Recruitment and Selection Policy in place which are all relevant to Slavery and Human Trafficking. This includes the requirement for an Equality Impact Assessment to take place on all Policies and Procedures. In addition, the Single Procurement Document (SPD) is used for relevant procurements which incorporates questions on whether a supplier has breached any of their obligations in relation to environmental, social and labour laws. NCL and SLC have also adopted the ‘Sustain Supply Chain Code of Conduct’ created by APUC (Advanced Procurement for Universities and Colleges) Ltd and this is used in procurement exercises. The Code of Conduct includes confirmation that the supplier does not use forced, involuntary or underage labour, provides suitable working terms and conditions, and treats employees fairly.

**6.3.2** The statement also sets out college procedures to combat modern slavery, training in procurement awareness to the Heads of Departments/budget holders within the College which included considerations of sustainable procurement and the Modern Slavery Act, and risk assessment processes and future actions that will be taken by the colleges.

***Decision: The Committee agreed to recommend approval of the Procurement Report, the Strategy and the Modern Slavery statement to the Board at its meeting on the 12th December 2022.***

**7. AOB:** Ronnie Smithstated thathe hoped that the accounts would be signed off inJanuary 2023 and wished all the best for the festive season.

**8. Date of Next Meeting**

**The date for the next meeting is Monday 27th February 2023 at 5pm.**