

AUDIT & RISK ASSURANCE COMMITTEE

AGENDA

A meeting of the Audit & Risk Assurance Committee will be held at 15:00 hours on Wednesday, 21 February 2018 in the Boardroom, Milton Road Campus.

		Lead Speaker	Paper
1	WELCOME & APOLOGIES	Chair	
2	DECLARATIONS OF INTEREST	Chair	
3	MINUTES OF PREVIOUS MEETING for approval	Chair	A
4	MATTERS ARISING REPORT	Chair	B
5	INTERNAL AUDIT		
	5.1 Summary of Audit Recommendations	A Williamson	C
	5.2 Internal Audit Progress Report 2017/18	Scott-Moncrieff	D
<i>Item 5 is presently exempt from publication under the Freedom of Information (Scotland) Act 2002, Section 30, Prejudice to the Effective Conduct of Public Affairs.</i>			
6	RISK ASSURANCE		
	6.1 Risk Management Report	N Croft	E
	6.2 ICT / Cyber Security Update	C McDougall/ G Hope	F
	6.3 General Data Protection Regulation (GDPR) Update	N Croft/ N Murton	G
	6.4 Fraud and Anti-Corruption Update	L Towns	H
<i>Item 6 is presently exempt from publication under the Freedom of Information (Scotland) Act 2002, Section 30, Prejudice to the Effective Conduct of Public Affairs.</i>			
7	ANY OTHER COMPETENT BUSINESS		
	7.1 Horizon Scanning Update attached	L Towns	I
	7.2 Evaluation of Internal Audit Function	Chair	J
	7.3 Audit Scotland Statutory Fees 2017/18	Chair	K

Item 7.2 and 7.3 are presently exempt from publication under the Freedom of Information (Scotland) Act 2002, Section 30, Prejudice to the Effective Conduct of Public Affairs

8 DATE OF NEXT MEETING: 18 April 2018

N.B: The minutes of the Audit & Risk Assurance Committee are reported directly to the Board of Management, with an accompany commentary from the Committee Chair.



For the future you want

FOR INFORMATION			
Meeting	Audit & Risk Assurance Committee 21.02.18		
Presented by	Lindsay Towns		
Author/Contact	Lindsay Towns	Department / Unit	Executive
Date Created	30.01.18	Telephone	-
Appendices Attached	None		
Disclosable under FOISA	Yes.		

HORIZON SCANNING

1. PURPOSE

The Board is responsible for the financial sustainability of the College. Good practice to monitor all areas of performance and risk that can impact on the College’s viability.

2. BACKGROUND

To provide the Audit & Risk Assurance Committee with an update on significant future issues facing the College.

3. DETAIL

3.1 Fixed Cash Budget for Priorities (CBP)

In December 2017 the SFC sent out a communication with a framework for the spend of the fixed cash budget for priorities (CBP) [previously named ‘net depreciation’] and confirmed the Scottish government’s agreement to lock the CBP at the 2015/16 level of net depreciation rather than use the actual figure of the year in question. The value for Edinburgh College of this figure is £2,547k. A review of the impact of this decision is being undertaken. One consideration will be the level that Income and Expenditure is forecast at in future years so that the Revenue priorities shown below can be included.

The table overleaf outlines how fixed cash budget for priorities is forecast to be spend until 2021/22.

	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Table of cash budget for priorities spend	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/2022
Revenue	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pay award	874	637	874	874	874	874	874
Estates-related (revenue)	-	-	-	687	925	905	885
Operating deficit	470	-	196	-	-	-	-
Total impact on operating position	1,344	637	1,070	1,561	1,799	1,779	1,759
Capital							
Loan repayments	385	406	418	440	464	484	504
Payments against provisions pre 1 April 2014	1,133	1,192	1,059	546	284	284	284
Total Capital	1,518	1,598	1,477	986	748	768	788
Total cash budget for priorities spend	2,862	2,235	2,547	2,547	2,547	2,547	2,547

3.2 Scottish Government Comprehensive Spending Review Overview

The Scottish Government published its draft spending plans in December 2017. The budget will not become final until it has gone through the Scottish Parliament's legislative process, which is likely to be concluded by February 2018. The Draft Budget only covers one year, so there will be another spending review in 2018.

The key headlines in the 2018/19 Draft Budget in relation to the college sector are:

The Scottish Government has increased current levels of revenue funding for the college sector, with the Draft Budget for 2018/19 confirmed as £588.2m. This represents an additional £36.9m against the Draft Budget for 2016/17. However, £31.7m of this is for funding National Bargaining, with the remaining £5.2m set aside for the implementation of the Student Support Review recommendations. Therefore, the baseline revenue resource remains at £551.3m and this has not been adjusted for inflation. This equates to a real terms reduction in revenue funding.

The Scottish Government has increased current levels of capital funding for the college sector with the Draft Budget for 2018/19 confirmed as £76.7m. This represents an additional £29.3m against the draft budget for 2017/18. The bulk of this additional money is to fund the existing commitment of a new campus at a college with the remainder to be used on the high priorities identified by the recent estate conditions survey.

The precise effect on Edinburgh College will be notified by SFC later in the year.

Below is the high level breakdown of spending for the college sector in relation to the Scottish Funding Council:

	2017/18 £m	Draft Budget 2018/19 £m
College Operational Expenditure	741.3	778.2
College Operational Income	(190.0)	(190.0)
Net College Resource	551.3	588.2
College NPD Expenditure	29.1	29.3
College Capital Expenditure	70.4	78.7
College Capital Receipts	(23.0)	(2.0)
Net College Capital	47.4	76.7

3.3 Budget

The 2017/18 setting process will begin in late February when a timetable and instructions will be issued. The objective is to ensure the budget aligns with the third year of the Transformation Plan financials. The timetable will reflect arriving at a draft consolidated budget in late April with approval at the next Policy and Resources Committee meeting on 22nd May.

3.4 LGPS Funding Strategy and proposed increase in the employer contribution rate

Following the 2017 Lothian Pension Fund Actuarial Valuation, there is a proposed increase in the employer contribution rate for Edinburgh College of 0.3% for three years starting from 1 April 2018. In financial terms this equates to an additional cost of approximately £14k in 2018/19, and £40k in 2019/20 and 2020/21.

3.5 Audit Scotland Overview

Following on from their 2017 report, Audit Scotland are to perform some further analysis of the College sector. This work will:

- Assess how colleges performed over the past year.
- Review the financial position of the sector and assess how well colleges manage their finances.
- Assess what difference the regional bodies in the three multi-college regions have made.

Audit Scotland will draw information from colleges' annual accounts and audit reports as well as information held by the Scottish Funding Council and the Scottish Government. This will be supplemented by interviewing senior officials in the sector and consulting with other stakeholders, including staff and student unions. The report is due to be published in June 2018.

4. BENEFITS AND OPPORTUNITIES

It is good practice to monitor all areas of performance that can impact on the College's viability.

5. STRATEGIC IMPLICATIONS

Content may affect strategic objectives.

6. RISK

Content assists monitoring College's risk and financial performance.

7. FINANCIAL IMPLICATIONS

Inherent within content.

8. LEGAL IMPLICATIONS

Content refers to legal issues.

9. WORKFORCE IMPLICATIONS

Content refers to workforce issues.

10. REPUTATIONAL IMPLICATIONS

None.

11. EQUALITIES IMPLICATIONS

None.

CONCLUSIONS/RECOMMENDATIONS

The Committee are asked to DISCUSS and NOTE the paper.