

## **Minute –Finance Committee**

**5 pm 28<sup>th</sup> February 2022 via Zoom.**

**Present:** Kenny Anderson, Paula Blackadder, Moira Jarvie, Christopher Moore.

**In Attendance:** Ann Baxter, Iain Clark, Keith Fulton, Diane McGill, Penny Neish. Ronnie Smith.

Liz McIntyre and Keith McAllister attended for the NCL Regional College Business and the SLC Business.

## **NCL Regional College Business**

### **1. Chair's Welcome**

Kenny Anderson welcomed everyone to this meeting of the Finance Committee. He proposed that the Items 12.2 and 13 on the Committee Workplan and Procurement be deferred to the special meeting of the committee on the 14<sup>th</sup> March 2022 and this was agreed by the committee.

### **2. Apologies for Absence**

There were no apologies.

### **3. Declarations of Interest**

There were no declarations of interest.

### **4. Minute of Meeting of 22<sup>nd</sup> November 2022**

The minute of the meeting was approved.

### **5. Matters Arising from the minutes**

The Committee noted that there was still no definitive position from the SFC on European Social Fund (ESF) monies in relation to non-delivery of Core Credits 2020/21 and this would, therefore, continue to be treated as non-receipt of the full amount of the income in the accounts.

### **6. 2020/21 Consolidated Accounts Progress**

**6.1** Keith McAllister update the committee on the SLC approval process as follows:

- The comments from the RSB had been incorporated into the SLC accounts.
- There would be a joint meeting of the SLC Finance and ARC on the 3<sup>rd</sup> March 2022 to recommend the accounts and financial statements to the SLC Board
- The SLC Board will meet on the 10th March 2022.
- The SLC accounts will be signed at the same time as the NCL accounts and the proposed signing date is the 23<sup>rd</sup> March 2022.

**6.2** Iain Clark updated the committee on the NCL consolidated accounts as follows:

- The figures in the accounts had been agreed and there are no amendments from NCL or SLC.
- Now that SLC had finalised its governance statement, NCL would be able to in turn finalise its statement and will consult with Mazars and its legal advisors.
- Christopher Moore would be in a position to complete the Principal's statement when he had the information he recently requested from SLC. Liz McIntyre said that this would be available the following day. She noted that the SLC Finance Team had the accounts ready for December and the issue this year has been the SLC Governance Statement.
- There would be special meetings of the NCL Finance and ARC on the 14<sup>th</sup> March 2022 to recommend the accounts to the Lanarkshire Board on the 21<sup>st</sup> March 2022.
- The Chair commented that the timetable for the NCL consolidated accounts was now very tight. He asked if the SFC were fully informed and Iain Clark confirmed that the SFC had been kept advised of the situation.

## **7. RSB and Assigned College Update**

**7.1** Ronnie Smith informed the Finance Committee that he had written a confidential paper on procurement and approvals for SLC Legal and governance advice which would be sent following the agreement with the Finance Chair to the Finance Committee. He noted the following:

- Liz McIntyre has stabilised the situation at South Lanarkshire College following her appointment as Acting Principal but the appointment is time limited and she will leave on the 31<sup>st</sup> March. The SLC Board is pursuing a solution to this issue.
- SLC has appointed another Interim Board Secretary.
- Ronnie Smith updated the committee on the situation with regard to legal costs associated with SLC Governance matters.

**This section has been redacted under Section 36 of FOISA – Confidentiality.**

***Action: The Finance Committee recommended that the Board should write to the SFC about payment of costs. It is the Finance Committee's expectation that there would be no liabilities or costs for the RSB from this.***

**7.2** Moira Jarvie asked if there was a date for the investigations to be concluded and Ronnie Smith informed her that the investigations were currently stalled and it was not clear when they could conclude.

## **SLC Business**

### **8. Head of Finance Report to SLC Finance Committee**

**8.1** Keith McAllister informed the committee that he had sent a one page Head of Finance Report of a summary of the main issues discussed by the SLC Finance Committee on the 24<sup>th</sup> February 2022. The report had been sent just prior to the meeting. Keith McAllister updated the committee as follows:

- **Financial Statements – Year to 31<sup>st</sup> July 2021:** The SLC finance Committee noted the surplus for the year, the comments made by the external auditors and duly recommended the draft SLC Financial Statements be forwarded to the Board of Management for consideration and approval.
- **Consolidated Financial Statements 2020/21:** The SLC finance Committee noted that the College had supplied the NCL finance team with the financial figures to form part of the consolidation in good time and that the draft narrative of the consolidated accounts had been reviewed by SL College management and would be once again.
- **Management Forecast – 12 months to July 2022:** It was noted that the Faculties were working with the Depute Principal to close the credits gap for the year. It was also noted that the College had an excess of student enrolments that met EU activity requirements. Any excess enrolments were automatically added to the core activity enrolments. Until the gap was closed, the College would be recognising a potential drop in funding and, consequentially, a potential deficit for the year. SFC has been approached by the sector about the implications of not meeting the activity targets for the year. For the previous year, SFC supported the sector by effectively underwriting any shortfall in activity but their line to date is that this would not be done for 2021/22.
- **Procurement and Estates Reports:** SLC Finance Committee members accepted both reports and recommended these to the Board. The Committee considered and approved the changes to procurement thresholds that brought these up to sector norms.
- **Budget 2022/23 & Scenario Planning:** It was noted that the latest indication from SFC was that the sector would only receive a “flat cash” settlement for 2022/23. The Committee noted that the College had already investigated its scenario planning arrangements.
- The SLC finance committee noted the establishment of a **Strategic Investment Fund** which would be utilised for special projects, backlog maintenance and curriculum development.
- **Overdraft Facility:** Although the overdraft facility had not been utilised during the year, the SLC finance committee agreed to extend the arrangement for another 12 months.

**8.2** Christopher Moore informed the committee that the Scottish Government had published school leaver figures that showed that 45% of school leavers went to university and in contrast 23% went to colleges in August 2021. This demonstrated the impact on credits for colleges and the environment the colleges were operating in where their income was predicated on credits and with no shortfall allowed for this year by the SFC. He also noted that the HN students have an associated fee of £1,285.

**8.3** SLC affirmed that they would be prepared to start attending the Lanarkshire Board committee meetings again. The chair thanked Keith and Liz for attending and for their input to the meeting.

Note: Liz McIntyre and Keith McAllister left the meeting at this point.

## **NCL Business**

### **9. NCL Management Accounts Update**

**9.1** Iain Clark presented the management accounts to the committee. He highlighted the following:

- credit position is key and that there is a plan to achieve as many credits as possible to meet the credit target including on-line courses such as well-being for staff and students. This plan is being driven very hard by members of the Executive Board. The SFC have stated that there

is no funding guarantee for any shortfall in credits this year. There is again an ESF exposure if credit targets are not met.

- there are other pressures on the budget e.g. from the pay settlement, rising costs and income streams being down
- there is a very tight cash margin
- there is a mid-year return 2021/22 due at the end of March 2022

**9.2** Paula Blackadder asked about the credits and how they were set. Ann Baxter explained that they are set through the ROA process in discussion with the SFC about the regional credit target. The issue is that a sizeable part of the college income is achieved through credits and if credits are cut, income is cut. This is against the background of more students going to university after school and also staying longer at school. Christopher Moore said that strategically it was important to develop links with the University of the West of Scotland and Glasgow Caledonian University.

## **10. NCL Budget Update**

**10.1** Iain Clark highlighted the following to the committee about the budget for the college sector:

- the reduction in funding equivalent to £51.9million to colleges, due to inflationary pressures (£23.9m) and the loss of Covid-19 consequential funding (£28.0m) previously received
- In December 2021, the Cabinet Secretary for Finance and the Economy announced that colleges would receive £675.7m in Revenue, plus £74.7m for Capital. Although this is described as a flat cash position, the Budget means a real-terms cut to the core budget of £23.9m for colleges in academic year 2022/23 because of inflation.
- This position is calculated without bringing increased pay and rising energy costs into account.
- In 2021/22 colleges received Covid-19 consequential funding to support deferred students, Foundation Apprenticeships, mental health and wellbeing initiatives, and the provision of digital equipment for students. This funding will be removed for 2022/23, leaving colleges with a further reduction of £28m on its baseline budget compared to academic year 2021/22.

**10.2** The letter from Colleges Scotland to MSP's on the 24<sup>th</sup> January 2022 in relation to the Budget announcement, stated that colleges were already facing a series of cost pressures prior to the impact of Covid-19, including pay awards, employers' pension contributions, changes in National Insurance costs, maintaining the college estate, and the UK's exit from the European Union. As part of a pattern of lack of investment, colleges now have no space to manoeuvre in terms of how their budgets are used. If the Draft Budget remains as is, colleges are likely to attempt to address this reduction in core funding in a variety of ways, including freezing recruitment, outsourcing of support activities, possible changes to temporary contracts, increasing class sizes and consolidating classes. All of these would be a last resort, however after years of under investment there is no more space to manoeuvre in. Unless there are improvements to the Budget, noticeable changes to colleges are inevitable. The letter sets out the challenge facing colleges.

**10.3** Iain Clark said that the revised draft FFR for 22-23 based upon the budgetary announcement was showing a c£3million deficit and this was consistent with other comparable colleges he had approached about their figures.

**10.4.** Kenny Anderson raised the issue of how difficult it is to budget in this situation and the posting of deficit budgets, stressing that it was important to show the reality of the budget position. Christopher Moore provided an update from discussions between the SFC and college principals. Ronnie Smith

highlighted the discussions between Colleges Scotland and government ministers. Keith Fulton raised the issue of informing OSCR of the position.

10.5 There was discussion on the challenges of the budget position. The college were already aware of the difficult financial position. The papers at agenda item 12.1 on the draft financial strategy and horizon scanning highlighted the aspects that the college were considering. The budget settlement made that analysis even more challenging. With implications across the college strategic drivers and initiatives. Christopher Moore raised the difficulty of communication when the budget from SFC was not settled. He highlighted the immediate and urgent situation for the college in terms of staff replacement.

***Action 1: A paper should go to the Board based on an update of the FFR position taking into account the budget. The paper will provide a base line for the college to consider the impact on strategic drivers, College initiatives and advocacy.***

***Action 2: Finance Committee agreed that there should be a moratorium on staff replacement and the Finance Committee agreed to recommend this to the Board.***

## **11. Motherwell Campus Cladding Update**

This section has been redacted under section 36 of FOISA- Confidentiality.

***Action: The Board Secretary will call a special meeting of the Board.***

## **12. Horizon Scanning**

**12.1** This was considered at agenda item 10.

### **12.2 Finance Committee Workplan.**

This item was deferred to the special meeting of the Board on the 14<sup>th</sup> March 2022.

## **13 Procurement**

This item was deferred to the special meeting of the committee on the 14<sup>th</sup> March 2022.

## **General Committee Business**

### **14 Approval of publication of Committee Papers**

The Committee approved the publication of the agenda and the minute.

**15** AOB: There was no other business.

**16 Date of Next Meeting:** The next scheduled meeting of the committee is the 23<sup>rd</sup> May 2022 at 5pm. There will be a special meeting of the committee to recommend the Financial Statements on the 14<sup>th</sup> March 2022.