**Minute Finance Committee**

**Monday 18th November 2024 – 5.30 pm at the Cumbernauld Campus and via Zoom**

**Present: Moira Jarvie, Elaine Loudon, Barbara Philliben, Ronnie Smith.**

**In attendance: Ann Baxter, Iain Clark, Ronnie Gilmour, Diane McGill, Lynn McKenzie, Penny Neish**

**Via Zoom: Paula Blackadder, Elaine McKechnie, Stella McManus**

1. **Chair’s welcome:** The Chair welcomed everyone to the first of two meetings – there is a special meeting to consider the Financial Statements on the 2nd December 2024 - and thanked them for attending.

**2. Apologies for Absence:** There were no apologies.

**3. Declarations of Interest:** Moira Jarvie stated that she had resigned as Unison Branch Treasurer and as a steward and member of Unison. She thanked NCL management for their support in this process. Ann Baxter, Iain Clark and Ronnie Smith declared an interest in AMCOL as members of its Board.

**4. Minutes of Meeting:** It was noted that there was atyping error at Item 1 which would be corrected. The minute of the meeting on the 9th September 2024 was approved.

**5. Matters Arising from the minutes:** There were no matters arising that were not on the agenda.

**6. RSB and Assigned College Update**: Ronnie Smith said that he had met with the Scottish Funding Council (SFC) who were looking to touch base. In the meeting it became clear that they had not yet seen the consultation responses that had been submitted to the Scottish Government. He subsequently sent them the Lanarkshire Board response. Claire Jamieson of the Scottish Government had also asked for a meeting later in this week. He was pressing for an early decision from the minister. Stella McManus said that she and Douglas Morrison also had a meeting with the SFC at the end of the month.

***Action: Ronnie Smith would update at the special meeting of the Finance Committee on the 2nd December 2024.***

**7. Head of Finance Report to RSB Finance Committee.**

**7.1** Elaine McKechnie highlighted the following areas from her report:

* Financial Statements 2023-24 and Audit Scotland’s Annual Audit Report 2023-24
* Actuarial Assumptions used in Financial Statements 2023-24
* Draft annual workplan for Finance & Resources Committee
* CCEAP – Climate Change Emergency Action Plan
* CLIC Innovate UK – A progress update
* SFC Financial Forecast Return (Reserved Item)
* Quarter 1 Management Accounts
* Cashflow Report
* Procurement quarterly update
* Facilities quarterly update
* Climate Change Action Team (CCAT) quarterly update
* Capital Expenditure Plan
* Legal Fee Analysis

**7.2** Ronnie Smith commented on the scale of legal costs to date related to an employment tribunal case. Stella McManus has written to the lawyers asking for the latest costs projections and this is being monitored by the SLC Board.

**8. Financial Sustainability/ Forward Planning**

**8.1 Forward Plan Progress Update**

Ronnie Gilmour updated the Committee as follows:

* The VS scheme had delivered to plan.
* Learning Well – a BA in Business and Leadership is open to applications subject to validation. There are 100 places allocated from UWS.
* There have been improvements to systems to monitor part-time temporary staff and give earlier data.
* There has been careful management of absence to reduce costs.

**8.2 2024-25 cash flow executive summary**

**8.2.1** Iain Clark presented the following cash flow position to the Committee:

* **Cashflow management continues to be a key focus for NCL.**
* **Material cash inflows and outflows include:**
  + (+) SFC Funding advances of £2.5m June 2024 and £2m July 2024 (no repayment in profile, hence £3.6m free-cash deficit at July 2025).
  + (+) SFC Drawdown of £37.7m GIA over 12 months, both years (FY).
  + (+) SFC 22/23 clawback £995k waived.
  + (-) Monthly cash burn average of £4.2m forecast over next 12 months, staffing costs monthly average including Amcol £3.5m.
  + (-) Backdated pay award Academic paid September, on-costs October current employees only. Amounts outstanding to previous employees, timing and quantum not definitive, assumed absorbed in cash burn.
  + (-) Voluntary Severance outlay c£674k April 2024 –Sept 2024 met by College (assumption)
  + The Cash Flow £4,500k SFC advance assumed being o/s liability at July 2025 (Modelling only)
* **Key mitigating actions planned to optimise cashflow:**
  1. SFC Support: deferred repayment £4.5m from August ‘24 to July ‘25 within F/Y 2024/25. Support currently required at all AY/FY junctures.
  2. Front-load drawdown for A/Y 2024/25 to March ‘25 (£11m drawn down in August).
  3. March 2025 utilizes Amcol funds in full. Balance £687k as ESF deferred to April. Amcol balance £2.8m at year end.
  4. Treasury Management – e.g. possible deferral of Creditors.
  5. Permanent levers – SFC Write-off; SFC Loan repaid over agreed period – assets as collateral, future surpluses; Realisation from Sale of assets.
* **Proposed enhancements to governance over cashflow as follows:**
  1. Any Amcol intercompany cash transfers over £500k will require formal Finance Committee approval, Board notification. Will be required in March ’25 when Amcol cash will have to be utilized to cover pay and operating expenses.
  2. Any SFC Funding Advances will require to be notified to Finance Committee and the Board.

**8.2.2** The SFC are aware of the cash flow position as monthly cash flow submissions are being made. Iain Clark noted that March 2025 will be a crunchpoint but that come January 2025 AMCOL fees and cash balances would be an essential part of managing cash flow for the college through its role as a wholly owned subsidiary.

Ronnie Smith was concerned that relying on AMCOL in this way was masking the overall problem with the SFC and making it easier for the SFC to continue to squeeze funding. He also said that AMCOL should not be impeded or operationally damaged as they were an important asset to the college. He said there would need to be a high -level discussion with AMCOL but he did not envisage any problem in getting assistance from the wholly owned subsidiary noting that there had never been a request to AMCOL for funding to date. Christopher Moore said that it was normal practice to have transfer of funds from subsidiaries to the parent entity. Paula Blackadder asked if there should be a liquidity strategy between the college and AMCOL.

***Action: Iain Clark to advise on a liquidity strategy for the next meeting of the Committee in February.***

**9. Financial Statements Audit Update**

**9.1** Iain Clarkinformed the Committee that there had been good progress to date. However, there had been an Amended Accounts Direction from the SFC relating to the Job Evaluation exercise (see Appendix 1). The revised SFC guidance arrived the on 13/11/24 when most of the preparation and audit work had been substantially completed. This was discussed this with Audit Scotland on the day of the Amendment. This late notification would not only require changes to the 2023/24 Financial Statements but would also require some unravelling of last years’ Financial Statements then a re-audit. Being a sector-wide directive, this would not only affect NCL, but SLC and, hence, the Consolidated accounts. This would be a lot of additional work.

**9.2** Ronnie Smith expressed concern at the extremely late direction from the SFC and questioned whether there should be some push back from the sector. Christopher Moore also expressed his concerns that this would result in the job evaluation funds being included in the colleges’ accounts and, therefore, there was a risk that this could be seen as a college issue when, in fact, the allocated funds had been transferred from the SFC to the Scottish Government and it was the Scottish Government that now had the funding and, therefore, the responsibility to fund job evaluation. He advised as the Regional Accountable Officer that this should be made clear in the accounts so that there was no hostage to fortune on this matter and legal advice should be sought on a suitable wording.

**9.3** Ronnie Smith and Christopher Moore were meeting with the Interim CEO of Colleges Scotland the following day and they would raise this with him. Ronnie Smith noted the difficulty to get co-ordinated approaches across the college sector.

**9.4** Iain Clark said the agreed deadline of the end of December 2024 should still be met.

**10. Cumbernauld Campus Nursery Update:**

**10.1** The report was presented to the Committee. The Nursery has performed significantly better than budgeted for 2023/24 with a favourable variance of c£104k and a reduced operating deficit of c£73k against a budgeted deficit of c£177k. Inclusive of central costs of c£82k, it is a deficit of c£156k against a budgeted deficit of c£260k.

**10.2** The Nursery remains confident of bringing in the budget to plan through increased recruitment drives, enhanced marketing and further cost savings as the year progresses. It should be recognised that the Nursery is only in the infancy of the revised operating hours and it will take time to fully become established in this market. The Nursery is continuing to receive applications and the staff are confident that the numbers will continue to increase, pulling in parents who specifically need the longer hours. The flexibility of the Council funded places continues to be promoted on the dedicated Facebook page, and the Nursery plans to offer temporary childcare during non-term-time weeks (October, Easter, Summer) to fill places, in turn attracting parents to the Nursery on a full-time basis.

**10.3** Paula Blackadder observed that it was a good report and acknowledged the effort that was being made with improvements in financial projections and Barbara Philliben agreed that it was good to see the progress made to date. The Committee noted the report.

**11. NCL Educational Foundation Update**

**11.1** The Foundation’s reported balance in the previous report to this committee was £18,231.78. The current balance is £30,124.53, which is an increase of £11,892.75. The principal sources for this are donations from Lady Haughey (£10,000), the Hospitality Department from ML One tips (£3,000), Amcol Scotland (£4,000), WBG Services (£1,000), and ticket sales for the Lorraine Kelly event (£775.90).

**11.2** The Lorraine Kelly event was held on Thursday 3 September, when Ms Kelly accepted the Fellowship of the College. The event was sponsored by WBG Services who presented a cheque for £1,000 for the Foundation. In addition to the donations above, a cheque for £1,957.37 was received from the Three Peaks Challenge and ticket sales raised £775.90. Total cheques presented and ticket sales came to £20,733.27.

**11.3** Lady Haughey donated winter coats for the NCL Winter Coat Appeal. ACS provided the cleaning service for these coats.

**11.4** During May and June, contributions were received through Just Giving for the Ben Nevis Challenge, HMRC Charities Gift Aid, sale of scrap from Strathclyde Alloy, Hairdressing and Beauty Therapy at Cumbernauld and from the Big Breakfast provision across the campuses.

**11.5** NCL Education Foundation Charity tins have been sourced free of charge and these will be a priority for locating across the College’s campuses. This does not mean that other worthy causes, like the Poppy Appeal, Disasters and Emergencies, Children in Need, Cash for Kids, etc. will be ignored. To that end a relevant policy and associated procedure will be established.

**11.6** There will also be a whisky tasting eventheaded by the Board Chair to raise funds for the Foundation

**12. Prisons Bid:** Ann Baxter reported that the College and its partner NOVIS had not progressed to the next stage of the bid process. The bid had been rated aby the Scottish Prison Service as being very high on quality but they had not felt that it would be possible to reconcile the bid costs with the available funds. It had been agreed at the outset that the bid costs would be set at a realistic rate with no lost leaders. It was agreed that this should be viewed as a positive experience with experience gained and lessons learned.

**13. Update from RGP Committee on ICT at NCL**

**13.1** **Capital Maintenance Fund:** As stated in the February 2024 report, the most urgent priority remains the refresh of the desktop and laptop estate in preparation for Windows 10 moving to end-of-life in October 2025. A range of projects have been undertaken to upgrade the classroom and computer lab equipment and there is a project list of further upgrades totalling £3.870,589 including VAT.

**13.2** Other key activities include:

* replacing the Cisco VOIP Telephone System with Microsoft Teams Telephony.
* Cyber Security: Two-Factor Authentication (2FA) for students was introduced on 1st October. Working in co-operation with the Branding team the launch date was communicated to students and staff in advance, with an instruction video and guide document, prepared by the ICT team, provided to assist students with the setup and configuration.
* **Migration and upgrading of the server estate:** During October the library system, Heritage, and the SQL database server were both successfully migrated to the new server and storage infrastructure. This leaves the HR system, CHRIS 21, as the only system that remains to be moved over.
* **New ICT Helpdesk System: T**he new ICT Helpdesk system went live across all campuses on 19th August 2024.

**14. Update on Systems Development at NCL:** During the months of August and September, the main focus of the Systems Development Group is to ensure as smooth a start to the session as possible and in particular that the enrolment process and everything associated with that works well. In general, that was the case this year. The paper sets out plans for system upgrades, process improvements for part-time teaching hours, improvements to student funding attendance checking, schools’ enrolment and a new student funding system.

**15. Update from RGP Committee on NCL Estate:**

**15.1** During the period of September to November 2024, the Estates Department have been busy with a number of new service contracts and procurement frameworks as facilities are improved to provide further value to the College. The Scottish Funding Council commissioned a full review of Scottish Colleges Estates in August which was project managed by Atkins. The purpose of the review is to look at the Baseline of the Estate across a number of metrics including; backlog maintenance, energy output, service delivery models, useable space (including utilisation) and costs. A recent report in the Scotsman has highlighted the spiralling cost of college Estates and how RAAC has seriously depreciated the asset valuations of some colleges in Scotland and the impact this may have on the sector Estates backlog maintenance plans. The report set out work that has been undertaken at each of the campuses.

**15.2** Paula Blackadder asked about the position re the cladding at the Motherwell Campus. The Committee was informed that there had been an email from Fraser Hopkins of BTO which said that there was no further movement from Gardiner Theobald with supply chain companies not prepared to pay to improve the offer made which does not even cover costs let alone remedy the building. It had been agreed at the RGP that Keith Fulton would go back to Fraser Hopkins to ask for a further extension. This would allow time to take guidance and advice on taking a more robust and public approach on the current and future impact this will have on education for young students in Lanarkshire.

**16. Approval of publication of committee papers from this meeting**

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

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

**18. Date of Next Meeting: The next scheduled meeting of the committee is the 24th February 2025 at the Cumbernauld Campus.**

**Appendix 1**

**Amendment to paragraphs 21 to 23 of FE Accounts Direction 2023-24**

**Background**

1. In previous years, SFC has held in reserve grant funding provided by the Scottish Government that relates to the middle management and support staff job evaluation exercise. These funds were returned to Scottish Government in 2023 with Scottish Government agreeing that responsibility for job evaluation funding commitments now rests with the Scottish Government until the process is complete.
2. The published 2023-24 FE Accounts Direction recommended that the costs of the middle management and support staff job evaluation exercise should be treated as a contingent liability. Based on discussions with relevant parties, the treatment was initially thought to be reasonable. Auditors have recently expressed a view that this treatment may not comply with the FE/HE SORP treatment for contingent liabilities and an alternative approach should be adopted.
3. SFC, Audit Scotland and the firms auditing colleges have recently discussed the accounting treatment for the middle management and support staff job evaluation exercise. The treatment advocated at that meeting was that a liability relating to the costs of implementing the middle management and support staff job evaluation exercise outcome should continue to be recognised.
4. The rationale is that the job evaluation exercise is a past event which, where an obligation exists its impact can be reliably measured and is likely to result in an outflow of benefit in future periods. Given the timing of the outflow is uncertain, a provision is likely to be the appropriate treatment. This treatment is considered by auditors to be compliant with the SORP and the relevant underlying accounting standards.
5. It is important to note that this is a technical accounting change only. The Scottish Government remains clear that responsibility for job evaluation funding commitments now rests with it until the process is complete.

**Amendment to 2023-24 Accounts Direction**

1. Paragraphs 7 to 10 below replace paragraphs 21 to 23 of Appendix 1 (page 9) of the published FE Accounts Direction 2023-24 ([Accounts Direction for Scotland’s Colleges 2023-24 - Scottish Funding Council](https://www.sfc.ac.uk/publications/accounts-direction-for-scotlands-colleges-2023-24/)).
2. The middle management/support staff exercise is a past event where an obligation exists, its impact can be reliably measured, and it is likely to result in an outflow of benefits in future periods. On this basis, the costs of the exercise should be recognised and a liability provided for
3. the total cost of the exercise to date. Colleges should use the funding figures for job evaluation previously provided by SFC to arrive at their valuation of the liability. Given the timing of the outflow of benefits remains uncertain, a provision is likely to be the appropriate treatment of this liability. This treatment is considered to be compliant with the SORP and the relevant underlying accounting standards.
4. The recognition of the revenue is not as clear due to the change in the funding arrangements not providing sufficient audit evidence for it to be recognised in the financial statements. On this basis, any revenue element previously recognised should be derecognised. Where a college has previously presented the liability as an accrual, this should be derecognised and recognised as a provision. The de-recognition of the previously recognised asset and potential re-recognition of the liability as a provision, will require a prior period adjustment to be made due to the change in funding circumstances and the accounting treatment having occurred in the 2022-23 financial year.
5. Colleges should consider whether separate disclosure of the impact of these transactions is necessary on the face of the Statement of Comprehensive Income and Expenditure due to the materiality requiring such a disclosure to be made.
6. The liability for the cost of earlier years and the current year cost provision should be adjusted through the college’s adjusted operating position calculation for 2022-23 and 2023-24 (see the amended Appendix 4 of the Accounts Direction). Colleges should adjust for this item through the adjusted operating position calculation as the Scottish Government has agreed that responsibility for the job evaluation funding commitments rests with the Scottish Government until the process is complete.