A purple and black logo

Description automatically generated

|  |  |
| --- | --- |
| **DATE** | 20 May 2024 |
| **TITLE OF REPORT** | South Lanarkshire College Report to the Lanarkshire Regional Strategic Body. |
| **REFERENCE** | LRSB Audit and Risk Committee Meeting of 20 May 2024  SLC Finance & Resources Committee took place on 15 May 2024. |
| **AUTHOR AND CONTACT DETAILS** | Elaine McKechnie Vice Principal – Finance, Resources & Sustainability  [Elaine.McKechnie@slc.ac.uk](mailto:Elaine.McKechnie@slc.ac.uk) |
| **PURPOSE:** | To update the Lanarkshire Regional Strategic Body on the SLC Finance & Resources Meeting on 9 May 2024. |
| **KEY RECOMMENDATIONS/ DECISIONS:** | Members were recommended to consider, note and question the updates provided. |
| **RISK** | * That the College cannot maintain financial stability; * That there is a failure of financial controls; * That there is a failure of Corporate Governance arrangements |
| **RELEVANT STRATEGIC AIM:** | * Successful Students * The Highest Quality Education and Support * Sustainable Behaviours |
| **SUMMARY OF REPORT:** | * Updates are relating to the financial sustainability of the College (reserved item). * Draft budget 2024/25 * Procurement update * Finance Regulations * Fee Policy 2024/25 * E-Signature Policy * Procurement Policy & Procedures * Quarter 3 management accounts & cashflow * Facilities quarterly update * Climate Change Action plan quarterly update * Capital Expenditure Plan * Scottish Funding Council (SFC) Funding Allocations 2024-25 |

1. I**NTRODUCTION**
   1. This paper provides an overview of items tabled at the South Lanarkshire College Finance and Resources Meeting which took place on 15 May 2024.
2. **FINANCIAL SUSTAINABILITY OF SOUTH LANARKSHIRE COLLEGE (RESERVED ITEM)**
   1. The Principal presented the College’s high-level operational plan for the year ahead.
   2. The paper outlined the challenging financial context of the college sector and included:
      1. The College needs to make savings of £1m or find alternative sources of income in order to return to a balanced basis.
      2. There is vision for the structure of the academic management, with adding in additional lower-level management posts at Level 1, to support succession planning and provide more support to the Level 3 Curriculum Management tier. This is possible due to potential savings of £420k should other postholders undertake voluntary redundancy.
      3. Curriculum has been realigned and courses removed due to under recruitment which has meant that there is an overall underutilisation of 5.8 FTE across the College.
   3. As above, the Principal also acknowledged that some savings will likely come in the form of staffing. Any potential voluntary severance scheme would require approval from the Lanarkshire Regional Strategic Body (LRSB), setting out a clear business case. The College anticipates presenting the business case to the LRSB in early September 2024.
3. **DRAFT BUDGET 2024/25**
   1. The Vice Principal – Finance, Resources & Sustainability presented the first draft of the Budget for 2024/25 to the Committee, based on indicative budget allocations from the Scottish Funding Council (SFC) in late March 2024.
   2. The College looks set to recognise a deficit of (£1m) in 2024-25 while there is ongoing work to rationalise and review operations.
   3. Cashflow will continue to be depleted in the full and final settlement of pending pay awards.
   4. Capital expenditure of £850k has been identified for 2024-25 whilst ensuring some contingency to any urgent, unplanned works that may present.
   5. The College recognises that 2024-25 will be a period of transition for the College and improvements in financial reporting will only help to drive better decision making to ensure the College operates effectively and efficiently within its limited resources.
   6. Cashflow continues to be a priority and concern for the College and is closely monitored.
   7. The Vice Principal – Finance, Resources & Sustainability caveated the budget at this stage as a draft version and any further updates will be brought to the South Lanarkshire College Board in June 2024.
4. **QUARTERLY PROCUREMENT UPDATE INCLUDING PROCUREMENT STRATEGY FOR APPROVAL**
   1. The Committee was asked to consider the recent updates to Procurement Strategy and Action Plan.
   2. The Strategy has been designed to ensure legislative compliance with the Procurement Reform (Scotland) Act 2014 and other relevant legislation. It is aligned with the College’s and the Scottish Funding Council’s key strategic outcomes as detailed in our Regional Outcome Agreement 2023-2024 and South Lanarkshire College’s Strategic Framework 2020 – 2025.
   3. The Strategy sets the College challenging but realistic goals for the development of procurement activities which will be subject to a regular and transparent review.
   4. It is essentially about achieving the best balance of cost, quality and sustainability through:
      1. Improving supplier access to public contracts;
      2. Delivering savings and benefits;
      3. Maximising efficiency and collaboration; and
      4. Embedding sustainability in all we do.
   5. The strategic procurement objectives form the core of our Procurement Strategy.
      1. To work with internal budget holders and professional support service colleagues and suppliers to deliver innovation and best value to the learning, research and service support communities through the development of an effective and co-ordinated purchasing effort within the College;
      2. To promote the delivery of value for money through good procurement practice and optimal use of procurement collaboration opportunities;
      3. To embed sound, ethical, social and environmental policies within the College’s procurement function, respond to the climate emergency and to comply with relevant Scottish and UK legislation in performance of the Sustainable Procurement Duty;
      4. To sustain and further develop partnerships within the sector, with other publicly funded bodies, with professional bodies and appropriately with supply markets that will yield intelligence, innovation and deliver value to users of procurement services;
      5. To seek out professional development opportunities to enrich and enhance experience and capability of procurement practitioners and to work with the supply chains to ensure continued value, managed performance and minimal risk throughout the life of contracts for the benefit of customers and students;
      6. To develop sound and useful procurement management information in order to measure and improve procurement and supplier performance in support of corporate planning conducted through fair and transparent process.
5. **FINANCE REGULATIONS** 
   1. The Committee was asked to note recent updates to the Finance Regulations.
   2. The main updates to the Finance regulations in May 2024 are highlighted in red within the Regulations and while not exhaustive, include the following key updates:
      1. Recognition of the formation of the Executive Team, consisting of the Principal, the Vice Principal – Learning, Teaching and the Student Experience and the Vice Principal – Finance, Resources & Sustainability.
      2. The Responsibilities of the Management Team, from Principal, Vice Principals, Associate Principals, Heads of Business Support Functions and Curriculum Managers at section 2;
      3. A reference to the College’s new e-signature policy;
      4. An update for annual Tuition Fee setting and a reference to the Fee Policy for 2024-25.
      5. Banking arrangements also include recognition of BACS processing platforms, such as BACSTEL-IP, for the distribution of payments in place of outdated cheques.
      6. A further update was made to acknowledge the role of the Head of Finance in seeking greater interest generating potential on any limited, short term cash reserves.
      7. The terminology in respect of a cash ‘imprest’ has been removed and replaced with a reference to cash ‘floats’ which better reflects current practice. The College does not utilise cash floats on a large scale however it does acknowledge that there are circumstances that lend themselves well to a cash float, such as the Students’ Association.
      8. Generally, within the regulations, a revision to the Principal being the main delegated authority for authorisation of purchase orders has been reflected. As noted in a recent internal Audit finding by Henderson Loggie, this structure has the potential to create a bottleneck of often low value orders that await Principal approval. This update of the Finance Regulations suggests that the Vice Principals and the Associate Principals can authorise a greater volume of purchase orders in place of the Principal.
6. TUITION FEES POLICY 2024-25
   1. The Committee was asked to note the Tuition Fee Policy for 2024-25 as a necessary source of information for all College stakeholders, including students and staff.
   2. The Tuition Fee Policy covers the following main areas:
      1. Fee Setting
      2. Fee Structure
      3. Fee Status and Determination
      4. Funding
      5. Fee Payment and Collection
      6. Method of Fee Payment
      7. Fee Refunds

6.2.8 Fee Complaints

* 1. The Tuition Fee Policy will be revised annually by the Head of Finance with inputs from the Senior Leadership Team prior to Board approval.
  2. The Tuition Fee Policy has been prepared in consultation with the Regional/New College Lanarkshire (NCL) Fee Policy to ensure some consistency in approach. It should be noted that NCL combine both the Fee and Fee Waiver Policy into one Policy while SLC separate these policies.
  3. The committee was advised that a draft Fee Waiver Policy for 2024-25 will be brought to the FRC in August 2024 once Scottish Funding Council (SFC) guidance has been issued.

1. ELECTRONIC SIGNATURE (E-SIGNATURE) POLICY
   1. The Committee were advised that an E-Signature Policy has been developed in recognition of the changing landscape in which the College operates. Many contractual dealings are now concluded by way of an E-Signature, which improves the efficiency of contract conclusion and enables a faster transition into an extended or new contract.
   2. The E-Signature Policy is governed by Scots Law and as such, any contractual obligations with other non-Scottish domiciled agencies should be considered in the context of their own legal jurisdiction whilst still acknowledging that this Policy would likely still apply most of the time.
   3. The College will use Adobe Sign for e-signing purposes which has the same legal compliance guidance as DocuSign (another reputable e-signing platform).
   4. The College will consider the roll out of training to better inform all users of Adobe Sign functionality and capabilities.
2. PROCUREMENT POLICY & PROCEDURES
   1. The Procurement Policy and Procedures are well established at the College and have been reviewed in May 2024 to reflect changes that have been made in the Finance Regulations. This helps to ensures consistency in understanding of procurement activity by all College staff.
   2. The main changes relate to Updates to table A – Goods & Services Thresholds and table B – Works to align with the delegated levels of authority as set out in the Finance Regulations
   3. The updates have also introduced a Procurement Initiation Form for regulated procurement as contained within the Procedures.
   4. The Committee was advised that the documentation is in draft and will still be subject to formal review by APUC Ltd, welcoming any comments from the Committee.

1. QUARTER 3 MANAGEMENT ACCOUNTS & CASHFLOW
   1. The Vice Principal – Finance, Resources & Sustainability presented the reports containing a summary of income and expenditure for third quarter to 30 April 2024 with a YTD deficit of £639k. The full year expected position is a deficit of £748k.
   2. The cash flow report submitted to the SFC is yet again a stark reminder of how precarious College funds will be once salary awards and general ongoing inflationary pressures are factored in. While there may be circa £2.3m in the bank at the of the year, with further cuts to grant funding in real terms, this would be eroded in 2024-25 in the absence of a strategic review and rationalisation of operations in the current year.
   3. The Committee were encouraged by the work that is on-going to monitor cash flow and realise additional income through bank accounts with greater interest earning potential.
2. FACILITIES QUARTERLY UPDATE
   1. The Principal acknowledged that work to strengthen the lift shafts is currently being undertaken. The College horticulture garden work sponsored by the Arms-Length Foundation (ALF) is also almost complete.
   2. An update on the College’s service providers and their Red Amber Green (RAG) status was given, noting that some providers are part of the procurement processes in train.
   3. An overview of the options presented to the College by Mott McDonald regarding the decarbonisation of the estate were discussed at the meeting, in which Mott McDonald strongly favour heat pump technologies. The College continues to evaluate these options in light of precarious future Scottish Government Funding for such pursuits and the College’s priority to ensure a ‘fabric first’ approach in all future sustainability endeavours.

•

1. CLIMATE CHANGE ACTION PLAN QUARTERLY UPDATE
   1. As advised previously, the Committee were reminded that the College has produced a Climate Change Emergency Action Plan to set out how the organisation aims to achieve net-zero climate emissions by 2045.
   2. It was explained to the Committee that the College has undertaken a recruitment drive to recruit Colleagues to join the Climate Change Action Team which has responsibility for the roll out of the Action Plan. The College will provide this Committee with regular updates on its progress as the Team onboards. 6 participants have been identified currently.
   3. A meeting with South Lanarkshire Council’s Sustainability Officer in April 2024 was fruitful and signalled opportunities for collaborative working and potential funding opportunities.
   4. Representatives from the College have also been involved in the Lanarkshire Communities Climate Change Network (Lanccan), as part of a Steering Group.
   5. The Committee were also asked to note the participation of one of the operational leads of the Climate Change Action Team at the College Employers Scotland Finance Director’s Network annual conference in Stirling on 9 May 2024. James Jamieson, Curriculum Manager for Building Services Engineering, presented on the topic, “How is the net zero/sustainability target being embedded within curriculum and the estate: A college perspective”. This gave James an opportunity to network with the other 25 Scottish Colleges and showcase the work involved to date by the College on its sustainability journey.
2. SFC MID YEAR RETURN
   1. The report presented to the Committee set out the assumptions utilised in the completion of the financial inputs to the MYR for 2023/24. These assumptions are the same as the assumptions used within the financial modelling exercise presented to the FRC in February 2024. The overall deficit presented was £917k.
   2. Income projections in the MYR were based on up-to-date activity as at 31 January 2024 and expenditure reflects ongoing inflationary pressures and additional depreciation expense incurred as a result of additional CAPEX expenditure.
   3. The balance sheet reflects an increase in the deferred capital grants as modelled out in detail based on up-to-date position on 31 January 2024, together with movements in debtors and creditors owing to expected settlement of staff salary awards prior to 31 Jul 2024.
   4. Cashflow will likely continue to track at around £2m by the end of the academic year if pay awards are made.
   5. The report concludes with a review of financial ratios which remain largely consistent with FFR 2023/24 initial expectations.

1. CAPITAL EXPENDITURE PLAN
   1. The College has already spent £694k on capital works in the 9 months to January 2024 leaving approximately £179k available for capital expenditure in the period May -Jul 24.
   2. The Senior Leadership Team (SLT) met in April 2024 to review current progress on capital expenditure against budgeted plans and agreed a new schedule of works for May – Jul 2024 to support priority projects.
   3. The College continues to monitor capital expenditure spend regularly to ensure that spend is fully utilised in line with the requirements of grant funding available.
2. SFC FUNDING ALLOCATIONS 2024-25

14.1 The College were also asked to consider the SFC prescribed, indicative budget allocations for 2024-25 for the Lanarkshire Region.