**Approved Minute**

**Finance Committee**

**Monday 28th November 2022 6pm via Zoom**

**Present:** Paula Blackadder, Moira Jarvie, Barbara Philliben, Christopher Moore

**In Attendance:** Ann Baxter, Iain Clark, Clare Gibb, Diane McGill, Penny Neish, Alan Sherry, Ronnie Smith.

1. **Chair’s welcome:** Paula Blackadder welcomed all to the rescheduled meeting which would take place via Zoom because of the 6pm start.

**2. Apologies for Absence:** There were apologies fromKeith McAllister, Stella McManus and Matthew Smith.

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

**4. Minutes of Meeting 12th September 2022:** The minutes were approved.

**5. Matters Arising from the minutes:** Matters arising were on the agenda for the meeting.

**6. RSB and Assigned College Update:** Ronnie Smith informed the committee that there had been a meeting with the SFC and NCL and SLC which had been positive in tone. It had been agreed that the deliverable option was still dissolution. There would be a wider governance review commissioned by the SFC which would include the Lanarkshire Region but this would not start until the investigations at SLC had been concluded.

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

 **7.1** Alan Sherry reported on the SLC Finance Committee meeting on the 7th November 2022. He informed the Lanarkshire Board Finance Committee that there was still ongoing discussion with Mazars about the Governance Statement and whether there would be a section 22 for this year given that the governance issues highlighted in the previous year had been addressed. Mazars did not want to sign off the accounts before the SLC Board meeting on the 8th December 2022 in case there was an impact on the Governance Statement from this meeting. He and Clare Gibb expressed their frustration with the delays in finalising the Governance Statement which in turn delays finalising the RSB accounts. The SLC Finance and Resources Committee did, though, review the Financial Statements and made minor recommendations re the narrative which the Head of Finance would amend. The external auditors had stated at the SLC ARC that they did not foresee any issue with the figures contained in the Financial Statements.

## 7.2 Professional Fees Update: The SLC Chair presented a report to the SLC Finance Committee on additional professional fees that had been incurred to date concerning governance issues and confirmed that she would continue to monitor these and report to the Committee.

**7.3** Alan Sherry informed the Lanarkshire Board Finance Committee that SLC was still awaiting an invasive survey on cladding.

**7.4** The Lanarkshire Board Finance Committee noted the contents of the SLC Head of Finance Report.

**8. Finance Updates**

**8.1 College Sector Finance Update /SFC Response to the FFRs:** Iain Clark informed the committee that the SFC had taken £20 million in required savings from the sector. The outlook was that the sector would be in a very difficult fiscal environment going forward. The overall projected position as reported by SFC on the FFRs was 8 colleges forecasting a deficit for 2022/23 but that by 2024/25 the whole sector will be in deficit with flat cash GIA funding and unfunded wage increases.

**8.2** Barbara Philliben asked how as a committee and Board this could be navigated. Ronnie Smith said that all colleges are in the same boat and there had been a meeting of Colleges Scotland last week. There would need to be a political solution to this. He noted that UNISON had raised an FOI in relation to comments on the impact on staffing made by the Principal of Kelvin College and that this might give insight into the national picture. Paula Blackadder commented that there did not seem to be a focus in government about this. Christopher Moore commented that he felt that the situation was recognised in government but it was a matter of priorities. He felt that it was important to have the Scottish Government’s budget and to plan and communicate when this had been received. He commented that the NCL Voluntary Severance scheme had been hard but it had made a big difference for this year. The SFC could see that NCL had best prepared its position for this year. He also informed the committee that there were two key policy reviews being undertaken by the government – a review of the purpose and role of post- secondary education in Scotland and of Skills Development Scotland.

**8.2** This will clearly be an ongoing issue of concern and reports will continue to be brought to the Committees and the Board.

**9. Update on ICT Estate at NCL:** The Finance Committee noted the report on progress on the ICT projects which are being funded through the Very High Maintenance Fund. The funds have to be spent by the 31st March 2023 and if not there needs to be explicit permission from the SFC to carry spend over. It is a difficult operating environment at the moment due to supply chain difficulties, varying costs and getting materials and parts. The Committee was assured that any required permissions would be sought from the SFC by the Chief Transformation Officer.

**10. NCL Budget and VS Scheme Update**

**10.1** The Voluntary Severance Scheme, which was opened to all staff on 19th May 2022, closed on 30th September 2022, in line with the business case which was previously approved by the Board of Management and the Scottish Funding Council (SFC). In summary, to date, the Voluntary Severance Scheme has cost a total of **£1,719,656**, including Pay in Lieu of Notice (PILON), Employer’s National Insurance contributions and Pension Strain costs. The Strain costs amounted to £98,707. However, this can be offset against predicted annual salary savings totalling **£2,517,766**, including on costs (i.e. Employer’s National Insurance and Pension contributions). The committee noted the report.

**11. NCL Educational Foundation**

**11.1 Current Foundation Activity:** The sole Foundation-supported activity, at the moment is the provision of complimentary breakfasts for students on the college’s main campuses. Members may recall that the report of 12 September past indicated that some 2,700 complimentary breakfasts had been provided for students in the academic year 2021-2022. Since that date a further 6,100 complimentary breakfasts have been provided.

**11.2 Foundation Funds:** The current amount of funds held by the NCL Education Foundation is £10,869.00. It is anticipated that the Foundation’s formal launch and the initiation of a payroll-giving facility will boost this amount.

**11.3 Articles of Association:** Following contacts made, by the Head of External Funding and International Activity, with a number of charitable organisations, a draft set of Articles of Association has been drawn up. It is intended that these will be considered and approved in principle by the Foundation Board, prior to Formal approval by the Finance Committee of the Regional Board.

**11.4** Work is on-going to set up payroll giving, to finalise the Board membership and to launch and promote the fund. The Committee noted the progress that has been made and noted the report.

**12. NCL Management Accounts Report**

**12.1** Iain Clark presented the management accounts to the committee noted the report.

**12.2** He commented that for 2021/22 the Underlying Operating Position is (£1,788k) for NCL. The deficit at NCL is mainly as a result of an unfunded VS scheme which cost a total of **£1,719,656** in order to bringa predicted future annualised salary saving of **£2,517,766**, including on costs (i.e. Employer’s National Insurance and Pension contributions). c£1.145m of the VS Cost will be accounted for in 2021/22 and is the largest part of the deficit.

**12.3** He flagged up cash flow issues in May/ June / July of 2023. Paula Blackadder asked what the strategy was to deal with this. Iain Clark said that the SFC had said that they would allow some 2023-24 monies to be used up front however he stated that this was not solving the liquidity crisis merely delaying it. There were other possibilities such as reviewing property and leases as noted at 13.2 below. He noted that other alternatives such as the management of payments to creditors and payments from debtors would come with difficulties, and ONS restrictions on borrowing, going to market and retention of asset sale proceeds limited options

**12.4** Moira Jarvie highlighted the importance of the credit targets and Ann Baxter said that the college was currently 23% off target and they were looking at short courses with other public bodies. There is a 2% tolerance level from the SFC this year but the college will focus on delivery to the target as will SLC. Clare Gibb said that this was an area where it was important that the colleges worked together to maximise regional targets.

**13. NCL Operational Finance Update**

**13.1 Procurement Opportunities**

**13.1** Iain Clark noted that there are a number of contracts coming up and there could potentially be in the region of £80k of savings that could be made. There would be joint activity with SLC where appropriate on procurement.

**13.2** The Committee noted the report.

**13.2 Motherwell Cladding**

**13.2.1** The committee noted that in previous meetings of the Board’s Committees it was agreed that the College and BTO, its legal advisers, would work towards a legal debate aimed at establishing the merits of the cases being presented by New College Lanarkshire (NCL) and by Galliford Try (GT) and its legal advisers, Burness Paull (BP). Most recently, GT and BP have included further averments to the prescription argument they are taking, together with a reference to the settlement agreement struck between NCL and GT in May 2018.

**13.2.2** The consequence of GT’s and BP’s latest position is that NCL and BTO will need to address these adjustments before the case can proceed to the legal debate hearing agreed earlier in the process. In light of this, NCL and BTO have sought and have agreement to an additional deferment of 8 weeks for further adjustment to be made. However, it will now be necessary to seek additional input from Diales, the independent experts NCL engaged with previously, to consider whether the defects complained of in the litigation are latent or patent defects under the terms of that agreement. It should be noted also that there are costs associated with this that will be incurred by the College. Legal costs as they relate to Senior and Junior Counsel and the specialists from Diales are estimated at a possible additional overall cost of £40,000-£45,000 plus VAT and any expenses which would increase overall costs to £630,000. This leads to a balanced decision about incurring additional costs in order to enable the college to proceed appropriately to legal debate, after which a fully informed decision can be made as to the legal strength of its arguments and thus whether they should be pursued or not.

**13.2.3** The Chairs’ Committee has agreed the additional spend at its meeting on the 14th November 2022 and this would be reported to the Board on the 12th December 2022.

**13.3 Potential Revenue Streams -Hamilton and Kirkintilloch Campuses**

**13.3.1** A valuation report from Rydens has put a value with VAT for the property at Southbank Road and 12 Donaldson Place Kirkintilloch. However, the main Campus received initial funding from the European Regional Development Fund (ERDF) and the possibility of clawback would have to be determined and there is also the issue of how much funding the college could retain under ONS regulations. The ERDF matter will be followed up by the Chief Transformation Officer and reported back to the Finance Committee.

**13.3.2** The running cost of the Hamilton Campus is c£110k per annum which is mainly staff costs. Staff would most likely be transferred to another campus. The lease is £40-50k and the lease runs to July 2023. It will cost £90-100k to return the building to its previous state which was a condition of lease. In November 2023 the property reverts from the local authority to David Samuel Properties. A further report will be bought to the February 2023 meeting of the Committee.

**13.4 Financial Controls/ Governance**

**13.4.1 The Finance Committee was informed that** 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. This means that the Governance Statement for the RSB consolidated accounts also cannot be finalised. It may be the case that the approval and signing of the accounts now has to go into the New Year. Wylie Bisset also need information from Henderson Loggie for their Regional Assurance Report and for their Annual Report.

**13.4.2** The Finance Committee noted the situation and that there would an update at the special meeting of the committee on the 5th December 2023.

**14. Horizon Scanning**

**14.1** Progress Update NCL Draft Financial Strategy**.** The committee noted that work on this is ongoing.

**15. Approval of publication of committee papers from this meeting:** The Committee approved the publication of the Agenda, the minute from the 12th September 2022. The SLC Head of Service Report will be on the SLC website.

**16. AOB:**

**16.1** Moira Jarvie commented on the Professional Service Staff review which had resulted in a positive reaction with lots of team and individual conversations.

**16.1** It was agreed that the paper on Funding Sources should be circulated to the entire Board.

**17. Date of Next Meeting:** The next scheduled meeting of the committee is the **special meeting on 5th December** **2022** to recommend the NCL Financial Statements to the Lanarkshire Board and then the 27th February 2022.