

## Agenda

### Finance Committee

Monday 26<sup>th</sup> February 2024 – 5.30 pm at Cumbernauld Campus and via Zoom

1. Chair's welcome
2. Apologies for Absence
3. Declarations of Interest
4. Minutes of Meetings
  - 4.1 Meeting of 20<sup>th</sup> November 2023 (FA)
  - 4.2 Meeting of 4<sup>th</sup> December 2023 (FA)
5. Matters Arising from the minutes
6. RSB and Assigned College Update (FI) Verbal update: RS

### SLC Business

7. Head of Finance Report to RSB Finance Committee # (FI) Paper Posted - EM

### NCL Regional College Business

8. Forward Plan Progress Update Verbal Update - IC

### NCL Business

#### Finance Reports

9. NCL Management Accounts Report (FI)\* Papers Posted - IC
10. NCL Update on financial strategy approved by the Board (FI) Paper Posted – IC
11. NCL Educational Foundation Update (FI) Paper Posted – CM/IC

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**RGP Committee Papers (FI)**

12. Update from RGP Committee on ICT at NCL \* (FI) Paper posted - IC
13. Update from RGP Committee on NCL Estate\* (FI) Paper Posted - IC

**General Committee Business**

14. Approval of publication of committee papers from this meeting (FA) BS
15. AOB
16. Date of Next Meeting: The next scheduled meeting of the committee is the 20th May 2024 at the Motherwell Campus.

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## Minute

### Finance Committee

**Monday 20<sup>th</sup> November 2023 5.30 pm Blended – Face to Face in Boardroom Cumbernauld Campus and via Zoom**

**Present Face to Face:** Barbara Philliben, Christopher Moore

**In Attendance Face to face:** Ann Baxter, Iain Clark, Diane McGill, Penny Neish. Barry Skea attended for the Item 4 – the Smart Hub Lanarkshire2.

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

- 1. Chair's welcome:** Paula Blackadder welcomed all to the meeting
- 2. Apologies for Absence:** There were apologies from Elaine Loudon, Moira Jarvie and Ronnie Smith.

**Note:** The meeting was in fact quorate. There has to be at least two non- executive members of this committee but the quorum is three Board Members and Christopher Moore is a member of this committee. There were three Board Members present.

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

**4.** The Chair agreed to take an extra Item 15 at the start of the meeting on **the Smart Hub Lanarkshire** and this paper was presented to the Committee by Barry Skea.

**4.1** North Lanarkshire Council would like to commission New College Lanarkshire to deliver Smart Hub Lanarkshire services for a Phase 2 period to conclude 31 March 2025. This will enable the continuation of industry focused business support services in North Lanarkshire. A mix of capital and revenue funding will enable investment in new equipment and technology and contribute to staffing costs for the project duration.

**4.2** Smart Hub Lanarkshire was established in April 2021 through a mix of funding awarded by the Advancing Manufacturing Challenge Fund (AMCF), North Lanarkshire Council and New College Lanarkshire. North Lanarkshire Council led the AMCF bid process and has been the managing partner responsible for project planning, monitoring, reporting and compliance up to the programme close date of 30 June 2023. New College Lanarkshire has been responsible for Smart Hub Lanarkshire operationally, delivering events, training and 121 support to manufacturing businesses.

**4.3** Following the conclusion of the AMCF funded project, North Lanarkshire Council would now like to commission New College Lanarkshire to design and deliver a Phase Two Smart Hub Lanarkshire project. The project will be funded by North Lanarkshire Council through budget allocation from the UK Shared Prosperity Fund (UKSPF). To ensure value for money and a quality service offer, New College Lanarkshire will commit to the following requirements. These include the following:

- **Technology Investment** – New College Lanarkshire to specify the proposed items of expenditure to be included in capital budget spend (£100,000.00) to North Lanarkshire Council for approval. Detail should also be included on the procurement methods that will be used.

- **Branding and Marketing** – New College Lanarkshire to develop and optimise the Smart Hub Lanarkshire brand and associated marketing channels through the project duration. A Summary Plan of how this will be achieved is to be provided by New College Lanarkshire. All marketing delivered must follow UK Shared Prosperity Fund Publicity Guidelines, to be provided to New College Lanarkshire.
- **Resource Allocation** – New College Lanarkshire to provide a detailed people, time and cost specification for the resource that will work in and on the project.
- **In-Kind Contribution** – New College Lanarkshire will require to document and commit £140,000.00 of in-kind value (50% of contract award financial value) to the project
- **Project Management & Reporting** – New College Lanarkshire to name a staff Project Manager Lead who will participate in monthly planning and progress monitoring meetings with North Lanarkshire Council. Quarterly meetings will enable New College Lanarkshire to report on KPIs against target.
- **Delivery Activity** – New College Lanarkshire is to supply a schedule of proposed Smart Hub Lanarkshire activity for the project duration. This will detail Robotic and technology demonstrations (Group and 121) as well as manufacturing sector focused events that will be delivered and lead to 121 Business Supports, Project Supports, Referrals to Research/Partner organisations and UKSPF Project Outcomes being achieved. The target date to commence project delivery is **Monday 18 December 2023**.

**4.4** The Committee discussed the proposal presented. The Smart Hub has been a very successful project and this is demonstrated by this proposal for a Phase 2. The contribution from NCL will be in kind with £100,000 from the UK Shared Prosperity Fund via North Lanarkshire Council for equipment that will belong to the college. It was confirmed that the Council did have the money from the fund. Christopher Moore commented that this showed the good working relationships with the Council and it places the college well in the field of Advanced Manufacturing. He thanked staff for all the work that the team had put into this project.

***Decision: The Committee agreed to recommend approval for this project. The timing for acceptance is tight and the Board Secretary would consult with the Board Chair about Board approval.***

**5. Minutes of Meeting:** The minutes of the meeting on the 18<sup>th</sup> September 2023 were approved.

**6. Matters Arising from the minutes:** The Committee was informed that the SFC had written to College Principals setting out a significant shift in guidance for 2022-23. It changes the threshold for withdrawals to 5 weeks in line with the University Sector and brings forward the 20% discount on any clawback for work related to teaching and marketing. This has a significant effect for NCL translating a £3.2 million credit clawback into an estimated £900k deficit on the premise that the full regional benefit would fall to NCL. The guidance is very late in the day but very welcome. This will result in a re-casting of the Financial Statements for the 2022-23 accounts and there is also already considerable pressure to have these finalised for the December Committees and Board. Iain Clark informed the Committee that he thought that the deadline could still be met. He informed the Committee that this would help with the cashflow and ensure that the college could get through to July 2023 with the assistance of SFC in terms of phasing. Stella McManus said that she didn't think that this would have an impact for SLC but she would have to check for any impact.

**7. RSB and Assigned College Update:** The Board Secretary set out that there had been no progress from the Scottish Funding Council (SFC) or the Scottish Government (SG) on the dissolution of the RSB until a recent meeting called by the SFC who had been asked to brief the minister. The meeting had been attended

by the NCL and SLC Chairs and Principals. Ronnie Smith had asked for a meeting with the SG and with the minister. The SFC meeting requests may indicate a new impetus for dissolution in the SFC and SG but any progress will not be immediate given the requirements for consultation with stakeholders and the need for legal remedies to the current legislation. Ronnie Smith has told the SFC that there would now be discussion about the governance arrangements for the RSB within the Board.

## **8. Head of Finance Report to RSB Finance Committee:**

**8.1** Paula Blackadder welcomed the new SLC Head of Finance, Elaine McKechnie, to the meeting. Elaine updated the Committee as follows:

**Audit Update:** The proposed draft annual audit report was received today and it is included in the SLC Board paper distribution for ARC and FRC meetings next Monday. Audit opinions are unmodified and there are no matters that need to be brought to the attention of the Auditor General. Several presentational and disclosure amendments were discussed and agreed during the audit fieldwork re Performance and Governance Statements and it has been recommended by AS that we review all sections of the financial statements to ensure that appropriate sectoral requirements have been made ahead of submission to external audit next year. Audit fieldwork on the whole progressed smoothly. Our fixed asset audit resulted in the incorporation of an intangible assets policy and note and a recommendation that the College tidies up its fixed asset schedules in advance of next year's revaluation cycle. The outstanding issues were the Title Deeds for SLC for audit assurance that SLC owns the building (now received – by 26/11/2023) and Senior Officials Pension information that is being actively chased with SPPA. The Head of Finance is still confident that SLC can hit the sign off date of 5 December 2023. There is a deficit of £1,023k.

**Qtr 1 Management Accounts:** review of the provision of accurate and timely month end financial reports and further work is required to build in more robust accruals and prepayments to strengthen the validity of our results. The 1<sup>st</sup> quarter management accounts reported an artificial surplus of £863k and this is primarily due to absence of pay settlements in the first 3 months of the year: had salary increases been agreed by now, this surplus would've been completely eroded resulting in a £559k deficit. SLC are still in the process of invoicing some fees for the August intake and this is expected to complete by end of Nov 2023. Again, further work is required by Finance to ensure processes exist to enable us to allocate, accrue in or defer income within our monthly and quarterly reports. Bearing in mind the above limitations, overheads (other than salary) as booked to the financial ledgers are tracking well within budget of £1,327k for the first quarter; a total of £957k. We continue to have quarterly meetings with curriculum areas and continue to track spend against budget.

**Cashflow** Current cash reserves equal £3.4M as at 31 October 2023. Our monthly cashflow forecast submitted to SFC for the year ended Jul 24 suggests that the cash balances will be eroded by approximately £1.4M by the time SLC reaches the end of the academic year (with a balance of circa £2M). This is based on assumptions of additional £2.7M receipts for other income, £3.9M overhead expenditure and total salary costs of £14.2M. SLC are more than aware of how sensitive the cash position is to any further increases to pay awards and further cuts in 'real' terms to Grant in Aid funding in subsequent years. To this end it is unlikely that we could maintain financial stability going forward on the basis of our current operations as they stand. To support the going concern status, SLC will be undertaking a more strategic review of our operations across 2024 in order to realise and drive more efficiencies and potentially create more opportunity for income growth via diversification.

**Capital Expenditure:** By 31 October 2023, the College has spent a total of £351k on capital expenditure, of which £197k relates to spend on the restructure of workrooms. SFC funding for the year equates to £951k and with ringfenced and potential pipeline projects earmarked for spend, this leaves approximately £354k for the rest of the year. SLC continues to seek funding from other sources, particularly sustainability initiatives and the college is hopeful for Scottish Energy Efficient grants to be awarded to support the building in terms of developing a 'fabric first approach'.

**8.2** Paula Blackadder thanked Elaine McKechnie for her report.

## **9. Audit 2022-23 Financial Statements**

**9.1** Iain Clark updated the Committee on the progress of the NCL Audit. Audit Scotland were fielding a lot more staff than previous auditors with c 10 auditors working on the audit with very detailed questions from the auditors. Compared to the previous auditors Mazars, there were different approaches to disclosure notes, estimates and judgements, and contingent liabilities e.g. the issue of the cladding as a contingent liability and the inclusion of figures given confidentiality. NCL had also been asked for Title Deeds for Cumbernauld. The changes to the SFC guidance was welcome as it would reduce the percentage deficit from c9% to c5 % but this would result in a re-working of figures and this would put further pressure on meeting the deadlines. However, it was still felt that the deadline could be met.

**10. NCL Management Accounts Report:** Iain Clark informed the Committee that the SFC Guidance changed the financial position as set out in the Management Accounts. Cashflow and the sustainability of the staffing structure were still big issues with flat cash settlements that were not considering pay rises awarded through national bargaining. There were no national funds following the settlements. He also felt that Voluntary Severance was not now able to deliver in the same way as previous schemes with less people being in a position to take up the scheme, and all other non-staff areas including a review of asset portfolio were exhausted. Paula Blackadder asked about cash flow and whether there were triggers which could alert if there was an upcoming problem. Iain Clark said that a monthly report was made to the SFC and he could copy the report and talk to her on a monthly basis if that was an option.

**11. NCL Update on financial strategy approved by the Board:** Iain Clark informed the Committee that there was a review of the existing strategy at Executive Board and this would come to the Finance Committee at its meeting in February.

**12. NCL Educational Foundation Update:** The Committee noted the paper. It was informed that there had been a cheque from Lady Rae, Elaine C Smith had launched her student award and Lady Haughey had attended the inaugural meeting of the Foundation Board. There is still c£20k to support breakfast activity until the end of the year and staff can now contribute through the My Life Style app. There is also a whisky tasting fundraising event on the 24<sup>th</sup> November 2023.

## **13. Update from RGP Committee on ICT Estate at NCL:**

Iain Clark updated the Committee as follows:

### **13.1 Capital Maintenance Fund 2023-24**

The priorities for the Capital Maintenance Fund 2023-24 are as follows:

- continue with the 2<sup>nd</sup> year of the 3-year plan to upgrade classroom A/V equipment.
- Upgrade the Server & Storage infrastructure.
- Implement a new backup solution to compliment the new server & storage infrastructure and improve defences against ransomware attack.

**13.2** The Digital Inclusion funding for NCL for 2023-24 is £218,521 (inc. VAT).

Following discussions with the newly appointment Learning Innovation Manager the projects for the Digital Inclusion funding have been revised to the following:

Purchase Laptops to refresh the Student Laptop Library (65 Laptops)
Replace the PC's in the Open Learning Areas at Motherwell & Cumbernauld (150 PC's)
Replace the PC's in the Open Learning area at Coatbridge (50 x PC's).
Purchase digital equipment for the new Wellness Centres.
Establish another hybrid teaching room in one of the three main Campuses.
Upgrade the display screens in the Library across all campuses

**13.3** The ICT department will continue with annual Desktop & Laptop refresh cycle (working towards 5 - 6 year replacement lifecycle), replace the Cisco VOIP Telephone System with Microsoft Teams Telephony and upgrade the LAN Core Switch at the Motherwell Campus. Actions for Cyber Security include a new phishing awareness campaign for staff which will be launched in January 2024. Phishing remains the biggest threat to our cyber security and accounts for 83% of all cyber-attacks on UK businesses. It is imperative that we continue to educate staff on the very real threat that phishing poses and train them how to identify and avoid it.

**13.4 Amcol Firtrees Nursery:** Talks have begun with the Managing Director of AMCOL to separate the Firtrees nursey from the college's ICT network to make it a wholly independent site. A paper has been prepared identifying all the existing dependencies (internet connection, telephone lines, network infrastructure, server infrastructure, etc.) and a plan will now be developed, and costed, to separate Firtrees from NCL completely.

**13.5** Iain Clark informed the Committee that the college can keep residual balances from previous SFC Capital Grants totalling c£110 k and this can be spent on further Estates and IT activity.

#### **14. Update from RGP Committee on NCL Estate:**

Iain Clark updated the Committee as follows:

**14.1** Estates have secured funding from the SFC (Unallocated Emergency Funding 2023) of up to £250K for Emergency Evacuation lifts at Motherwell and Cumbernauld campuses. This will help in our evacuation of

students from the teaching blocks in the event of an emergency and is particularly beneficial for less ambulant students and staff working above the ground floors. The project is currently at design and tendering stage with completion planned for March 2024 as required by the terms of the fund.

**14.2** The Capital Maintenance works are progressing and savings have been made from some of the already completed projects. These savings can be utilised to undertake further works within the financial year to March next year. Unfortunately, it has not been possible to schedule some larger, more disruptive projects agreed for Cumbernauld due to the timescale to complete and the disruption this would cause. The back-up 'amber' list of projects is now being brought forward as well as unforeseen maintenance works that emerged during this year.

**14.3 Motherwell Campus.** A meeting of the campus building contractors and interested parties was held in early November to look at the defects in the rain screen cladding and window frames across the teaching, workshop and residence building. A separate report was submitted to the NCL cladding group. The netting restraints are maintained regularly and in working order, however; the tensioning ropes have been in place for some time and will need to be re-rope during the next quarter.

**14.4 Cumbernauld Campus:** A project is being developed to scope and procure an extension of the digital locking mechanism from the Motherwell platform. This will allow staff to move between campuses with the same security clearances to access rooms. The system upgrade will also underpin and align with our campus wide CCTV systems.

**14.5 Coatbridge Campus:** As the Nursery buildings closure draws nearer, Estates now have updated quotations for the demolition of the buildings. It is advised to progress these works soon after closure of the service to avoid any unnecessary risks of structural failure or unauthorised entry and vandalism. Estates will secure and maintain lighting to the building until demolition. Due to the recurring leaks in an aging roofing system, replacement of all the external guttering and down pipes, at the main campus building, was successfully completed under budget. Longer terms plans for a complete roof replacement are under consideration. The RGP Committee had received some very cogent advice in relation to the nursery and this would be followed up by officers.

**14.6 Kirkintilloch Campus:** NCL is currently engaged with DM Hall, to value the campus, however; there are complications in historical land leasehold information from the Canal Authority and subsequent building and connecting of East Dunbartonshire Council's portion of the building. The campus at Donaldson Place was sold in summer 2023.

**15. Approval of publication of committee papers from this meeting:** The Committee approved the publication of the Agenda and the Approved Minutes.

**16. AOB:** The paper on the Smart Hub Lanarkshire was taken at the start of the meeting.

**17. Date of Next Meeting:** The next scheduled meeting of the committee is the 4<sup>th</sup> December 2023 for the recommendation of the Financial Statements 2022-23 and then on the 26<sup>th</sup> February 2024.



**Minute: Special Meeting of the Finance Committee**

**6 pm Monday 4<sup>th</sup> December 2023 – Boardroom Cumbernauld Campus and via Zoom**

**Present Face to Face: Paula Blackadder, Moira Jarvie, Christopher Moore**

**In Attendance Face to Face: Ann Baxter, Iain Clark, Penny Neish, Louisa Yuill.**

**Via Zoom: Barbara Philliben, Diane McGill, Stella McManus, Elaine McKechnie, Ronnie Smith.**

- 1. Chair's welcome:** The Chair welcomed everyone to the meeting and thanked them for coming.
- 2. Apologies for Absence:** There were apologies from Elaine Loudon.
- 3. Declarations of Interest:** There were no declarations of interest.
- 4. SLC 2022/23 Accounts and Financial Statements:**

Elaine McKechnie briefed the Committee as follows:

**4.1 Annual Audit Report:** External Audit: Audit Scotland presented the Annual Audit Report for the audit of the 2022/23 financial statements at the SLC ARC on the 27<sup>th</sup> November 2023. There were no major concerns noted and audit opinions expressed therein are unmodified. However, two recommendations were made as follows: The College should thoroughly review its Performance Statement, Governance Statement and the Remuneration and Staff report well in advance of the audit next year, to ensure compliance with applicable guidance. The fixed asset register should also be fully reviewed to ensure accurate data entries prior to next year, with appropriate transfers booked from the revaluation reserve to the general fund for excess depreciation resulting from any revaluations.

**4.2 SLC Financial Statements**

**4.2.1 Income:** Total income of £19,050k was recognised in 2022/23 against the prior year total of £19,134k in 2021/22; an overall minimal decrease of 0.4%.

**4.2.2 Investment income** of £15k in 2022/23 versus £1k in 2021/22 reflects the favourable bank interest rates on the account, validated by reference to the official bank rate of 5.25% on 3 Aug 2023 versus a rate of 1.75% on 4 Aug 2022. It should be noted that the College is keen to seek opportunities for income generation through favourable interest rates and as a result, in 2023/24 the College has placed a deposit of £750,000 of existing funds into a special reserve account until 01/12/2023 which will accrue £11.3k of interest. A recommendation for a further 4-month investment of funds has been taken to the Finance & Resources Committee and duly approved.

**4.2.3 Expenditure:** Total expenditure of £20,073k was recognised in 2022/23 against the prior year total of £20,338k in 2021/22; an overall decrease of 1.3%. Staff costs at £14,732k make up 73.3% of total expenditure (2021/22: £14,732k; 72.4% of total costs), which is above the national average, based

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on the SFC's review of 2021/22 college data, of 69%. Despite a reduction in headcount, staff costs have been adversely affected by provisions that have been made for salary increases. The College is committed to undertaking a strategic review of staffing during 2023/24, ensuring that staff utilisation is optimal and promoting a culture whereby staff in all support and curriculum areas are encouraged to source or redeploy resources to other areas where possible to avoid additional staff requisitions that are not currently factored into the budget for 2023/24.

**4.2.4 Operating Deficit for the Year:** The College recognised an overall operating deficit of (£1,023k) in the current year. This result reflects the financial challenges faced during the year in respect of uncertain pay increases, additional costs as a result of the Cost of Living crisis and restricted Scottish Funding Council grants. It further supports the requirement for a wider strategic review of current operations during 2024/25, including exploration of potential income diversification initiatives to support the College's finances in light of flat funding from the Scottish Funding Council in 2023/24.

**4.2.5 Actuarial Gain/Loss from the Pension Scheme:** The valuation at 31 July 2023 resulted in a net pension asset increase to £5,758k at 31 July 2023 from £2,391k asset as at 31 July 2022. Despite the plan's healthy surplus, the pension asset has subsequently been restricted to a £nil position as an asset ceiling adjustment. The College cannot recognize a surplus as it is unable to reduce future contributions to the plan due to minimum funding requirements and is unable to request refunds from the Local Government Pension Scheme (LGPS) plan into which many other organisations contribute. £3,603k of the net movement was an actuarial gain (out with our control) which has been reflected through the SOCI as a decrease to our total comprehensive loss for the year.

**4.2.6 Intangible Assets:** It should also be noted that external audit identified the inclusion of intangible assets within our fixed asset portfolio. Intangible assets include software licensing costs, website design costs and implementation costs for the new HR system amounting to £202k. It was agreed that an intangible asset note be incorporated into the Financial Statements. Board members are asked to support the decision to incorporate intangible assets separately and be written off over 4 years in line with computer equipment.

**4.2.7 Low Carbon House:** The write off period of the low carbon house had been changed from 10 years to 40 years in line with the main building.

## 5. RSB Consolidated Accounts

Louisa Yuill Audit Scotland (AS) presented the Annual Audit Report to the Committee as follows:

**5.1.1 Overall Observation:** This is the first year of the audit appointment. The first year is always challenging for both the officers at the college and the audit team as they get to know ways of working.

**5.1.2 Letter of Completion:** The first agenda item is the letter to those charged with governance around the conclusion of the audit. AS have substantially concluded their audit work. The proposed independent auditors report is an unmodified opinion and it states that the financial statements give a true and fair view and have been properly prepared in accordance with legislation and guidance issued by Scottish Ministers. The letter includes two appendices – Appendix A which is the proposed

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independent auditors report and appendix B is **the Letter of Representation** that will be returned by the Accountable Officer to provide representations around the accounting records and preparation of the accounts. These are standard representations AS is requesting. AS have substantially concluded their audit work. It was noted at paragraph 10 of the letter there are a few outstanding pieces of information. AS updated the committee and confirmed that the journal documentation and the ledger prints and payroll reports have been provided. AS are continuing their work on staff costs and the remuneration report including exit packages and would hope to conclude this in the next few days.

**5.1.3 The Annual Audit Report** was the second item. Louisa Yuill drew attention to the key messages at page 3 of the report and highlighted that AS had concluded that:

- The college has a well-established budget monitoring and reporting process in place
- The AS work did not identify any significant weaknesses in their review of the design and implementation of key controls within the financial systems
- AS noted pressures around financial sustainability and the pressures from flat cash funding settlements and the impact this will have on decision making going forward. They note that discussions are underway with the Scottish Funding Council around a financial recovery plan.
- Appropriate governance arrangements are in place but there are areas that could be reviewed to promote openness and transparency around the information published on the website.
- Some key performance indicators have improved performance in comparison to the prior year but performance has not returned to pre-pandemic levels and withdrawals rates remain higher than the national average.

**5.1.4 Significant Findings from the Audit** are outlined at Exhibit 3 on page 12

- Point 2 relates to the guidance issued by SFC regarding credit clawback. This updated guidance was received by the college in November 2023 following production of the draft accounts. The guidance has been reviewed and applied and the accounts updated to reflect this change.
- The pension reserve at point 3 was a request from the audit team to remove the reserve and combine it with the income and expenditure reserve as required by SORP. We are content with the adjustments made to the accounts.
- Point 4 features in annual audit reports across the public sector and it is really included for information due to the large movement in year and to confirm that the AS audit work concluded in this area and AS are satisfied with the college's disclosure and accounting treatment.
- The revaluation accounting point AS are still concluding their work on. This was an adjustment AS requested to comply with the Further Education Statement of Recommended Practice. This was due to system mis-posting from the fixed asset system to the ledger. It only occurs in years that a revaluation takes place. The system is calculating the adjustment but posting it to the wrong ledger code. AS have agreed with officers a change in the journals posted going forward to rectify this issue.
- The final point 8 around NDR charges was an error that has been corrected as part of the financial statements audit.

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**5.1.5 Wider Scope** - Sections 2-5 go through the AS conclusions on the wider scope parts of the audit – financial management, financial sustainability, vision and governance and use of resources.

**5.1.6 Appendix 1** - The first two recommendations are interlinked.

- **Recommendation 1.** Finance officers have a plan and timetable in place for the production of the accounts. Delays and difficulties in receiving information from across the college resulted in delays to the production of the accounts which then impacted the audit process. This is a tight timetable and it squeezes that and causes additional pressures. AS are aware that their approach is different to the previous auditors who wanted to wait for all information to be available. AS would prefer to take all single entity information and the completed parts of the narrative reports at the front of the accounts including the remuneration and staff cost report at the start of the audit, even allowing for the absence of information relating to South Lanarkshire College and any delayed performance information. The audit process has been very challenging due to the late receipt of information (external and internal) and AS would be looking for an improvement next year in adherence to the project plan.
- **Recommendation 2** Disclosure within the performance report, accountability report and staff and remuneration report were prepared for audit on the basis of prior year templates. Issues arose with these not being compliant with applicable guidance and work is ongoing to update these sections. It is really important that officers responsible for these sections review technical guidance to ensure all required disclosures are included as new information can be included year on year i.e. climate change and sustainability are recent examples of new areas to include. and that they are within the correct sections of the report. It is also important that information required to complete these sections are available at the earliest opportunity.
- **Recommendation 3** is around some non-current asset information within the fixed asset register and financial statements. An exercise is underway across the college to identify assets that have been scrapped or sold and to ensure that the fixed asset register matches these records. There is also a requirement for the financial statements of the college to include a disclosure of the historic cost of assets had they never been subject to revaluation. This disclosure has never been within the accounts and whilst the information is within the system it isn't readily available and work will need to be undertaken to identify it.
- **Recommendation 4** When we reviewed the untaken holiday accrual within the accounts, it was based on data from 2018. This approach had been agreed with your previous auditors, however, we would be looking for some evidence to confirm that this estimate of outstanding leave due to employees at 31 July 2023 remained reasonable. We have agreed with finance officers an approach for next year's financial statements.

**5.1.7** The remaining three recommendations within the AS report are from the wider scope work.

- As part of this year's audit, AS reviewed cyber security, back up arrangements and disaster recovery plans. We noted priorities for the coming year around storage and back up infrastructure. However, when we reviewed ICT disaster and recovery plans we noted that the ICT disaster response plan was last updated in 2019 and the cyber incident response plan is under development. AS were unable to review details of testing of the disaster response or

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recovery arrangements. AS would recommend that a regular review process for these policies and plans are established and that they are tested to ensure they remain fit for purpose.

- Financial sustainability is an area of concern. The college's staff costs are fixed and represent a significant proportion of total expenditure. Audit Scotland have seen financial pressures across the public sector and this is likely to continue. AS would recommend that the transformational change activity takes place across the college to address the financial outlook. This will require difficult decisions.
- The final recommendation is around the information published on the website. Whilst a lot of information is available, there are opportunities to improve information available, for example, including copies of the financial statements on the website or a summary of annual performance against key performance indicators.

**5.1.8** Finally, Louisa Yuill recorded her thanks to Iain and the Finance Team and for all officers involved in assisting and supporting the audit team over the course of the audit and said it was greatly appreciated.

## **5.2 RSB Financial Statements 2022/23 :**

**5.2.1** Iain Clark drew the Finance Committee's attention to the Financial Statements as follows:

- P 66 the Consolidated and College Statement of Comprehensive Income for the year ended 31<sup>st</sup> July 2023
- P 26 – the underlying operating deficit: The College (NCL) plus its direct subsidiary Amcol made a combined Underlying Operating Deficit of £3,142k (2021/22 deficit £1,432k) and this is 5.81% of a total expenditure. The VS scheme and provision for pay rises account for £2.7 million of the deficit.
- Asset valuations have enhanced the balance sheet position.

**5.2.2** He thanked Audit Scotland for all the work done and said that he would answer any further questions from Committee members by email.

**5.3 AMCOL Financial Statements 2022/23:** Iain Clark informed the Finance Committee that the AMCOL accounts were very healthy with no issues raised by the auditors and were showing a net income of £402,994 up from £331,478 in the previous year.

***Decision: The Finance Committee agreed to recommend the Financial Statements for 2022-23 to the Board for approval. The Finance Committee noted the Annual Audit Report which is being for recommended to the Board by the Audit and Risk Committee.***

## **6. Procurement Reports**

### **6.1 Annual Procurement Report:**

**6.1.1** Iain Clark informed the Committee that the report was a healthy one re compliance and that regulated contracts were well managed. There were no non-compliant procurements in 2022-23. He

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McManus; DMcG= Board Secretary

noted in regard to payment on time that the college doesn't pay where there is a dispute and this affects the figure shown for payment on time. He also noted that 79% of the total procurement expenditure is through a compliant procurement process and there is a plan for historic non-compliant activity which focusses on dealing with the highest value contracts first as the list is worked through and reduced.

**6.1.2** For every procurement over £4m, New College Lanarkshire will consider how it can improve the economic, social or environmental wellbeing of its area through inclusion of community benefit clauses, to assist with achieving sustainability in contracts activity, including targeted recruitment and training, small business and social enterprise development and community engagement. Where possible, relevant and proportionate, and where they are considered not to have a negative impact on the delivery of value for money, such clauses may be included in regulated procurements valued at below £4m.

**6.1.3** The living wage is part of the assessment criteria for procurement. Moira Jarvie commented that this was good to see this approach being adopted.

**6.2 Modern Slavery and Human Trafficking Statement:** Paula Blackadder commented that it would be helpful for this document to be presented with tracked changes on so the Committee could easily see the section that have been amended. Iain Clark said that he would send her the document with the tracked changes on.

***Decision: The Finance Committee agreed to recommend the statement to the Board.***

**7.AOB' There was no other business.**

**8. Date of Next Meeting: The date for the next meeting is Monday 26<sup>th</sup> February 2024 at 5.30 pm.**

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**VICE PRINCIPAL – FINANCE, RESOURCES & SUSTAINABILITY REPORT TO THE  
LANARKSHIRE RSB  
FINANCE & RESOURCES MEETING DATED 26<sup>th</sup> February 2024 re the  
South Lanarkshire College Finance & Resources Committee Meeting of 20<sup>th</sup> February  
2024**

**1. Matter for Approval and Reserved Item: Financial Modelling – South Lanarkshire College 2024/25 (Matter for Approval and Reserved Item)**

- The Committee were advised of a financial modelling exercise that has been undertaken to look at the potential financial position for 2024/25 following the preliminary budget announcements from the Scottish Government in December 2023.
- With a potential 4.7% cut in core grant funding (circa £600k reduction), the College has prepared projected financial results for 2023/24 and 2024/25 in the form of an income statement, a statement of financial position and a cash flow statement.
- The Committee were advised that the report is based on assumptions and the College expects to gain greater insight when the final budgets are committed in March 2024.
- In the event of taking no strategic action to increase alternative income streams and realise cost efficiencies, the College would expect to realise the following results:

*Table 1: Financial Modelling Results*

	2022/23 Actual £000	2023/24 Forecast £000	2024/25 Forecast £000
<b>Operating Deficit</b>	(1,023)	(917)	(1,289)
<b>Year end cash position</b>	3,263	2,000	780
<b>Total Reserves/Net Assets</b>	29,177	28,982	26,971

- These results indicate continuing deficits and raise concern over cash flow, largely owing to funding cuts, pending settlement of pay awards and inflationary pressures on our cost base which are largely outside of our control.
- The College informed the Committee of its intention to prepare a full business plan for the next cycle of committee and Board meetings, which will set out its strategic priorities over the next two years.

**2. Matters for Discussion: Quarter 2 Management Accounts & Cashflow**

- The Committee noted that the report contains a summary of income and expenditure for first quarter to 31 January 2024, resulting in a YTD surplus of £547k because additional fee income recognised during the second quarter. The full year expected position however is a deficit of £644k.
- The Committee were advised that the expected deficit of £644k is not the same as the financial modelling deficit of £917k. The College is working towards the management accounts process being more inclusive of year end statutory adjustments being made monthly, such as fixed asset depreciation and deferred grant funding releases.
- The findings of the quarterly management accounts process suggest that there is still some work to be undertaken to fully embed a month end process by the last quarter of the year. The process will aim to provide for all income and expenditure in the correct period. Nevertheless, the accounts reflect all relevant financial data as held in the system to 31 January 2024 and the



Committee should be assured of on-going work in this area to ensure heightened accuracy and transparency in results reporting going forward.

- 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 £2m in the bank at the end of the year, with further cuts to grant funding in real terms, this will likely be eroded in 2024-25 in the absence of a strategic review and rationalisation of operations in the current year.

### **3. Matter for Discussion: Procurement Update**

- The College is continuing to make progress on procurement process and procedure and is currently working towards refreshing all the procurement procedures, processes and templates and will be delivering training to all staff in due course.
- The report sets out the stage of each tender for contracts currently undergoing or in the early stages of the procurement process.
- Procurement strategy objectives are firmly embedded within each process; namely to conduct procurement activity in a way which is good for Businesses and their Employees; Good for Places and Communities; Good for Society; and Open and Connected.
- Sustainability continues to be a key focus in Procurement and opportunities to build sustainability into each contract will continue to be considered.
- 2022-23 saw 5 regulated procurements completed for goods and services worth more than £50,000 and works worth more than £2,000,000 (excluding VAT). These totalled £721,279 (excluding VAT). There were 6 regulated procurements completed for goods and services worth less than £50,000 and works worth less than £2,000,000 (excluding VAT). These totalled £118,141 (excluding VAT).
- In 2022-23, total delivered cash savings for the period covered by the annual procurement report of £101,214 were realised and total non-cash savings value for the period covered by the annual procurement report £338,765.
- Work continues across the College to highlight the importance to staff of fully engaging in the procurement process when considering any interaction with a prospective supplier or contractor. 85.04% of total procurement expenditure in 2022-23 was through a compliant procurement process. This was made up of approximately 35.15% of the College's contracted spend which is through local contracts and quotations managed by departments and approximately 49.88% is through Collaborative Framework Agreements. The overall percentage of Collaborative Framework Spend has yet to be qualified by APUC Ltd.

### **4. Matter for Discussion: Facilities Update**

- The Committee were asked to note that the College was successful in bidding for pre-capital money of £60k to support with carrying out fabric first surveys. This will then allow the College to prepare a bid of up to £2.5m for future work.
- An update on the College's service providers was provided and their Red Amber Green (RAG) status and noting that some providers are part of the procurement processes in train.
- The charts being used for the College's energy consumption, solar PV generation, waste and water provide a visual representation usage and were provided to the Committee. The key challenge is finding additional ways to offset our energy usage where possible, given the significant increase in energy costs. recent updates and plan for correction of pension contribution errors for part time staff.

### **5. Matter for Discussion: Climate Change Emergency Action Plan**

- Committed advised to note the introduction to the Committee of the on-going work of the College to address the aim of achieving a net-zero climate emissions by 2045. This is based on a 'roadmap' which was established for colleges to have a strategic sector-wider approach to tackling the climate emergency.
- The College has assessed itself against the five components and a series of targets have been put in place.
- The College is committed to taking appropriate action to reduce its carbon footprint and will report back to the Finance and Resource Committee on progress being made with the action plan.



## 6. Matter for Discussion: Finance Regulations

- The Committee were advised verbally to note that work is currently underway to update the College Finance Regulations.
- The College will be internally audited on its procurement and purchasing processes in April 2024, in which the Finance Regulations play a significant role.
- The updates to the Regulations will be brought to the next Finance Resource Committee meeting in May 2024 for approval and will include updates for the two new Vice Principalship positions, a move towards greater digitalisation and the introduction of an e-signature policy, together with a review of current authorisation levels and thresholds.

## 7. Matters for Information: CAPEX

- The Committee were asked to note the residual funding remaining for 2023-24.
- The College has already spend £386k on capital works to 31 January 2024, leaving approximately £103k available for Feb-Jul 2024.
- Discussions are ongoing internally to review the ringfenced projects from 2022/23 in order to potentially release additional available funding to the value of £221k in the current year.
- The College continues to try to obtain funding from other sources such as the Scottish Grants Energy Efficiency scheme to preserve capital funding from core grants.
- Given the financial pressures now facing the College, the College has implemented an 'essential works' only policy for residual capital monies available in 2023/24 to ensure that limited financial resource is targeted on projects of greatest benefit to the College.

*Table 2: Funding Available and Allocation*

Area	2023/24 Allocation
SFC GIA Capital & Projects of £869,583 (75% Capital related)	£652,187
SFC GIA Digital Poverty	£81,234
<b>TOTAL</b>	<b>£733,421</b>
Ringfenced for ongoing Capex projects brought forward from 22-23	(£220,786)
Actual Spend in 23-24 YTD	(£386,180)
Potential pipeline project for refit of Make-up artistry/hairdressing salons	(£23,611)
<b>Funding remaining for 23-24</b>	<b>£102,844</b>

## 8. Matters for Information: Other

- The Committee was asked to note the following reports for general review and information:
  - Scottish Funding Council "Financial Sustainability of Colleges in Scotland 2020-21 to 2025-26"
  - Scottish Funding Council "College Infrastructure Strategy"
- The Committee was also advised of the upcoming increase in SPPA employer pension contribution rate from 23% to 26% from 1 April 2024.
- The Committee was advised of the reduction in SPF employer pension rate from 19.3% to 9.4% for years ending 31 March 2025 and 31 March 2026 respectively, rising to 17.5% for year ending 31 March 2027. This is due to the current funding levels in the scheme but will have no direct, adverse impact on the value of pension ultimately received by each participant in the scheme.