**Minute Finance Committee**

**Monday 9th September 2024 – 5.30 pm at the Coatbridge Campus and via Zoom**

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

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

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

1. **Chair’s welcome:** The Chair welcomed everyone to the meeting and thanked them for attending.

**2. Apologies for Absence:** There were apologies from Christopher Moore.

**3. Declarations of Interest:** Ann Baxter. Iain Clark and Ronnie Smith declared an interest in AMCOL as members of its Board.

**4. Minutes of Meeting 20th May 2024:** The minute 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**: There is a draft of the Lanarkshire Board response to the Consultation. The Chairs’ Committee at a meeting on the 4th September 2024 made comment on the submission which will be amended accordingly. The Chairs’ Committee had approved the submission of the response after it had been sent out to the Board for further comment. It was noted at the Finance Committee that the relationship between the two colleges was good at an operational level.

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

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

* **Updates relating to SFC application for Voluntary Severance Scheme.** A paper was submitted to the RSB Finance Committee for its recommendation to the Lanarkshire Board. This is included at Item 8 below.

• **Fee Waiver Policy 2024-25.** The Vice Principal – Finance, Resources & Sustainability presented the Fee Waiver 2024-25 Policy, which set out the categories of students for which the College may apply a fee waiver. It is issued from the Scottish Funding Council in Academic Year (AY) 2024-25.

• **FRC Terms of Reference.** The SLC Committee was asked to update the Committee’s Term of Reference.

• **Accounting Policies for Financial Statements**: The SLC Committee was asked to review and agree the anticipated accounting policies for use within the financial statements. This review has been done concurrently with the Audit & Risk Committee.

• **SFC Financial Forecast Return:** The SLC Committee was asked to note the submission of the FFR on 28 June 2024 and was asked to retrospectively approve it. The Committee was reminded that the 2024/25 budget had been used to formulate year 1 projections, with a £7k income addition for period poverty funding that was announced after the formulation of the draft budget in April 2024.

• **Quarter 4 Management Accounts:** The report contains a summary of income and expenditure for year to 31 July 2024 resulting in a YTD deficit of £602k.

• **Procurement quarterly update:** The Quarterly report noted that 7 Contracts have been placed of which 4 via Framework 2 via Quotation and 1 via Sole Source Justification (SSJ). 10 Contracts are currently in progress.

• **Climate Change Action Team (CCAT) quarterly update**: The Vice-Principal Finance, Resources and Sustainability reminded the Committee that the College has produced a Climate Change Emergency Action Plan (CEAP) to set out how the organisation aims to achieve net-zero climate emissions by 2045.

• **Capital Expenditure Plan:** The Committee noted that the College has already spent £958,254k on capital works in the 12 months to July 2024. Quarterly capex meetings have reconvened to ensure appropriate allocation of the £850,260 SFC budget across 2024/25. Key actions for the College over the next quarter

include sourcing quotes for works, establishing a scope and specification for works in consultation with wider stakeholder groups across the College and consulting the Procurement Manager if any support is required via a formal tender process.

**8. SLC VS Report:**

**8.1** Stella McManus presented the reportas follows**:**

* The proposed voluntary severance scheme submitted for approval is for 9 months as this is the first time since 1996 that the College has offered one and this would align with the regional and wider sector approach. It would be unlikely that the College would be able to offer a 9-month scheme in the future if a further severance scheme was required. It will be budgeted from the provision of full year salaries for all staff in 2024-25.

• If no intervention takes place the College and funding remains the same the College’s deficit would

increase from circa £1.3m to £1.7m by 2026-27.

• Assumptions made in the current Financial Forecast Review included a proposed voluntary severance scheme with 100% uptake to realise anticipated annual savings effective 1 August 2025 of £1.340m on roles vacated during 2024/25, which could decrease the deficit to £326k by 2026-27 and an adjusted operating position surplus of £210k.

• A reduction in the deficit would equate to around 22 members of staff based on a lecturer’s salary given that is the job role in which most staff are employed. The College cannot accurately forecast the areas from which applications may arise but has modelled possible savings from a combination of management, lecturing and business support roles.

• As a precaution, the College has assumed it will achieve three quarters of the 2024-25 deficit, which is circa £975k. If so, this would mean circa £365k would be reabsorbed back into the budget for 2025-26, and including pay increases the deficit for 2026-27 would be circa £633k. The adjusted operating position would then be a deficit of £181k

• However, the College would anticipate further savings as part of a wider restructure process and more

efficient operations.

• Timelines of the proposed launch of the Voluntary Severance Scheme and proposed consultation are set out in the paper with the aim to launch week commencing 21 October 2024.

***Decision: The RSB Finance Committee recommended the approval of the report to the Lanarkshire Board at its meeting on the 7th October 2024.***

**8.2** Stella McManus thanked Elaine Turkington NCL College Registrar for her help and advice with the business case for the SFC.

**9. Financial Sustainability/ Forward Planning**

**9.1 Forward Plan Progress Update:**

**Ronnie Gilmour updated the Committee as follows:**

* The VS scheme was taken up by 29 staff: equivalent of 23.88 full time staff. There has been no confirmation from the SFC that they will cover the costs of the scheme in this instance. They have not covered the costs of recent VS schemes.
* The undergraduate school, which is in partnership with the University of the West of Scotland (UWS), is going very well having gone up from an original 145 places up to 200 and with the potential next year to be up to 450 places. This will bring additional income into NCL of c £800K. The numbers in the graduate school are a considerable achievement given the amount of time to recruit. The recruitment started after the UCAS deadlines.
* There is a new appointment of an interim Dean for Digital Learning and this is to build a platform for digital learning courses starting with the BA Business and Marketing. This will add 100 places on top of the undergraduate school numbers.
* The SFC have confirmed that there will be no clawback for underspend in the Child Poverty Grant and this saves c £85k.

**9.2 NCL FFR 2024: Iain Clark updated the Finance Committee on the FFR submission.**

**9.2.1** The FFR was submitted to the SFC for the deadline of the 28th June 2024 following the Board approval to submit it in draft. This FFR was at a point in time and it will go back to the Board, subject to Finance Committee recommendation, for final and formal approval. For the 2023/24 outturn estimate, he advised on the clawback impact, that the staff strikes had made a difference to the figures for the year by offering net savings and gave an overview of other movements from the MYR. Funding from the SFC for the VS scheme would also make a big difference to the figures but the SFC have not confirmed any additional funding. The 2023/24 Summary Forecast Deficit Position to July 2024 from the submitted FFR. Figures are estimates and subject to audit. Lynn MacKenzie had advised that no major movements had been realised since submission.

MYR (£935k)

SFC Clawback Provision released £995k

Amcol increase to forecast £138k

Net savings due to industrial action £455k

Other movements to date £(70k)

Surplus **£583k**

VS Costs (£850k)

Deficit **(£267k)**

**9.2.2 Budget 2024/25:** Summary Position -The Group returns a forecast surplus UOP of £948k. The Consolidated College 2024/25 FFR/Budget (NCL plus Amcol) was prepared and presented to the SFC on 28th June 2024 after a full and robust process with all Budget Holders, and Executive Board review The Lanarkshire Board was informed at the meeting on the 10th June 2024 that the FFR was in preparation for the 28th June 2024 SFC deadline and the SFC advice was that it should be submitted subject to Board approval at the next meeting of the Board on the 7th October 2024. The FFR would be presented to the Finance Committee at the next scheduled meeting on the 9th September 2024. At a College level, the 2024/25 Budget is based around the Forward Plan 2024 (previously submitted to the SFC), prepared

using SFC funding allocations, following the SFC guidelines, Budget Holder submissions, detailed income stream review and zero-based approach for operating expenditure. Excerpts from the submitted draft FFR are as below.

**9.2.3** Recognising the continuance of the difficult public sector landscape and the College cuts, and based upon the current funding model, the initial forecast for 2024/25 returned a deficit and it is apparent that this will continue unless the College changes and finds effective ways to provide contribution to the bottom line and credible surpluses. This gave rise to the adoption of strategic initiatives, focussing beyond cost-cutting and on creating increased current income streams, on creating stable and alternative income streams, and the continued application of the Efficiency Model.

**9.2.4 Income:** SFC income is based on the final SFC 2024/25 Grant Award and the subsequent Lanarkshire Regional split. The flagship income generating initiative is the development of an Undergraduate School in collaboration with the University of the West of Scotland (UWS). A suite of six new degree programmes have been introduced to complement the established degree programmes delivered in the College: BSc Dental Nursing, BSc Collaborative Health and Social Care, BA Social Sciences, BA Business Enterprise and Marketing, BSc Digital Development and BEng Cyber Security. This innovative tertiary education solution will generate a forecast gross income of £1,375k, net surplus £1,206k in 2024/25. Iain Clark and Lynn MacKenzie advised that these figures were prepared at a point in time based upon figures and assumptions given, hence the differential with the earlier figures of Ronnie Gilmour. Ronnie Gilmour advised that final enrolment numbers are still being prepared and negotiations on the model continue with UWS.

**9.2.5** Another innovative income generating initiative is the creation of The Learning Well (Digital Campus); implementing a digital Credit across all FEFT programmes, developing a variety of online courses and mapping digital qualifications for credible progression opportunities to certified courses. The digital Credit model significantly reduces temporary staffing costs and supports our pivot towards other non-SFC income generating activities. The Learning Well (TLW) is currently under development with a view to a formal launch in Autumn 2024. Forecast income from TLW is £245k in 2024/25. There are three key income generating strands to TLW: Online delivery of high quality digital first curriculum, development and hosting of bespoke corporate training and consultation/hosting for partner institutions. Materials developed for TLW will also be embedded in our mainstream core curriculum, providing scope for more efficient delivery, thereby controlling academic staffing costs.

**9.2.6 Expenditure:** As part of the Forward Plan and in order to service debt and bring income and expenditure back into balance in the 2024/25 budget, a Voluntary Severance (VS) scheme was launched on the 14th May 2024. VS payments are estimated at £850k in 2023/24 with planned salary savings of £1,500k (notional split £750k Teaching, £750k Professional Services) embedded in the 2024/25 budget. At this point, the target has been met with details being worked through and correspondence being sent to staff.

The ongoing dispute over pay has been settled for Professional Service staff and the accrued backpay has been paid in June 2024, with on-costs due in July 2024. Although the Academic award has not been agreed and final cost is not confirmed we have assumed this is settled at the current offer and paid in July 2024, on-costs August 2024, although it is apparent that there is a strong probability this may not be the case. However, there is a recognition that this may still be a possibility hence the inclusion. It should be noted that a 1% movement on the salary estimates is c£427k and on total expenditure estimates is £607k reflecting both our sensitivity levels and our budgetary tolerance levels. An Absence Management dashboard has been developed and the recruitment of a dedicated member of staff has enabled greater control over absence management and will ultimately result in staff savings. The impact of further inflation, primarily through Other Operating Expenses, is c£485k. Utility prices remain volatile and the budgeted cost has increased by £372k. This is tempered by volume-based savings through the reduction in the Credit target.

**9.2.7** The 2024/25 Budget is predicated upon meeting the Credit Target and further initiatives have been put in place to deliver at that level. Current applications and recruitment are strong at this juncture.

The 2023/24 Credit target of 117,290 will be achieved through existing recruitment activities. In addition, to strengthen the achievement of the 2024/25 Credit target, we have made investments and adjustments through the RRAP Programme (Recruitment, Retention, Attainment, Progression):

**9.2.8 Post 31ST July 2025 Assumptions:** Future years have been forecast using SFC guidance around GIA, salary increase and general inflation. The College has reviewed specific income and expenditure where appropriate, for example the Undergraduate School and The Learning Well.

**9.3 2024-25 cash flow executive summary:** An advance of £4.6m from the financial year 2024/25 funding allocation was required in March 2024 for cash flow management and to retain positive liquidity. A further critical cash advance of £4.5m was requested from the SFC in June/July 2024 in order to retain financial liquidity. Any increase to deficit/failure to make savings/efficiencies will further erode cash balances. The College is currently engaged with the SFC in terms of cash deficit re-profiling/re-payment. Iain Clark presented the Executive Summary and informed the Finance Committee of the key pressure points based upon the key assumptions. He recognised the supportive role of the SFC and advised of the need for certainty on the SFC approach to the cash deficit. He further advised on the possible requirement for Amcol support. He highlighted the split in Academic and Financial Years and the difficulties that presented leading up to March 2025. Assistance would be required from the SFC, if there is no change to the current support methodology..Iain Clark concluded that Cash Flow remains of the utmost criticality and that the figures did not include any provision (in Cash Flow or FFR other than a small revenue amount) for the Motherwell Campus building works remediation with Galliford Try. Costs in this area could be significant.

***Decision: The Finance Committee recommended the FFR for approval from the Board.***

**10. NCL Management Accounts June 2024:** The Finance Committee noted the NCL June 2024 management accounts.

**11. AMCOL Quarterly Accounts to 30th April 2024:** The College Subsidiary Amcol Accounts were presented and discussed. Overall, Amcol continues to do well and there is an assumed consistent UOP surplus of c£300k from the 2024/25 baseline throughout the duration of the FFR.

***Action: Paula Blackadder asked for a summary report for the next meeting of the committee as opposed to the separate accounts for each nursery.***

**12. Cumbernauld Campus Nursery Update:**

Iain Clark updated the committee as follows:

**12.1** On the 13th June 2024, the Care Inspectorate approved the change in the operating model to allow for delivery 0800-1800, 50 weeks per year. Requisite staffing levels and contracts have been adjusted accordingly to marry with service delivery.

**12.2** The latest inspection report from the Care Inspectorate was published on 11th June 2024 with the following results:

 *“How good is our care, play and learning? - Grade 5 (very good); How good is our setting? - Grade 4 (good); How good is our leadership? - Grade 4 (good); How good is our staff team? - Grade 5 (very good);* In evaluating quality, we use a six-point scale where 1 is unsatisfactory and 6 is excellent.”

**12.3** Applications have increased from the previous year and includes applications from parents/guardians at other local Nurseries and Council transfers. Based upon places, currently, the 0-2 room has 97% capacity, the 2 - 3 room has 97% and the 3 – 5 room 54% capacity. Based upon places, the whole Nursery is at 63% capacity which will increase to 72% after Christmas.

**12.4** 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 allocated central costs of c£82k, it is a projected deficit of c£156k against a budgeted deficit of c£260k.

**12.5** For 2024/25, based upon current intake and income streams, staffing levels and applications, there is a small adverse variance forecast of £10k overall with an initial forecast operating surplus of c£44k against a planned surplus of c£61k. Inclusive of central costs (£78k against budgeted £85k), it is a forecast deficit of c£34k against a budgeted deficit of c£24k. Overall occupancy based upon available hours is forecast to be c60% against budgeted 65% however The Nursery management and staff are confident of bringing in the 2024/25 budget to plan financially through increased recruitment drives, enhanced marketing and further cost savings as the year progresses. Iain Clark advised that increasing occupancy rates in future years would be more challenging and that the NDB were already looking at this.

***Action: Monitoring reports will continue to be brought to each meeting of the Finance Committee.***

**13. NCL Educational Foundation Update:**

**13.1** There have been fewer breakfasts in this period (16%) but there has been an impact due to strikes and to a lower student headcount this year. The next quarter should give a more direct comparison. The Foundation’s reported balance in the previous report to this committee was £15,436.17. The current balance is £18,261.78, which is an increase of £2,825.61. The principal sources for this are individual donations, Gift Aid, and the Just Giving Page for the Three Peaks Challenge.

**13.2** The Finance Committee noted the report.

**14. Prisons Bid:** The Finance Committee was updated on the progress of the bid to deliver education in the Scottish Prisons Service.This had been considered by the Chairs’ Committee on the 4th September 2024.The Chairs’ Committee was asked to approve the next stage of bid submission to the dialogue stage. The Chairs’ Committee approved the submission on the basis of the scrutiny that would be undertaken at all stages of the bidding process. NCL would not go ahead unless there was clear monetary benefit to the college and the delivery was consistent with the college’s overall ethos.

**15. Update from RGP Committee on ICT at NCL:** The Finance Committee noted the ICT reports from the RGP committee and the progress being made on the ICT estate.

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

**16.1** During the period of May to Aug 2024, Estates delivered on several significant projects, essential maintenance tasks and deep cleaning operations throughout the 3 main campuses. The most significant works were completed during the summer holidays including further development of the Motherell Rotunda Building (Student residences) for the Graduate Studio on the 3rd floor, a further music practice area on the 4th floor and new CSCS testing lab on the 2nd floor. Coatbridge Nursery hutments were finally demolished to coincide with the college and local school holidays and the ground is now secured. The completion of 3 student Wellbeing Centres in Motherwell, Cumbernauld and Coatbridge have been received well and our capital works on the evacuation lifts and fire doors in the main teaching block of the Motherwell campus totalled £230K. Over £100k was utilised for Curriculum Development works which covered over 30 separate projects for several departments.

**16.2** Paula Blackadder raised the issue of the renewal of the netting around the cladding at the Motherwell Campus which will need to be renewed next year. The Finance Committee noted the report from the RGP Committee.

**17. Approval of publication of committee papers from this meeting:** The Committee approved the publication of the agenda and the minute from the 20th May 2024.

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

**19. Date of Next Meeting: The next scheduled meeting of the committee is the 18th November 2024 at**

**the Cumbernauld Campus.**