**Minute**

**Finance Committee**

**Monday 22nd May 2023 5 pm Blended – Face to Face in the Boardroom at the Motherwell Campus and via Zoom**

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

**In Attendance:** Ann Baxter, Diane McGill and Penny Neish

**Via Zoom**: Paula Blackadder, Iain Clark, Moira Jarvie, Keith McAllister, Stella McManus

1. **Chair’s welcome:** Paula Blackadder welcomed all to the meeting

**2. Apologies for Absence:** There were apologies from Clare Gibb.

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

**4. Minutes of Meeting:** The minutes of the meeting on the 27th February were approved.

**5. Matters Arising from the minutes**:

**5.1** The Committee noted that there had been a presentation to the Board on the 15th May 2023 by the Principal and Executive Board which covered the action re Executive Board scenario planning. The Board took a number of decisions to mitigate the current financial position at NCL.

**5.2** The Board Secretary had liaised with Mazars and SLC to set meetings to approve the accounts. She also checked the minute for the Education Foundation and had discussed this with the Chair.

**6. RSB and Assigned College Update:** The Board Secretary informed the Committee that the Chair of the Board had written to the Scottish Government in February 2023 about re-establishing the Lanarkshire Transition Group and he had also raised this with the SFC. There had as yet been no response and the regional arrangements remained in place for the time being as they were established in the Lanarkshire order.

**7. SLC Head of Finance Report to RSB Finance Committee: Keith McAllister presented his report to the SLC Finance Committee as follows:**

## Accounting Policies: SLC Committee Members approved the principal accounting policies for the preparation of the 2022/23 financial statements, noting that there were no proposed changes from the prior year.

## Report and Financial Statements for the year to 31 July 2022: It was noted that the Consolidated financial statements had been approved by the Regional Board on 15th May. It was also reported that work had commenced on the audit of the 2022/23 accounts, with the new auditors, Audit Scotland, having made an interim visit.

## Management Forecast – 12 months to July 2023: SLC Committee Members noted that the College had submitted a deficit budget to SFC for the year. The forecast presented to the meeting showed a slight decrease in that deficit. As had already been noted, forecast income was proving to be more of an issue than anticipated, with the same problems around the areas of full time HN fees, reflecting the continuing downturn in recruitment in that area that had been reported throughout the college sector and that no agreement yet on potential funding from the Shared Prosperity Fund, which the College had assumed would have been available to it in 2022/23. It was noted though, that the College had been able to increase its prior year ESF income through being able to release a clawback reserve and that negotiations on the Modern Apprenticeship contract had resulted in an increase in activity. It was noted that whilst the Budget had incorporated a 3.0% increase (from 1st September 2022) for all staff, there had been no agreement with the relevant trades’ unions. SLC Committee Members noted that a 1.0% increase over this figure would cost the College approximately £130k.Members noted that further investigation costs had been incurred in the quarter, largely as a result of enquiries from the external auditors. It was to be hoped that this would be the final costs to be incurred.

## Cashflow 2022/23. SLC Committee Members noted the cashflow position both at the end of April and the forecast as at July 2023, noting that funds were sufficient for working capital purposes through the period.

## Facilities Update: SLC Committee Members noted the work being undertaken on surveying the building, including the intrusive external survey, and on internal space utilisation. The results of both would help to inform the Value for Money Group where the funds earmarked for capital and estates work should be focussed.

## Indicative Grant in Aid Allocation for 2023/24: SLC Committee Members noted that the indicative allocation of grant in aid had been issued by SFC. As expected, funded activity was reduced across the sector by 10.00%. However, Lanarkshire was one of the regions which had suffered a further decrease, that being 0.75%. The Principal had sought reasons behind this further decrease from SFC and was informed that this was due primarily to New College Lanarkshire not meeting its funding targets over the past few years. It was reported that whilst the activity target had been reduced, SFC would be distributed the same level of funding to the sector as 2022/23.It was reported that College representatives had met with representatives of NCL to discuss the split of the indicative allocation. Whilst SLC representatives felt that the 0.75% decrease should not affect the College as the previous year’s activity target had, once again, been met. NCL representatives felt that the decrease should be split as per the existing split of activity (i.e., SLC 27.1%, NCL 72.9%). The Lanarkshire Regional Strategic Body make the ultimate decision. It was agreed that the Capital allocation, which incorporated an allowance for backlog maintenance, and student support funds would be split on the basis of 27.1% / 72.9%, which was the first time that this had happened and was appreciated by South Lanarkshire colleagues. It was also noted that NCL wished to retain the top slicing for Access and Inclusion; SLC representatives asked for a methodology behind the top slicing. It was noted that the allocation for the support staff Job Evaluation exercise would be retained by SFC until the exercise had been completed, although management and members expressed concern about the length of time that the project was taking to complete. Noting that funds being held by the Scottish Government were to address the evaluation of jobs as at 1st September 2018, it was reported to members that there was a proposal to allocate the held funds on a pro- tem basis and to rethink the process due to the lack of meaningful progress and a fear that the funds could be taken back by the Scottish Government and lost to the sector. The final grant in aid allocation would be announced towards the end of May although there was no expectation that there would be any changes. There would, it was hoped, be an announcement on the smaller ring-fenced allocations such as Digital Poverty.

* Management informed SLC Committee Members that work was well under way on preparing a draft budget which incorporated the decrease in activity.
* **Capital Expenditure Plan**: As already noted, the SFC allocation for Capital and Estates was increased significantly but, counter this, there was no allocation for backlog maintenance. Management was meeting within the fortnight to discuss the implications of the relevant surveys and funding with a view to reassessing priorities for the years ahead. Members were assured that the College was taking on board concerns about longer term plans.

**8. Update SLC 2021/22 Accounts and Financial Statements:** Keith McAllister had noted that the SLC accounts had been approved, signed and submitted at Item 7 para 2 above.

**9. Update RSB Consolidated Accounts 2020/21:** The NCL Annual Audit Report and the Financial Statements had been approved at special meetings of the ARC and Finance Committees and the Board on the 15th May 2023. Iain Clark informed the committee that they had been signed and the year-end returns were submitted to the SFC. They had also been sent to OSCR although OSCR agreed not to publish them until they had Parliamentary clearance and were in the public domain.

**10. Mid- Year Return**

**10.1 Iain Clark presented the mid-year return as follows:**

* The underlying operating deficit for the College at this stage is forecast at £3,079k for the College, offset by £190k Amcol surplus, totalling **£-2,889k (-4.9% of Total Income).** It was noted that this deficit is before any potential SFC recovery of funds in relation to a possible under-delivery of Credits, currently estimated at £1,970k giving a revised deficit of £4,859k (-8.2% of Total Income).
* The original FFR/Budget predicted a small surplus of £16k and a movement of £-2,905k is forecast. The main variance can be quantified as:
* £2,101k lower income: £923k lower SAAS (HE fees), £208k lower MA, £212k lower Catering sales (offset in part by reduced expenditure) and other income streams. £869k is lower Childcare Income cancelled by Childcare Expenditure.
* £3,040k higher than budgeted Staffing being principally:- £1,128k forecast pay increase above original budgeted Public Sector Pay Policy.
* Increased temporary requirement of £145k in term 2.
* Collective overall planned efficiency savings within Professional Services and Academic departments not achieved along with underlying operating staffing adverse variance of c1.8% - cumulative c£1,642k .
* Offset by savings in Operating Expenses (£2,416k, 16.5%) due to lower than budgeted delivery, offsetting of certain income streams and careful monitoring and controlling of costs.

 **10.2** There are ongoing discussions with the SFC.They may enforce clawback for not meeting credit targets and this is causing sector concern. On top of the September 2022 pay increase being outstanding, there is also another pay rise due in September and this could be 5%. NCL is working with SFC to smooth cash flow and ESF repayments have been re-scheduled. The SFC is aware of the perilous cash flow problems which will lead to cash being exhausted and necessary SFC intervention in March 2014 based upon current profile. Paula Blackadder had raised the issue of clawback from the SFC and was informed that the direction of travel was clawback and also commented on the cost of energy. Iain Clark said that there was some comfort there due to large scale advance purchases being made by APUC which would provide some cushion, however substantial increases were still likely.

**11. Horizon scanning –**

**11.1 NCL Financial Position and Regional Allocation Update.** The Committee considered the Regional Allocation presented and noted that there was less funding to the region. Funded activity was reduced across the sector by 10.00%. However, Lanarkshire was one of the regions which had suffered a further decrease, that being 0.75%. The Committee had been informed at Item 7 point 6 above about the indicative allocation as follows:

* Whilst SLC representatives felt that the 0.75% decrease should not affect the College as the previous year’s activity target had, once again, been met. NCL representatives felt that the decrease should be split as per the existing split of activity (i.e., SLC 27.1%, NCL 72.9%). The Lanarkshire Regional Strategic Body make the ultimate decision.It was agreed that the Capital allocation, which incorporated an allowance for backlog maintenance, and student support funds would be split on the basis of 27.1% / 72.9%, which was the first time that this had happened and was appreciated by South Lanarkshire colleagues. It was also noted that NCL wished to retain the top slicing for Access and Inclusion; SLC representatives asked for a methodology behind the top slicing. It was noted that the allocation for the support staff Job Evaluation exercise would be retained by SFC until the exercise had been completed, although management and members expressed concern about the length of time that the project was taking to complete and whether these funds would ultimately be released.

**11.2** The Committee agreed to recommend the indicative allocation which would require Board approval at the next Board meeting.

**12. Update from RGP Committee on ICT Estate at NCL:** this paper was for noting. The impact that being able to fund ICT infrastructure through the Very High Maintenance Fund was clear and this had been transformational for students and staff. It would improve the student experience and enhance digital working. Paula Blackadder commended the activity which was a major positive for the college given the problems set out to the committee previously in the ICT survey report.

**13. Update from RGP Committee on NCL Estate:** this paper was for noting including the separate paper on the Coatbridge Nursery.

**13.1** The netting is secure at the Motherwell Campus. There is an adjournment of the legal activity until the 28th June 2023. On agreement with Mazars, and after discussion with BTO, there is a note rather than a contingent liability on the accounts for this as the risk liability is still uncertain as to where it falls, and the potential liability cannot be quantified at this stage.

**13.2** The lease at the Hamilton Campus is being terminated. There is a meeting with the council re the dilapidations. It seems counter intuitive to have to take down partitions etc when these may well have to be re-instated by the new landlord. It is hoped to arrive at an arrangement that will keep costs down.

**14. NCL Educational Foundation Update:** This paper sets out the very successful launch of the Foundation with Elaine C Smith performing her one woman show at the Coatbridge Campus and the very successful fund raising to date. The paper sets out that the current remaining balance in Foundation funds is £23,951.63, and the spend in the academic year to date is £19,623.93 providing 26,165 breakfasts. The college registrar is working on payroll donations as an additional means to fund raise in the future.

**15. NCL Management Accounts Report:** Iain Clark informed the committee that the focus is now more on the year-end forecast than the YTD position, and there was nothing of materiality coming out in the Management Accounts that would dramatically move the mid- year return forecast. Core SFC funding income is guaranteed to the extent of 2% tolerance in relation to any core Credit under-delivery this year but there may be clawback if this is exceeded. Unfunded pay settlements would have a significant detrimental impact. The cash flow position is fragile. Christopher Moore confirmed that he had approved the Management Accounts for March 2023 at the weekend.

**16. Procurement Strategy:** A new public procurement strategy for Scotland was published in April 2023 and the NCL procurement strategy and action plan had been updated in line with this document. Iain Clark informed the committee that there were small changes but nothing significant. The timing of the submission of the procurement strategies to the Committee would be reviewed and it may be that it needs to be moved from Nov/Dec to this cycle May/June. The Committee noted the revised strategy and plan.

**17. Committee Evaluation and Terms of Reference:** Committee members were asked to complete the evaluation of the committee form and to return it to Diane McGill and Penny Neish by the end of the week.

**17. Approval of publication of committee papers from this meeting:** The committee approved the publication of the agenda, the approved minute from the 27th February 2023, the procurement strategy for Scotland and the updated NCL strategy and plan and the committee evaluation form and Terms of Reference.

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

**19. Date of Next Meeting:** The next scheduled meeting of the committee is the 11th September 2023.