**Minute Finance Committee**

**5.30 pm Monday 26th February 2024 – Boardroom Cumbernauld Campus and via Zoom**

**Present Face to Face: Paula Blackadder, Moira Jarvie, Elaine Loudon and Ronnie Smith.**

**In Attendance Face to Face: Ann Baxter, Iain Clark and Penny Neish**

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

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

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

**3. Declarations of Interest:** Ronnie Smith, Ann Baxter, Moira Jarvie and Iain Clark declared an interest in relation to AMCOL.

**4. Minutes** of the meetings of the 20th November and 4th December 2023 were approved by the Committee.

**5. Matters Arising from the minutes:** Iain Clark informed the Committee that the Regional Financial Statements and the associated documents accounts had been submitted to the SFC by the deadline in December 2023. The Financial Statements would be considered in March/April ‘24 by the Scottish Parliament and could then be submitted to OSCR.

**6. RSB and Assigned College Update:** Ronnie Smith informed the Committee that he had recently met with Graeme Dey ([Minister for Veterans](https://www.bing.com/ck/a?!&&p=5b64047f3e61057eJmltdHM9MTcwOTQyNDAwMCZpZ3VpZD0zNTFlNDYzYy00NTZkLTY0YzAtMzY3Ny01NDgyNDQwYTY1OTAmaW5zaWQ9NTUyMg&ptn=3&ver=2&hsh=3&fclid=351e463c-456d-64c0-3677-5482440a6590&u=a1L3NlYXJjaD9xPU1pbmlzdGVyJTIwZm9yJTIwVmV0ZXJhbnMlMjAoU2NvdGxhbmQpJTIwd2lraXBlZGlhJmZvcm09V0lLSVJF&ntb=1) and the [Minister for Higher and Further Education](https://www.bing.com/ck/a?!&&p=52c6d45bfe21eaccJmltdHM9MTcwOTQyNDAwMCZpZ3VpZD0zNTFlNDYzYy00NTZkLTY0YzAtMzY3Ny01NDgyNDQwYTY1OTAmaW5zaWQ9NTUyMw&ptn=3&ver=2&hsh=3&fclid=351e463c-456d-64c0-3677-5482440a6590&u=a1L3NlYXJjaD9xPU1pbmlzdGVyJTIwZm9yJTIwSGlnaGVyJTIwRWR1Y2F0aW9uJTIwYW5kJTIwRnVydGhlciUyMEVkdWNhdGlvbiUyQyUyMFlvdXRoJTIwRW1wbG95bWVudCUyMGFuZCUyMFRyYWluaW5nJTIwd2lraXBlZGlhJmZvcm09V0lLSVJF&ntb=1)) and he was aware of the of the arguments for dissolution of the RSB but there was no clarity about what would come into its place in the region. Stella McManus had suggested that the RSB should in the meantime take this forward itself.

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

**7.1** The SLC Finance 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 have an operating deficit of £1,289 million and cash of £780k which is much reduced from previous years. 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.

## 7.2 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 was 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 the 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 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.

I Clark advised that he would liaise with Elaine McKechnie in relation to the Underlying Operating Position and the SPF increase.

## 7.3 Procurement Update

The SLC Finance Committee 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. A report to the Committee set 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.

## 7.4 Facilities Update

The SLC Finance 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.

## 7.5 Climate Change Emergency Action Plan

The SLC Finance Committee was 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.

## 7.6 Finance Regulations

The SLC Finance 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.

## 7.7 Capex

The SLC Finance Committee were asked to note the residual funding remaining for 2023-24. The College has already spent £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.

## 7.8 Other

The SLC Finance 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.

**7.9** Ronnie Smith thankedElaine McKechnie for her comprehensive report. He commented that he would like to see more cost sharing where possible e.g. in procurement. This was an area where the colleges have already collaborated

**8. Forward Plan Progress**

**8.1** The Forward Plan presentation set out key financial points as follows:

* The current forecast cash deficit for NCL is c£4.5m at July ‘24.

**Key dimensions of the forecast deficit:**

* Group UOP losses over last few years – 21/22 (-£1,432k), 22/23 (-£3,142k), 23/24 projection (£957k) – Total (-£5,531k)
* Above losses inclusive of Unfunded VS Schemes - 21/22 (£1,145k), 22/23 (£1,286k), 23/24 (£268k to date) – Total (£2,699k)
* Above losses inclusive of £995k Credit Shortfall repayment for 22/23.
* Above losses inclusive of unaffordable estimated backdated Pay Rises of £3,106k from September 2022.
* Above losses exclude cash repayment of £1,608k ESF Funding due to non-delivery of Core Credits in 20/21
* SFC has confirmed the claw-back for credit delivery shortfall to be £994,994 and has asked us to present any mitigations to them by Feb 9th 2024.

**8.2** The mitigations presented to the SFC for the Credit Shortfall included:

* The effect of the cost of living crisis – young people were staying on at school or taking up jobs. Lanarkshire has had the highest level of employment since 1972. This, in turn, has impacted on the numbers of students coming to college.
* The entry qualifications to get into university became such that it was easier to get into some universities than into college. University retention rates show that there are high levels of students not completing their courses. However, there is a marked rebound this year in the number of applications to the college.

**8.3** Iain Clark highlighted the uncertainties in the external environment that have the potential for a big impact on the NCL and the regional finances: e.g. pension contributions for the teaching staff and whether these will be funded or not, unfunded pay rises from national bargaining (each 1% in pay rise translates to c£400k in cash to be found for NCL), a 1% cut in GIA again is c£400k. The external factors are reflected in the risk register.

**8.4** Iain Clark advised that he and Lynn MacKenzie (Financial Controller) had met with Wilma MacDonald of the SFC earlier to go through the financial assumptions within the Forward Plan, and the NCL financial position including the cash flow position, with the SFC advising as to the completion of the upcoming cash flow submission. I Clark advised that there was no decision on the Forward Plan as yet and Ronnie Smith advised that he had heard nothing from Karen Watt either, and he shared concern as to the lack of urgency shown by the SFC. I Clark commented that the big impact on cash is now more likely to hit NCL in June as opposed to March 2024 because of delays to the backdated pay awards agreement, although there was no certainty. Ronnie Smith said that any monies given in advance by the SFC to alleviate the cash flow problem only store up the problem for the future and it was key to have the Forward Plan implemented. Ann Baxter has submitted the paperwork for the new VS scheme which was proposed in the Forward Plan and approved by the Board. Moira Jarvie said that staff are worried and distressed and Ann Baxter said that it was difficult to communicate effectively at the moment because of the uncertainties and the impact they could have on the financial position. Ronnie Smith raised the issue of the financial position where NCL is continuing on to deliver education to its students with large financial deficits. The Audit Scotland position is that the college is included in the public sector through its ONS classification and that the SFC/ SG can address the financial position through policy instruments. Therefore, the college is not insolvent. The position re OSCR should be checked with Audit Scotland. Ronnie Smith said that Colleges Scotland should be raising this but at the moment there was no coherent voice on this. Stella McManus informed the committee that the national Tripartite group which included Graeme Dey was looking at the potential for colleges to retain more of the money from the sale of assets – the figure is currently £500k.

**9. NCL Management Accounts Report**

**9.1** Iain Clark said that the financial position had been discussed at Item 8 above and the Committee noted the report.

**9.2** Iain Clark updated the Committee on the Cumbernauld NurseryDevelopment Board which is currently looking at the Terms and Conditions with staff. The fee structure is also being reviewed. The marketing team are involved to promote the nursery and to make the community aware that it is not only for NCL students. There is now an on-line application process being developed. The current position to December ’23 for the nursery is a deficit of £34k which is less than that of the £79k budgeted and this is an improvement in the financial position, although backdated pay is still to be included and maternity cover will increase costs.

**10. NCL Update on financial strategy approved by the Board**

**10.1** The Committee was given the strategy with track changes highlighted and also the updated version with amendments incorporated**.** Iain Clark informed the committee that there were minimal changes this year and the Committee noted the report.

**11. NCL Educational Foundation Update**

**11.1** The fund remains healthy and there should be enough to provide breakfasts to the end of the year. On 13 November 2023, the Foundation’s bank balance was £20,378.24. It currently stands at £17,468.87 which is decrease of £2,909.37. This data shows that the number of complimentary breakfasts is just under 11% lower in this academic period, and the costs have decreased by the same percentage. It is likely that a combination of factors impacted the demand for complimentary breakfasts during this period; (i) the early closure of the College in December 2023, and (ii) the reduction in day-time student enrolments between the preceding and current academic years. As the number of new students starting in January 2024 increases, it is anticipated that there will be a corresponding increase in demand for complimentary breakfasts. Overall, there is a c24% uptake in breakfasts college wide which varies Campus to Campus.

**11.2** The Committee noted theimpact that the fund is having whilstalso observing the impact that the costs of living crisis was having on the students. It was reported that Lady Haughey had donated 10 boxes of coats to the College from City Refrigeration and that they were very quickly gone due to student demand.

**12. Update from RGP Committee on ICT at NCL**

**12.1 Iain Clark said that the £1.9 million replacement fund was key and highlighted the following from the report:**

**Capital Maintenance Fund 2023-24:** This will support the Classroom A/V refresh programme and this will take the total number of classrooms upgraded in 2023-24 to sixty. It will also upgrade the in-house server, storage & backup infrastructure.

**Digital Poverty Funding 2023-24:** Purchase Laptops to refresh the Student Laptop Library. An order for 65 laptops was placed with HP on 12th January at a total value of £33,146 (exc. VAT). The laptops were delivered to the Motherwell campus on 26th January and are in the process of being asset tagged, imaged and prepared for issuing to students through the Laptop Library. Replace the PC’s in the Open Learning Areas at the Motherwell, Coatbridge & Cumbernauld Campuses An order for 200 desktop PC’s and monitors was placed with HP on 12th January at a total value of £107,198 (exc. VAT). We received delivery of the equipment at the Motherwell campus on 14th February and are now in the process of preparing the boxes for distribution to Coatbridge and Cumbernauld. Once this has been completed the ICT team will begin the rollout of the new PC’s to the Learning Centres and it is hoped to have this completed by the Easter break. Purchase digital equipment for the new Student Wellness Centre, Establish Another Hybrid Teaching Room in One of The Three Main Campuses, Upgrade The Display Screens in The Library Across All Campuses, Continue with annual Desktop & Laptop refresh cycle (working towards 5 - 6 year replacement lifecycle), Replace the Cisco VOIP Telephone System with Microsoft Teams Telephony, Upgrade the LAN Core Switch at the Motherwell Campus.

**Cyber Security:** The new staff phishing awareness campaign began on 13th February and will run for three weeks, finishing on 5th March. Progress will be monitored regularly and the results will be made available soon after the closing date. For information, to date 106 staff, out of a total of 846, have clicked on the link and 55 have entered their username and password information.

**Amcol Firtrees Nursery:** A plan to separate Firtrees nursery from the college’s ICT network has been developed and agreed by both parties. Work is now underway to make Firtrees a wholly independent site. All Amcol staff were removed from the NCL email system in December and they are now operating with their own @amcol.scot email address for all communication. The next stage is for Amcol to establish their own internet connection and phone lines and they are currently negotiating with suppliers to facilitate this.

**ICT Staffing & Staff Development:** There have been staff changes withnew recruitment to the team.

However, the number of staff in the ICT team, given the size of the organisation, remains a significant concern and was added as a risk to the Regional Strategic Risk Register at the last meeting of the Regional Strategic Risk Management Group (RSRM) in January. With regards to staff development three members of the ICT team will be attending a formal, three-day, instructor led HP training course between the 11th and 13th March on the configuration and management of the new server and storage infrastructure. A further three members of the team will also be attending the Futurescot Cyber Security Conference being held at Strathclyde University’s Technology and Innovation Centre on 27th February.

**13. Update from RGP Committee on NCL Estate**

**13.1** **Iain Clark highlighted the following from the report**

In the period to February 2024, Estates have continued to deliver quality facilities services, essential maintenance and significant project related activities throughout each of the campuses. During the Christmas holidays and the campuses being closed, essential maintenance works were carried out including a large- scale building energy controls replacement project at Motherwell. The success of this has been realised in no noticeable disruption to the staff and students on their return in January. Warm spaces were again a feature of this winter and have had a good use across all the campuses with Motherwell being located in Social Space on the ground floor. Preliminary discussions and design concepts are underway to remodel the Social Space at Motherwell, the Den at Cumbernauld and F5 in Coatbridge as the new Wellbeing Centres. These projects are now underway for preliminary works, however, disruption will remain minimal until the Easter holidays, where Estates can make necessary alterations and additions. With student participation, final designs are expected in the coming weeks with the project launch in August 2024.

Sustainability: As part of our efforts in Sustainability, we have developed proposals for the introduction of centralised recycling bins and the removal of waste paper baskets throughout offices and classrooms. Our Sustainability committee have met during this period and further works are in progress with communications, web page and energy saving initiatives being discussed. The 2022/23 Public Bodies Climate Change Reporting submissions were completed in November and Estates collated data from various sources to publish our carbon footprint via the PBCCR portal. The results are due to be published on Sustainable Network Scotland.

Resources: Over the period, there has been some resource changes in Estates supervision with the promotion of a cleaner to Supervisor at Motherwell and an Estates Supervisor at Cumbernauld. These posts were internal and no additional staff were added to the existing teams. A significant surge in new projects, room alterations and lifecycle capital maintenance works have increased the workload for Estates Managers on all our campuses. Project management time and administration support is still hampering our progress in developing our Estates Infrastructure improvements and our Helpdesk proposals. Absenteeism in term time cleaners is still high, however; with improved support, supervision and rota improvements, we are confident that progress will be made. Two members of the cleaning team are now due to go on maternity and cover for these posts has been submitted to the EB for approval.

Asset Disposal: Coatbridge Nursery operations finished in December and works are now progressing to remove the structures due to concerns with asbestos containing materials and the ongoing risks of an empty building.

Procurement, Funding and Finance: Estates continue working with procurement colleagues to provide due diligence in contract and project delivery. Having various funding streams and opportunities have in themselves created some challenges on timescales and APUC regulations.

**13.2** The Committee was asked to consider the Contract Award Recommendation Report for the Provision of Minor Works Framework (NCL/ SLC).

***Decision: The Finance Committee considered the report and recommended it to the Board for approval.***

**14. Approval of publication of committee papers from this meeting:** The Committee approved the publication of the agenda and the approved minutes.

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

**16. Date of Next Meeting: The next scheduled meeting of the committee is the 20th May 2024 at the Motherwell Campus.**