

**Minute of the Meeting of the Finance Committee
held in Room F128, Ayr Campus on
11 February 2014 at 5.30 pm**

Present: Tom Wallace (Chair)
Heather Dunk
Kathryn Cole
Willie Mackie

In attendance: Michael Breen (Vice Principal, Corporate Services)
Brendan Ferguson (Secretary to the Board of Management)
Jackie Galbraith (Vice Principal Strategy, Planning & Performance)
Alistair Gordon (Director of Finance & Student Funding)

1 Welcome and Introductions

The Chair welcomed everybody to the meeting.

2 Apologies

Apologies were received from:

Wai-yin Hatton
Carol Kirk
Marie Macklin

3 Declarations of Interest

There were no declarations of interest.

4 Minute of the meeting held on 7 November 2013

The minutes were approved as a correct record.

Proposed: Heather Dunk
Seconded: Kathryn Cole

5 Matters Arising

Page 2 item 4: the information was provided and the action is closed.

Page 3 Item 5.1: Michael Breen reported that advice on the revaluation of the surplus land at Newtonhead had been sought and a report will be submitted to the meeting of the Estates and New Campus Development Committee scheduled to take place on 25 February 2014.

Page 4 item 5.2: the action was satisfactorily completed and is closed.

Page 5 item 6.1: M Breen confirmed that a projected balance sheet had been prepared for this meeting and is included within Paper 6.

Page 6 item 6.1: M Breen and A Gordon confirmed that work is ongoing in preparation for the transfer of reserves to the Foundation at the end of March 2014 and that further detailed information will be brought to the meeting of the Committee on 13 March 2014.

6 2013-14 Statutory Accounts Preparation Technical Update

M Breen explained that the audit plan for 2013-14 will be presented by KPMG to the Audit Committee at their March 2014 meeting. However, due to a number of technical considerations that will impact the 2013-14 Accounts, a presentation has been prepared for this Finance Committee. A full copy of the presentation is held in the records for this meeting. Matters covered in the presentation included:

- Accounts will be for the 8 months August 2013 to March 2014 as the College moves to the new Financial Year with effect from April 2014.
- KPMG has been appointed by Audit Scotland as the External Auditor for the College.
- The submission date for the 2013-14 Statutory Accounts to SFC/Audit Scotland is 30 September 2014.
- The audited 2012/13 balances for the legacy Colleges will be used as the basis for FRS 6 Merger Accounting.
- KPMG will review with the College the treatment of the PFI agreement for the Kilwinning Campus.
- The accounting treatment of the move of the current Kilmarnock Campus from Holehouse Road to the new site in Hill Street will be discussed and agreed with KPMG due to the scheduled Financial Close of the New Build Project
- As previously discussed, the transfer of reserves to the Foundation must be completed by 31 March 2014. The transfer will be considered and approved by the Board of Management at its meeting on 27 March and will be accounted for in the 2013-14 financial statements.

The Committee discussed in more detail elements of the above presentation

7 Ayrshire College Foundation – Verbal Report

M Breen and A Gordon reported that with the support of solicitors Turcan Connell, who have also been advising the Scottish Funding Council, significant progress had now been made in the establishment of the Ayrshire College Foundation. Three independent trustees have been appointed and the Foundation was incorporated on 23 December 2013. The Office of the

Scottish Charities Regulator (OSCR) confirmed on 5 February 2014 that the Foundation has been registered as a charity. The next steps, guided by the Trustees, will include the establishment of a bank account. The decision on the reserves transfer to the Foundation will require to be made by the College Board of Management, with all agreements and actions requiring to be completed by 31 March 2014. Agreement on the Deed of Grant setting out the conditions of transfer is also required and Turcan Connell are assisting in this respect. HMRC charitable tax approval will also be sought for the Foundation.

A Gordon added that a meeting has been set up between College representatives and the initial Trustees next week to discuss various matters of detail and in particular to provide assistance on the scheduling of critical activities. A Gordon noted that Turcan Connell will provide the Secretariat requirement.

In response to questions from the Chair around good practice and current advice, the following replies were received:

- Two further independent external trustees can be appointed to the Foundation with a further two appointments from the College. It should be noted that in terms of trustee membership of the Foundation, a majority of independent, external trustees must be maintained to avoid consolidation.
- The Audit arrangements for the Foundation will be a matter for the Foundation trustees to agree. The Foundation will be responsible for its own independent audit arrangements in line with charity obligations. There will be a requirement, however, for the Foundation to provide various reports and information to Ayrshire College.
- There will be a Service Level Agreement prepared setting out the detail of any support the College will provide the Foundation e.g. in terms of accounting and administration.

8 James Watt Disaggregated Balance Sheet: at 31 July 2013

Agreement was reached in early 2013 between Ayrshire College, West College Scotland and the Scottish Funding Council on the methodology for the disaggregation of the James Watt College accounts as at 31 July 2013.

A Gordon stated that the items contained in the 'Kilwinning' balance sheet represent the disaggregated assets and liabilities of the North Ayrshire Campuses from the legacy James Watt College. A net cash balance will be transferred across to Ayrshire College. It was noted that a net deficit existed on the employees' pension fund being transferred across. In overall terms, members were informed there was nothing surprising in the figures presented due to the structure of the agreement reached.

Some discussion took place on the advisability of seeking an independent audit of the accounts transferred, however, it was noted that the

documentation represents the audited outcome of the process. As such, no further process would be pursued.

M Breen added that there is a need to ensure that all of the paper records and, in particular, the original invoices are in place to support the inherited position.

9 2013/14 Management Accounts at November 2013

M Breen introduced the above paper and highlighted a number of variances. In noting these it was clear the overall accounts presented a healthy favourable variance and this was welcomed by the Committee. M Breen added that structures of the new College are now becoming more embedded and this will significantly strengthen confidence in making future financial projections. There was a query on the possible use of the surplus identified in the accounts, but M Breen explained that the treatment of surpluses is now dictated by the ONS reclassification decision due to the requirement for budget cover to be provided at a Scottish Government level to allow Colleges to utilise surpluses in future financial years.

In noting the risks contained on page 14 of Appendix 1, the Chair asked that any specific risks associated with accounting forecasts be drawn out and highlighted. Following discussion it was agreed that specific risks would be drawn out when the revised document is presented to the next meeting of the Committee. Also, at the next meeting the revised accounts will be able to more closely define the estimated reserves and corresponding cash transfer from the College to the Foundation. M Breen explained that the College was awaiting clarity from SFC regarding the retention of working capital. Traditionally, SFC had used 60 days uncommitted cash balances as their view of good practice.

Action: M Breen and A Gordon highlight in the revised document presented to the next meeting any specific risks associated with the management accounts.

The congratulations and appreciation of the Finance Committee on the College's management and presentation of the above accounts be recorded.

10 Capital Expenditure Position at November 2013

A Gordon reported that the above document was mainly for noting the capital expenditure for the four months from August to November. There was some discussion on the funds to be used for capital expenditure and the need for guidance from SFC on what can be carried forward in terms of capital funding. M Breen confirmed that the College had already raised this point with SFC

and their response will assist in further defining the eventual cash transfer to the Foundation this year.

11 Student Support Funds

The Committee noted the position as at December 2013 and the projection to July 2014. In terms of the current position of the projection it was stated that the outcome of the January student starts will better inform the final projections to July 2014. The January start impact on student support funds will be known prior to the March 2014 meeting of the Committee and a revised and up to date projection will be presented as this is a standing Finance agenda item

12 Draft 2014/15 Budgets for the Year Ending 31 March 2015

M Breen reported that the above paper represents the progress made towards the preparation of the final 2014/15 College budget. The strategy being adopted for Committee discussion is to produce a break even Income and Expenditure budget for 2014/15 (1 April 2014 to 31 March 2015). A detailed discussion took place around the changing financial landscape in relation to the ONS reclassification, the establishment of the Ayrshire College Foundation and the context of the merger on delivering excellent services. H Dunk explained that the College is still undergoing a significant change process and it is important to ensure that the new College structure is firmly embedded during the forthcoming budget period to support the services provided by the College. Demonstrating the sound management and investment of public funds is an important part of the process of ensuring the College is properly placed to pursue its future strategies. Included in the above draft are the costs associated with the outcome of phases 1 and 2 of the Organisational Review. Some lines remain incomplete at this time due to timing e.g. notification of the SDS contracts for 2014/15 and the finalisation of the business development commercial course plans. These items were noted as being able to be completed in time for consideration of the draft budget at the 13 March 2014 meeting of the Committee.

Members noted that the timing between Finance Committee meetings was tight and given the paper presented tonight and the detailed discussions it may be an option, subject to any SFC rules or requirements, to take a further refined budget to the Board of Management at their meeting on 27 March 2014. The Chair noted that it was important for the Board to agree the budget strategy. M Breen welcomed this option as it would potentially allow some further refinement which could add value. It was noted that a meeting had been arranged for the Chair to meet with the College Finance Team and that this option would be discussed further.

Members welcomed the above draft budget document and considered that it had been very well positioned to ensure that the College can demonstrate its

capacity to meet its objectives and provide a high quality learning experience to the students within the budget allocated. It is also important to be able to demonstrate to employers that Ayrshire College is a well run and a financially astute institution. In demonstrating delivery the College will support the case for investment in its future strategies.

Action: M Breen and A Gordon will present the most complete budget possible to the meeting of the Finance Committee scheduled for 13 March 2014, with scope for an updated final draft to be presented for approval to the Board of Management meeting scheduled for 27 March 2014.

Date of Next meeting: Thursday 13 March 2014, Ayr Campus

Received:

Risk Register: Finance Committee extract as October 2013
Planning Calendar January 2014 – April 2015
ONS Reclassification checklist

Signed by the Chair _____

Date: 13.03.14