

**Minutes of the Finance Committee Meeting
held in the Kilwinning Campus
on Thursday 19 September 2013 at 5.30 pm**

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

In attendance: Michael Breen
Alistair Gordon
Jim Wilson
Bernadette McGuire
Eleanor Milligan (Minutes)

1 Welcome and Introductions

T Wallace welcomed everyone to the first meeting of the Finance Committee for Ayrshire College.

2 Apologies

Apologies were received from C Kirk and J McKie.

3 Declarations of Interest

There were no declarations of interest.

4 Governance Arrangements – Finance Committee Terms of Reference

M Breen provided the background to Paper 1 and reminded Members of the discussions on the Constitution and Governance Arrangements paper presented to the Board of Management at their meeting on 5 August 2013.

M Breen summarised the contents of the paper and referred to Appendix 1 which is an extract from the Constitution and Governance Arrangements document.

T Wallace asked if anyone had any amendments or alterations to the Finance Committee Terms of Reference.

M Breen highlighted that there was a change to be made which related to 'Group' being changed to 'Committee' under the heading 'Quorum'. This amendment was highlighted at the Estates and New Build Committee meeting

earlier in the week and in order to provide consistency the Terms of Reference for all Committees would be updated.

The Terms of Reference for the Finance Committee were further discussed and the following amendments agreed –

Under Remit, amend the third line to read “...Board on the ongoing financial management and performance of the College.”

Being in full –

“Remit

*The Committee will be responsible for overseeing all matters related to strategic and operational financial planning of the College and provide assurance to the **Board on the ongoing financial management and performance of the College**”*

T Wallace asked if five working days to produce draft minutes was a realistic timescale and if this was the previous practice in Kilmarnock College. M Breen acknowledged that the timescale set does result in a tight turnaround.

H Dunk noted that this was an area which Ayrshire College was looking to improve on. H Dunk explained that the production of the Board and Committee minutes would be supported by a Secretary to the Board of Management and until an appointment is made the Executive Assistants will be taking the minutes.

Subject to the above amendments, the Finance Committee approved the Terms of Reference.

5 Governance Arrangements – Closure of Financial Year 2012/13

M Breen introduced Paper 2 and explained that a number of 2012/13 reports, statements and returns still require to be completed for the former Ayr, Kilmarnock and James Watt Colleges, including Statutory Annual Financial Statements, External Audit and Internal Audit reports.

M Breen explained that all 2012/13 reports pertaining to James Watt College will be completed by West College Scotland in line with previous agreements. Therefore, only Ayr College and Kilmarnock College reports will require to be completed through Ayrshire College Governance Structures.

Following discussion, Committee Members agreed on the importance of demonstrating good and robust Governance arrangements on these matters. It was also acknowledged that it was very important for Members to make appropriate recommendations throughout these processes.

After some further discussions, Members agreed that the recommendation and wording proposed was too passive and did not demonstrate a number of key responsibilities of Board Members around consideration, challenge or scrutiny

All Members acknowledged that it is important to get the wording right and it was agreed that M Breen would work with T Wallace to agree appropriate wording in terms of the papers and recommendations presented to the next Finance Committee.

M Breen explained that the same paper will be presented to the Audit Committee next week and that he would raise these points at the meeting.

Action: M Breen to work with T Wallace to agree appropriate wording in terms of the papers and recommendations presented to the next Finance Committee.

Action: M Breen to present the views of the Finance Committee to the Audit Committee at their meeting on 24 September 2013.

6 Ayr College

(i) Management Accounts at 31 July 2013

M Breen advised that both Ayr College and Kilmarnock College had disclosed operating surpluses in their Management Accounts at 31 July 2013.

J Wilson took the Committee through the Ayr College Management Accounts and highlighted a number of areas noting that the operating surplus for the year was £113,246 which was £75,892 ahead of the budgeted surplus of £37,354.

J Wilson provided some detail around the figures and explained a number of areas in terms of financial performance. T Wallace asked some questions around budget v actual performance based on the reported variances. J Wilson provided answers to these questions including an analysis of other income received against the original budget set.

T Wallace stated that he had some further questions but for the purpose of brevity given the Agenda this evening it would be better to discuss outwith this meeting.

J Wilson explained that the Balance Sheet at 31 July 2013 shows net assets and reserves of £15.6 million. These figures are shown before the incorporation of the year end FRS 17 valuation of the Strathclyde Pension Fund position and the year-end external valuation of the Ayr College Land and Buildings by the District Valuer.

J Wilson explained to Members the different approach that will be taken by Ayr College for their 2012/13 Annual Financial Statements in relation to the valuation of Land and Buildings. This revised approach was part of the pre-merger work to achieve a number of key consistencies in Principle Accounting Policies which would assist in determining the opening Balance Sheet for Ayrshire College.

T Wallace asked a number of questions in relation to consistencies around Accounting Policies in each of the legacy Colleges and the approach that would be taken by Ayrshire College. M Breen explained that some work had been completed pre-merger to harmonise some key aspects but further work would require to be completed. A Gordon noted that a number of areas were consistent due to either accounting standards, statements of recommended practice or SFC requirements.

M Breen explained the differences in Principle Accounting Policies for Ayrshire College would be brought back to a future Finance Committee. M Breen highlighted that this area would require to be discussed with the College's Auditors and also take cognisance of the reporting changes in relation to the reclassification of the College Sector by the Office of National Statistics which is effective from 1 April 2014.

W Hatton welcomed this pro-active approach including the proposed early engagement with the College Auditors. On this point and after some further discussions around ONS, W Hatton requested that a high level summary of key actions and priorities be produced for the forthcoming year.

The Committee noted the Ayr College Management Accounts at 31 July 2013.

Action: M Breen to produce a Paper highlighting the key differences in Principal Accounting Policies over the 3 legacy Colleges and proposed Principal Accounting Policies for Ayrshire College.

Action: M Breen to produce a high level summary of key actions and priorities for the forthcoming year.

Action: T Wallace and M Breen to discuss Ayr College Management Accounts further including the other costs section.

(ii) Capital Expenditure Report at 31 July 2013

J Wilson presented Paper 4 which showed that the capital expenditure to 31 July 2013 for Ayr College was £602,319.

J Wilson provided some examples of the works undertaken and explained that the College had funded £133,856 from its own reserves after fully utilising the SFC allocation. For completeness, J Wilson noted that the SFC allocation for 2012/13 was £468,463.

Members noted the Ayr College Capital Expenditure position at 31 July 2013.

(iii) Student Support Funds Position at 31 July 2013

M Breen introduced this paper and then handed over to J Wilson who took the Committee through the paper in more detail.

J Wilson highlighted the modest FE underspend of approximately £28,134 for the year against the funding made available of approximately £3,000,000. J Wilson also explained the position in relation to EMAs and noted that the HE Funds for Childcare and Discretionary Funding had small underspends at the year end.

Members noted the Ayr College Student Support Funds position at 31 July 2013.

Kilmarnock College

(i) Management Accounts at 31 July 2013

M Breen presented Paper 6 which showed an operating surplus of £724,000 for the year which is £713,000 ahead of budget. M Breen highlighted a number of the key variances for the year to July 2013.

M Breen provided further details around the figures and explained a number of areas in terms of financial performance. A number of questions were asked and answers given.

A Gordon provided some further details around salary analysis and forecasts from previous Management Accounts presented during the year.

A Gordon also advised that the revaluation of Land and Buildings for the former Ayr, Kilmarnock and James Watt Colleges was carried out by the same company. Kilmarnock had been revalued with an uplift of approximate £1m. The vacant Saltcoats property has been revalued at £250,000 at July 2013. For completeness, the last external valuation was £360,000.

T Wallace asked about the approach previously in Kilmarnock. M Breen explained that a full revaluation was carried out every 5 years with a mid-period desktop revaluation exercise completed in year 3.

M Breen confirmed that in line with the Accounting Policies the Kilmarnock College and Ayr College Balance Sheets at 31 July 2013 would properly reflect the year end revaluation exercise completed. In relation to the former James Watt Campuses in North Ayrshire it was confirmed that these properties are either subject to a PFI agreement or are leased and as such do not require to be included or revalued.

T Wallace asked for an update on the position with regard to the last tranche of ESF funding which remained outstanding. A Gordon advised that all the claims and figures had been audited and the College are awaiting East Ayrshire Council submitting their final claim for the overall Project. A Gordon explained to Members that the overall CPP Project had a number of Partner organisations and this included both the former Ayr and Kilmarnock Colleges.

W Mackie asked some questions which were answered. W Mackie commended the former senior management team on the performance and results for 2012/13.

The Committee noted the Kilmarnock College Management Accounts at 31 July 2013.

Action: M Breen to confirm that within the Annual Financial Statements covering Paper that the revalued figures are included with the Balance Sheets.

(ii) Capital Expenditure Report at 31 July 2013

M Breen introduced Paper 7 which showed Kilmarnock College's capital expenditure to 31 July 2013 was £668,999. M Breen explained that this expenditure was funded by both the 2012/13 SFC Capital Allocation of £430,208 and College resources of £181,200.

M Breen explained in more detail some of the 2012/13 expenditure items including the purchase of the Mazak and Doosan Fanuc lathes.

After some questions, B McGuire explained the purpose of these machines and how it was important for the College to have this equipment to enable Students to be trained in the most up to date processes.

B McGuire also explained that the items were purchased after the presentation of a robust business case which included engagement with key employers. B McGuire confirmed that these machines are now in

operation and the feedback from staff, students and employers has been very positive.

Members noted the Kilmarnock College Capital Expenditure Report at 31 July 2013.

(iii) Student Support Funds Position at 31 July 2013

M Breen introduced Paper 8 and then handed over to A Gordon who took the Committee through the Paper in more detail.

A Gordon noted an overall underspend of approximately £448,112 for all funds provided by SFC. A Gordon explained that the total funding made available for 2012/13 was £3,722,104 and expenditure for the year was £3,273,992.

A Gordon drew Members attention to the FE Discretionary Fund overspend of £43,990 which had been offset by the underspend on both Childcare Funds. A Gordon stated that this area had again been prioritised given the budget tracking in place on the overall position. A Gordon explained that the Student Funding Team had worked closely with the Student President and Curriculum Colleagues to raise the profile and awareness of this fund and this resulted in more direct financial assistance to Students.

A Gordon also explained the position in relation to EMA's and noted the final position of the HE Discretionary Fund which had a small overspend of £3,409.

A Gordon advised that Henderson Loggie, the External Auditors, had conducted their annual audit and no issues had been raised although the College was awaiting the formal written report. A Gordon stated that Henderson Loggie had taken away some of the processes and templates used to assist other College's in terms of best practice.

The Committee noted the Kilmarnock College Student Support Funds position at 31 July 2013.

7 2013/14 Student Support Funds Allocations

M Breen presented Paper 9 which detailed the 2013/14 Ayrshire College Funding for all Student Support Funds. M Breen provided details on the individual elements of Bursary, Childcare, Discretionary and expected EMA payments.

M Breen explained that the total funding for 2013/14 was £353,422 less than 2012/13, however, the previous year's figures included further resources made available in-year of approximately £715,000 and the 2013/14 figure did not include the provision made available by Ayrshire College through the budget setting process.

There was a detailed discussion on the provision of kits for Students. H Dunk explained that each of the 3 legacy Colleges had significantly different approaches and it was very important for Ayrshire College to provide Students with the required kit e.g. Hair and Beauty kits. H Dunk further explained the eligibility criteria in relation to the SFC guidance. After some further discussions on the approach being taken the Committee confirmed their support.

In relation to other aspects of the Paper, M Breen explained that the Bursary budgets are, in his opinion, the most complex to monitor and forecast due to these being demand led and they are inextricably linked to the Curriculum Delivery Plan and resulting Student numbers enrolled.

M Breen also explained that a number of external factors are clearly impacting on this area including UK Government Welfare Reforms. In previous years, a number of students would receive travel costs only while remaining on their Welfare Benefits. Some discussion took place around the increase in the 2013/14 WSUMs delivery target when compared to 2012/13 and the resulting impact this could have on the budgets. M Breen explained that this would be discussed with SFC and that in previous years Colleges were given the opportunity to bid for further in-year funding.

M Breen also stated that this is a very high profile area and NUS Scotland have been very successful in the past on lobbying for additional funding to be made available.

T Wallace welcomed these detailed discussions and acknowledged how important this area was for Ayrshire College both in financial terms but wider in relation to supporting our core purpose. In this regard, T Wallace requested additional information to be included in future papers noting in particular that the presentation should identify and track movements against previous positions as well as forecast outturn.

The Committee noted the 2013/14 Student Support Funds Allocations.

8 2013/14 External Audit Services – KPMG

M Breen presented Paper 10 and referred to the letter received from Audit Scotland proposing that KPMG act as the External Auditors for Ayrshire College for the period 2013/14 to 2015/16. A copy of this letter was included as Appendix 1.

M Breen stated that KPMG had previously acted as External Auditors for Ayr College, therefore this appointment as External Auditors for Ayrshire College provided a level of continuity.

The Committee noted the appointment of KPMG.

9 College Transformation Fund at 31 July 2013

M Breen presented Paper 11 and advised that the total CTF Funding received to support the merger was £5,370,690. M Breen provided an update to Members on the transfer to West College Scotland of £850,000 which had now been formally approved by SFC. H Dunk noted that this transfer had been discussed previously with the Board but that the figure had been revised to £850,000 by West College Scotland.

M Breen noted the actual expenditure position at 31 July 2013 and balances already committed for 2013/14.

M Breen advised that a formal return had been made to SFC for the period to 31 July 2013 in line with the conditions of grant. M Breen acknowledged his thanks to J Wilson who monitored and provided the financial updates during this period.

H Dunk advised that she had met with SFC about re-profiling the CTF and carrying forward the remaining balances to ensure these funds continue to support Ayrshire College. It was noted that SFC had been very supportive and had confirmed this was acceptable.

The Committee noted the financial position of the College Transformation Fund at 31 July 2013.

10 Non NPD Costs Financial Report at 31 July 2013

M Breen introduced Paper 12 noting that this Paper had been presented and discussed by the Estates and New Campus Development Committee at their meeting on 17 September 2013.

M Breen provided an update on the actual position to date and referenced the budgets which had been made available by SFC.

T Wallace asked if the client contingency figure remaining would be sufficient. M Breen responded that this contingency was to support additional fees, specialist services and consents and was not a construction contingency and the budget remaining is sufficient based on all information known at this time.

The Committee noted the Non NPD Costs Financial Report at 31 July 2013.

11 AOCB

W Mackie updated the Finance Committee on a recent letter received from SFC regarding financial support for the ONS reclassification change. W Mackie noted that the letter confirms a one off grant payment to Ayrshire College of £100,000 to support expenditure requirements including for example accessing specialist Legal advice.

T Wallace, noting the Papers attached for information on the 2013/14 Ayrshire College Budget, advised that this item should be on the Agenda for the next Finance Committee meeting taking place on Thursday 7 November 2013. There was some discussion at this point on the 2013/14 budget approved by the APB and the underlying processes and information provided.

T Wallace asked about the current Finance structure in place at Ayrshire College in the context of resourcing levels and skills base. M Breen explained that in both the Ayr and Kilmarnock Campuses the existing Finance Teams are in place but that only one member of Staff transferred from the former James Watt College. M Breen stated that at present the Finance Teams are working well and addressing priorities. M Breen stated that a single Finance system is operational and that currently discussions are underway around a revised Ayrshire College Finance Services structure. M Breen noted that the impact of the ONS reclassification in terms of additional administration would require to be addressed leading up to the effective date of 1 April 2013.

12 Date of Next Meeting

The next meeting of the Finance Committee will take place on Thursday 7 November 2013 at 5.30 pm in the Kilmarnock Campus.

Signed by the Chair _____

Date: 07.11.13