

(Paper 19)

Present: Willie Mackie (Acting Chair)
Heather Dunk
Fiona Fawdry (By telephone connection)

In attendance: Brendan Ferguson (Board Secretary)
Michael Breen
Jackie Galbraith
Alistair Gordon
Jane McKie
Liz Walker

1 Welcome and Declarations of Interest

W Mackie welcomed everyone to the meeting. There were no declarations of interest.

2 Apologies

Apologies were received from Board Members Bill Costley, Waiyin Hatton, Marie Macklin and Tom Wallace and from EMT members Bernadette McGuire and Donna Vallance.

The Chair noted that W Hatton had provide a commentary by email and had recorded her support for the papers below.

3 Minutes of the Meeting held on 17 September 2015 *(Paper 1)*

The minutes were approved as a correct record.

Proposed: Fiona Fawdry Seconded: Heather Dunk

4 Matters Arising

Item 6, page 2, A Gordon reported that the originally projected short term move into our overdraft facility in October did not occur.

5 Draft Financial Statements to 31 July 2015 *(Paper 2)*

A Gordon took the Committee through the draft financial statements in some detail answering members questions in the process and providing clarification where required. A Gordon confirmed that the above Paper contained a number of items that were still to be finalised in terms of disclosure, but that no material changes were expected as a result.

The Committee was very aware that 2014/15 had again been a very challenging year for all of the reasons previously discussed and minuted at Finance Committee and Board of Management meetings over the period. To that end the outturn recorded in Paper 2 and its appendices came as no surprise to members and the Committee was very encouraged to note that, despite all of the challenges, trading had returned an operating surplus for the period.

The Committee again noted that the deficit recorded was in large part due to SFC being unable to honour a previous agreement to meet the Voluntary Severance (VS) costs for 2014/15 and the shortfall in Student Support funding received. This agreement had been overtaken by restrictions placed on SFC funding and the subsequent decision to instruct colleges to use non-cash 'net depreciation' to meet the projected shortfall. This resulted in a "technical deficit" for which SFC has produced a complex explanation which it had suggested be included in the 2014/15 Financial Statements.

The Committee further noted that the College's external auditors, KPMG, had undertaken an extensive audit and were content that the accounts showed a true and fair view of the financial position of the College for the period. KPMG had no issue with the wording proposed in the SFC's use of net depreciation statement or the slight amendment proposed by the College. KPMG expressed no view on the inclusion of that statement as they were satisfied that the accounts demonstrated the College as a going concern. Following discussion, the Committee agreed that the SFC statement on the use of net depreciation should be included in the Financial Statements in order to demonstrate that the College was complying with SFC instructions. It was also noted with concern and regret that a further impact of the instruction to use non-cash net depreciation in this way had been to decrease the College's average cash reserves from 28 to 17 days, as illustrated in the table contained on page 6 of Appendix 2.

The Committee also noted the issue surrounding the disclosure of the total pension arrangements of college senior managers and expressed full support for the view that, where these arrangements related to college employment, then it was appropriate to request their disclosure. Where the arrangements included sums that did not relate to college employment, but might relate to previous employment outwith the sector, then it was not appropriate for that information to be disclosed. The Committee was also pleased to note that pension arrangements for senior managers were the same as for all other staff employed by the College.

The Committee commended the draft Financial Statements for the 16 month period to 31 July 2015 to the Board of Management for Approval.

The Committee agreed that the SFC statement, as amended, on the use of non-cash net depreciation be included in the Financial Statements for the period.

The Committee noted with concern that an impact of the use of non-cash net depreciation as instructed had been to reduce the College average cash reserves from 28 to 17 days.

The Committee fully supported the decision not to disclose senior staff pension arrangements.

The Chair recorded his thanks to the Finance Team for their remarkable achievements over a very challenging period.

6 Management Accounts at September 2015 (Paper 3)

A Gordon introduced Paper 3 as an early snapshot of trading after two months. A Gordon went through the paper as presented and stated that progress to date was very much as expected. A number of questions were asked and satisfactory responses received.

The above paper was noted and approved.

7 College Rolling Cash Flow Forecast at 16 October 2015 (Paper 4)

A Gordon circulated a hard copy of the cash flow forecast which the Committee noted was within the parameters set.

The Committee noted and approved the above paper.

8 Capital Expenditure Position: 6 Months to September 2015 (Paper 5)

A Gordon took members through Paper 5 as presented. The Committee noted that a tender had now been approved for the agreed Ayr Campus Riverside Building Improvements and that work would soon commence. The Committee further noted that the income from the sales of land and buildings approved by the Estates & New Campus Development Committee were expected to be received in April 2016. A number of questions were asked and satisfactory responses received.

The Committee noted the capital expenditure position at September 2015.

9 Non NPD Costs Financial Report: 6 Months to September 2016 (Paper 6)

A Gordon took the Committee through the above Paper. In response to a question, A Gordon confirmed that the re-phasing of the Non NPD capital grant had been agreed by SFC and the College has now received formal notification to that effect.

The Committee noted the content of the above paper.

10 Student Support Funds Position at 27 October 2015 (Paper 7)

A Gordon introduced the above paper and took the Committee through it as presented. The Committee noted that while the funds provided for 2015/16 had improved significantly from those of 2014/15, a shortfall of £473k was still projected and that a request for an In Year Distribution of student support funds for this amount had been submitted to SFC.

The Committee noted its concerns at the implications contained in Section 2.2 of the above report in relation to the options being considered by SFC to replace bursaries for learners aged 18 and older and replace them with Educational Maintenance Allowance (EMAs). The Committee considered that, were such a decision to be taken, the consequent significant decrease in income would impact very adversely on many of the learners concerned. This in turn would have a very negative impact on the ability of many young people to attend college, thereby limiting access to post 16 education. The Committee considered that such a decision may make some financial savings, but would undermine the Scottish Government's post 16 education agenda and their stated commitment to widening access. The Committee also rejected any argument that such a decision would bring colleges into line with schools, in which the provision of EMAs to 18 year olds is the norm. The Committee considered that there was no comparison as any learner still at school aged 18 would probably be living at home en route to Further or Higher Education that would likely lead them into employment.

The Committee noted the content of the above Paper.

The Committee recorded its concern, as noted above, in relation to any decision to replace bursary awards for learners aged 18 and over with EMAs.

11 Business Development and Education Contracts at September 2015 (Paper 8)

J Galbraith introduced Paper 8 as presented and added that the team are currently engaging with SDS with a view to further developing apprenticeship opportunities. A number of questions were asked and satisfactory responses received. The Committee noted that the Paper mentions the impact of the current economic climate on the engineering sector and were pleased that possible adverse effects on STEM modern apprenticeships were being closely monitored.

The Committee also noted with disappointment the news that UWS was ending the articulation arrangement for the BEng and taking it back in house.

The Committee noted the content of the above Paper.

12 Date of Next Meeting: The next meeting of the Committee was scheduled for Thursday 10 March 2016.