

Present: Tom Wallace (Chair)
Heather Dunk
Bill Costley
Fiona Fawdry
Willie Mackie

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

1 Welcome and Declarations of Interest

The Chair welcomed everyone to the meeting. There were no declarations of interest.

2 Apologies

Apologies were received from EMT member Bernadette McGuire.

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

The minutes were approved as a correct record.

Proposed: H Dunk
Seconded: W Mackie

4 Matters Arising

There were no matters arising.

5 Management Accounts 1 August 2015 to 31 January 2016 *(Paper 2)*

A Gordon took members through the Management Accounts as presented in paper 2 and highlighted the salient points. While the Committee was disappointed to note that the £188k received from SFC as the "In Year Distribution" of Student Support Funds was £250k short of what had been sought, in overall terms the Committee was encouraged by the positive variances being reported at this stage of the year and commended the College for its stewardship and astute financial management.

The Committee also noted that the historic debt of approximately £274k from East Ayrshire Council (EAC) related to the ESF CPP Claims balances due to the former Ayr and Kilmarnock Colleges re the CPP Project which ran from 2008 - 2011. It was the College's understanding that, following a Scottish Government verification visit to EAC in October 2015, funds in settlement had been provided to Council, however no funds had to date been received by the College in settlement of this debt. A Gordon reported that the College had written to EAC and was awaiting further details of when these remaining receipts could be expected. To move matters forward a further meeting will be arranged.

A number of questions were asked and satisfactory responses received.

The Committee approved the Management Accounts at 31 January 2016.

The Committee awaited with interest the response of EAC to the College letter seeking further information on the settlement of the outstanding ESF CPP Claims balances, as discussed above.

6 College Rolling Cash Flow Forecast at 12 February 2016 (Paper 3)

A Gordon introduced Paper 3 and took the Committee through it as written. A number of questions were asked and answered and the Committee noted that cash flow was forecast to remain within the agreed parameters.

The above paper was noted and approved.

7 SFC Resource Return for FY 2015-16 to 31 March 2016 (Paper 4)

M Breen introduced the above paper which, he reported, was designed to share with the Finance Committee the reporting that the College is now obliged to make to SFC in line with their 'public sector' March year end and the importance placed on this type of reporting by SFC to manage the sector's revenue expenditure. This requirement, introduced for the first time the previous year, was a direct consequence of ONS reclassification. M Breen then took members through the paper.

The Committee noted that the purpose of the return was to provide information to SFC which, in turn, would be used in balancing the Scottish Government's budget reporting requirements. The Committee further noted the SFC position that it was the duty of Boards of Management to be able to present a balanced "resource" and "capital" budget at the end of March each year in line with ONS requirements. The Committee, however, believed that, as the College financial year ran from August to July, what the College could present in March was at best an incomplete position and one which could present a misleading picture of College finances to the Scottish Government. To that extent the Committee believed that SFC required to be more open and transparent with Boards of Management in relation to role of the March Resource return.

The above paper was noted by the Committee. As the Committee was secure in the knowledge that the College Finance Team were in control of the technical reporting aspects of this return, it was content that reporting of the return to this Committee and the Board should be undertaken using a one-page summary highlighting any issues “by exception” in the future.

8 Approach to Budgeting FY 2016-17 and AY 2016-17 (Paper 5)

M Breen introduced the above paper, stating that it was designed to alert the Committee to the challenges the College will face in the preparation of the budget for consideration by the Finance Committee and the Board of Management in June of this year.

Normally the College would have expected to bring its draft budget to this meeting for discussion, challenge and scrutiny before it being considered at the March meeting of the Board. However, and uniquely, in 2016 the College and the sector as a whole have still not received the main grant letter for 2016-17 which sets out the allocation and breakdown of funding on which the College would prepare its 2016-17 budget. The current indications were that the College may not receive its 2016-17 grant letter before early May 2016. This would create serious challenges for the preparation, approval and implementation of the 2016-17 budget.

The Committee noted the above reported position and the content of Paper 5 with serious concern. It was the Committee’s considered view that if indeed the grant letter was not received before May, then it was unacceptably late in view of the fact that a budget then had to be considered, drafted, approved and implemented in time for 1 August 2016.

The Finance Committee noted the content of the above paper with serious concern and considered the position that the sector and the College was being placed in by SFC was seriously detrimental to the ability of the College to be able to properly plan and implement its budget for 2016-17.

9 2015-16 Credit Report at 11 February 2016 (Paper 7)

M Breen introduced the above paper which members noted had already been considered and approved by the Learning & Teaching Committee. M Breen stated that, based on the position outlined within the paper, he was confident that the College would meet its SFC activity credit target for 2015-16.

The Committee noted and welcomed the content of the above paper.

10 Capital Expenditure Position at 31 December 2015 & Non NPD Costs Financial Report at 31 January 2016 (Papers 6 & 8)

The above two papers were taken together as capital expenditure papers and A Gordon took the Committee through them as presented. A number of questions were asked and satisfactory responses received.

The Committee noted the content of Paper 6 and Paper 8.

11 Student Support Funds Position at 18 February 2016 (Paper 9)

A Gordon introduced paper 9 and in the process pointed to the £188k received by the Committee as the “in year distribution” of Student Resource Funding allocated annually by SFC. The Committee noted with disappointment that this allocation was £250k less than the amount sought and expressed the view that once again there existed a shortfall between the amount required to meet the College’s commitment in terms of support funding and that provided by SFC.

Nevertheless, the Committee was pleased to note that the financial position of the College in relation to student support funding was significantly better at this time than it had been during the same period in 2014-15. This overall improvement in the financial position was welcomed.

The Committee noted the content of the above Paper.

12 Business Development and Education Contracts at January 2016 (Paper 10)

J Galbraith took members through the above paper as presented. A number of questions were asked and satisfactory responses received. The Committee noted with disappointment the decision of the University of the West of Scotland to withdraw from the articulated BEng programme. This was considered to be a difficult decision to understand given the Scottish Government’s emphasis and priority in widening access and encouraging articulation between FE and HE.

The above paper was noted and welcomed, however, the Committee expressed disappointment at the decision of UWS to withdraw from the articulated BEng programme.

13 Risk Register: Finance Extract at December 2015 (Paper 11)

M Breen introduced the Risk Register Finance Extract. The Committee noted that work on the new ‘Risk Appetite’ section of the Risk Register was ongoing and being refined to provide a greater coherence and understanding of how it articulates into the overall structure of the Corporate Risk Register. A number of comments were made by members and M Breen stated that they would be fed back to the Audit Committee.

Following discussion, the Committee agreed that Risk Fin1 should be split into two parts:

- External Funding Environment.
- Financial Reporting.

It was also agreed that during this period of uncertainty on a number of fronts, Risks should be closely monitored at all times to ensure that they remain appropriate.

The Risk Register: Finance Extract, be approved subject to Risk Fin1 being split into two Risks as identified in the above discussion.

Action: M Breen to inform the Audit Committee of the views expressed by the Finance Committee.

- 14 Date of Next Meeting:** The next meeting of the Committee was scheduled for Thursday 9 June 2016 at the Kilmarnock Campus.