

**Minute of the Finance Committee Meeting
held in the Boardroom, Kilmarnock Campus
on Thursday 8 June 2016**

(Paper 14)

Present: Tom Wallace (Chair)
Heather Dunk
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 Bill Costley and from EMT member Bernadette McGuire.

3 Minutes of the Meeting held on 10 March 2016 *(Paper 1)*

The minutes were approved as a correct record.

Proposed: W Mackie
Seconded: H Dunk

4 Matters Arising

There were no matters arising.

5 Budget for the Period to 31 July 2017 *(Paper 2)*

M Breen presented Paper 2 being the budget for the 12 month period to 31 July 2017 and set out the underlying rationale for the Committee. M Breen added

that all of the budget holders had been fully involved in the budget preparation process

The Committee noted that the funding letter on which the budget was based had not been provided to the College by SFC until 9 May 2016. In the Committee's view this was considered to be unacceptably late in the year. The delay had meant that much of the strategic planning for the following academic year, which traditionally took place in the spring following receipt of the funding letter, could not be undertaken this year. In particular that had impacted on the College's ability to plan its staffing structure to meet curriculum requirements for 2016/17. As a result, the College could not now proceed, as would normally have been the case, with implementing over the summer period a staffing plan for the new academic year.

Given that the funding letter had not been received until 9 May, the Committee thought it worthy of note that the College had been able to turn it round and prepare a budget for presentation to this Committee by 8 June.

The Committee noted the emphasis on maintaining a quality service for learners within the budget and on providing the requisite support. This ambition was welcomed. Also noted was that continual year on year flat cash funding over the past four years had not supported development in the college sector and that, despite government claims of a 1% increase in the sector provision for 2016/17, Ayrshire College had experienced an overall decrease in the resource available. In addition, the Committee noted the clear difficulty in planning strategically beyond one year given the lack of any forward budget planning information from SFC. One impact of this was that the lack of cash resources meant there were no funds available to plan for VS. The Committee agreed that, in the current funding circumstances, provision for VS costs within the budget at this time would be inappropriate. Nevertheless, the Committee was impressed by the strategic nature of the budget presented for 2016/17.

The Committee further noted that funds for the total pay awards which the College was required to meet following the implementation of national pay bargaining had not been fully provided for in the funding settlement received from SFC. M Breen explained that, based on information currently being collated by Colleges Scotland, there was an expectation that further funding above the 1% already notified would be made available. At this stage and based on advice from both Colleges Scotland and SFC an estimate had been made and included within the base figures. It was recognised that if the national pay bargaining settlements could not be met from the funding provided and the College was forced to use cash reserves to meet this requirement, then the future impact on the College could be serious.

A number of questions were asked during discussion and satisfactory responses received.

The Budgets for the Academic Year ending 31 July 2017 were approved by the Committee and commended to the Board of Management for approval.

The Committee recorded its view that, given the overall circumstances prevailing, the budgets and associated appendices presented represented an excellent piece of work, well written with a fit for purpose strategic approach directed toward maintaining the quality of the student experience.

The Committee noted with serious concern the lateness of the funding letter provided by SFC and the impact that had had on strategic planning for 2016/17. The Committee considered this to be unacceptable practice on the part of the funding provider.

The Committee also noted with concern the further constraints that the funding envelope provided placed on the sector in general and Ayrshire College in particular. It was felt that years of flat cash funding, in real terms representing an annual funding decrease, combined with a lack of any forward knowledge of likely funding in future years had constrained strategic development at a time when the roll out of the Regionalisation Agenda should have provided major impetus to the FE Sector.

6 Management Accounts at 31 March 2016 (Paper 3)

A Gordon took the Committee through Paper 3 as written, noting a modest surplus before exceptional costs. It was also noted that cash balances remained positive.

The Committee noted on page 17 of Appendix 1 the reference to the offer made by East Ayrshire Council (EAC) in relation to the European Social Funds (ESF) owed to the College. The Committee were informed that the offer made did represent the full amount owed to the College. The Committee considered this to be unacceptable. The Committee noted that the matter would be further pursued in a meeting between College representatives and senior officers of EAC. The Committee also noted that Ayrshire College had a full audit trail in relation to this matter.

A number of questions were asked and satisfactory responses received.

The Management Accounts were approved by the Committee.

The Committee stated that it would await the outcome of the discussions between the College and EAC in relation to the historic ESF monies owed to the College and looked forward to being updated on the outcome of the discussions at its next meeting.

7 College Rolling Cash Flow Forecast as at 13 May 2016 (Paper 4)

M Breen introduced the above paper and along with A Gordon provided satisfactory answers to members' questions. It was noted that there were no particular issues arising within the period covered by the cash flow forecast.

The above paper was noted.

The Committee asked that for future meetings the cash flow forecast show the long term trends since the merger in 2013.

8 2015/16 Financial Year Capital Expenditure: Final Position at March 2016 (Paper 5)

D Vallance and M Breen took the Committee through the above paper as written and noted that the investment decisions made for the period had brought about major improvements to the Ayr & Kilwinning Campus Estates and that excellent feedback had been received from learners, staff and stakeholders. A small underspend in the overall budget available was also noted.

The Committee commended the works that had been completed and noted that these had all been achieved within budget. It was felt that not only had the completed works significantly enhanced the learning environment, but the completion had also represented excellent value for money.

9 2015/16 Credit Report at 12 May 2016 (Paper 6)

M Breen introduced the above paper within which members noted that the credit target for 2015/16 had been reached.

The Committee noted and welcomed the content of the above paper and commented that they were confident that the foundations for the management of credits were now in place.

10 Non NPD Costs Financial Report at 31 March 2016 (Paper 7)

M Breen took the Committee through the above paper as presented. A number of questions were asked and satisfactory responses received.

The Committee noted the content of Paper 7.

11 Student Support Funds Position at 12 May 2016 (Paper 8)

M Breen introduced Paper 8 and commented that the overall position for all Bursary related expenditure was positive, with an overall year end underspend predicted even after allowing for the return of the in-year distribution funding to SFC. M Breen also noted the current position on EMA's and the funds provided by SAAS to support our HE students.

The Committee was again pleased to note the significant improvement in the overall financial position of the College in relation to student support

funding compared to 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 April 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 was pleased to note the progress made in securing oil and gas industry transition funds and that SDS had indicated its satisfaction with position of the College.

The Committee was aware that the above report represented what was very much a development area. Nevertheless, the Committee welcomed the very positive nature of the paper and the fact that all costs were properly recorded and accounted for within the current management accounts format. J Galbraith and M Breen both noted further scope for improvements in financial monitoring and this would be taken forward next session.

The above paper was noted and welcomed

13 Student Support Funds Allocation for Academic Year 2016/17 (Paper 10)

M Breen introduced the above paper and noted that in overall terms the 2016-17 allocations represented a “stand still” position on funding from that received for 2015-16. Based on the experience of this academic year there were no particular concerns in relation to student funding currently arising from the allocation. The position would however continue to be monitored as the year progressed due to the demand led nature of these budgets.

The Committee noted the Student Support Funds Allocation for 2016/17

14 Risk Register: Finance Extract at May 2016 (Paper 11)

M Breen introduced the Risk Register Finance Extract as the last extract to be considered for 2015/16. The Extract was very close to the position maintained throughout the year. The Committee noted that work on the new Risk Appetite section of the Risk Register was progressing, but that there was still some work to be completed pending its full implementation during 2016/17. The Audit Committee would be discussing this further at its forthcoming meeting.

Following discussion, the Committee agreed the following in the relation to the Individual Financial Risks for the start of 2016/17:

As the budget for 2016/17 had now been received and approved by this Committee, FIN 1 be reduced to 16 and maintained in the amber zone pending indications on future funding being received;

Fin 9 be closed;

Fin 7 be moved to the Learning & Teaching Committee Risk Extract, a position considered to be more appropriate in view the nature of the risk.

- 15** The Chair closed the meeting and commented on the excellent quality of the papers prepared for and received by the Committee at this meeting. This comment was endorsed by the Committee members.
- 16** **Date of Next Meeting:** The next meeting of the Committee would be advised following the forthcoming meeting of the Board of Management.