

**Minute of the Meeting of the Finance Committee
Held at the Ayr Campus
On 16 November 2016**



(Paper 13)

Present: Tom Wallace (Chair)
Margarette Bryan
Heather Dunk
Willie Mackie
Douglas McIvor

In attendance: Brendan Ferguson (Board Secretary)
Michael Breen
Jackie Galbraith
Alistair Gordon
Jane McKie
Stuart Millar
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 Board Members Gordon James and Bill Costley, and from EMT member Donna Vallance.

3 Minutes of the Meeting held on 31 August 2016 *(Paper 1)*

The minutes were approved as a correct record.

Proposed: W Mackie
Seconded: Tom Wallace

4 Matters Arising

Page 4 Item 12: The College was currently considering how best to take forward a discussion forum on the challenges being faced by the Hospitality Industry.

Page 4 Item 13: Discussions with East Ayrshire Council and the Scottish Government on this matter remain ongoing.

5 Statutory Accounts to July 2016 (before Audit Finalisation) (Paper 2)

M Breen took the Committee through the Statutory Accounts and answered members' questions. The Committee noted and welcomed the continued strong performance in trading and commented that in those areas of spend over which the College had control, the position achieved over the year had been a modest surplus. However, there were a number of adjustments out with the control of the College which had impacted significantly on the final accounting position. These adjustments included year end pensions valuations, FRS 102 adjustments, Dilapidations Provisions and Lease Payments.

The Committee noted and approved the Statutory Accounts to July 2016 for forwarding to the Audit Committee, subject to the satisfactory conclusion of the external audit process.

The Committee found the use of the phrase "Recurring Operating Position" as used by the External Auditors to be unhelpful and recommended that an alternative description be used in the future. In addition, it would be helpful if the Management Accounts included the "Month Period Ending" – e.g. *six Month Period Ending September 2016* – rather than the "Year Ending". In relation to the first point the College will discuss with KPMG.

It was agreed that the EMT, in liaison with the Chair of the Finance Committee, would give consideration to the future presentation of the Management Accounts to the Committee.

It was agreed that, for the same meeting next year, and annually thereafter, the Committee would receive printed papers for this item because of the complexity of trying to follow the appendices to the accounts electronically through the Admincontrol app.

6 Management Accounts to September 2016. (Paper 3)

M Breen and A Gordon introduced the paper and took the Committee through the Management Accounts, noting that at the current time the variances from budget were largely positive and no large adverse adjustments or trends had been identified at this stage of the year. The Committee noted and welcomed the above paper.

The Committee noted and approved the Management Accounts to September 2016.

7 Updated Capital Expenditure Programme to March 2017 (Paper 4) and FY 2016/17 Capital Expenditure Programme at June 2016 (Paper 7)

M Breen took the Committee through Papers 4 and 7, in the process outlining the work which had been completed and that which was currently in progress.

M Breen explained that additional 2016-17 capital funding had been made available by SFC with an instruction that it had to be expended in the same time period as the original allocation i.e. by 31 March 2017. As a consequence, the CAPEX programme had been updated to take account of the additional funding and this was presented for consideration and approval to the meeting of the Estates & New Campus Development Committee at its meeting on 3 November 2016. The Estates Committee had approved the updated CAPEX Programme for consideration of the related finance proposals by the Finance Committee. A number of questions were asked and satisfactory responses received.

The Committee noted the additional funding made available by SFC as outlined in Paper 4, and approved the financial aspects of the updated CAPEX proposals, as set out in Paper 4, for consideration by the Board of Management. The Committee further noted that the spend of the additional funding had to be expended by 31 March 2017, in line with the original allocation.

It was agreed that in view of the above time constraints the updated CAPEX proposals be circulated to all Board Members for consideration and decision prior to the scheduled December 2016 meeting of the Board. This would allow sufficient time for the tendering processes to be completed and the expenditure expended by the 31 March 2017 deadline.

The Committee noted the progress of the previously approved 2016/17 CAPEX programme, as set out in Paper 7.

It was agreed that for future meetings, Estates papers would, where possible, be combined into one summary paper.

8 College Rolling Cash Flow Forecast as at September 2016: Weekly Forecasts to December 2016 (*Paper 5*); Annual Actuals/Forecast to July 2017 (*Paper 6*)

A Gordon took members through the above documents, noting that cash flow remained within the parameters set for the period. A Gordon also confirmed, in reply to a question, that over time College cash flow would deteriorate if the current level of funding was maintained and SFC maintained their instructions in relation to the use being applied to net depreciation in the future.

The Committee noted that the current cash flow position and projection for 2016/17 remained within the agreed parameters.

The Finance Committee again discussed the continued use of net depreciation cash and noted their ongoing concern about the approach being applied by SFC. Members discussed the impact that this has had on the College's accounts. It was concluded that the concept of "technical deficits", as stated by SFC, was incorrect if College cash balances

continued to be eroded due to the use of net depreciation to cover the impact of inadequate funding in the College accounts.

After further discussion, it was agreed that the Acting CEO and the Director of Finance of SFC should be invited to attend the Board Development Day in January 2017 and the continued instructed use of net depreciation cash should be a matter addressed directly with him.

9 2016/17 Student Support Funds Position at October 2016 (Paper 8)

M Breen introduced the above paper and confirmed that the expenditure noted in relation to student support funds was within budget.

The Committee noted the above paper.

10 Non NPD Costs Financial Report at September 2016 (Paper 9)

M Breen introduced the above paper, noting that it was likely to be the penultimate report on the use of this funding stream. M Breen confirmed that the paper had previously been received by the Estates and New Campus Development Committee.

The Committee noted the content of Paper 9.

11 2016/17 Risk Register: Finance Extract at October 2016 (Paper 10)

A Gordon introduced Paper 10 and stated that the proposed transfer of certain risks to the Learning & Teaching Committed (LTC), as proposed at the previous meeting of this Committee, had been accepted by LTC and approved by the Board.

In relation to the above extract, EMT had taken the Finance Extract, as agreed by the Board in September 2016, and had suggested some changes as highlighted in yellow in the above Paper. The Committee accepted the changes proposed.

The Committee approved the content of the Paper 10.

The Committee asked that the inclusion of an “Agencies Risk” be taken forward as an addition to the Finance Risks for inclusion in the extract presented to the next Meeting of the Committee.

12 The Following Documents Were Received for Information

Campus Dilapidations and Provisions (*Paper 11*)

Moving of Banking Relationships to the Royal Bank of Scotland (*Paper 12*)

13 Date of Next Meeting: The next meeting of the Committee would be on Wednesday 8 March 2017.