

Present: Tom Wallace (Chair)
Margarette Bryan
Heather Dunk
Gordon James

In attendance: Brendan Ferguson (Board Secretary)
Michael Breen
Alistair Gordon
Lesley Russell
Liz Walker

1 Welcome and Declarations of Interest

The Chair welcomed everyone to the meeting, and in particular Lesley Russell who was attending her first meeting of the Committee in her role as Executive Assistant, EMT, attached to the Board Office. There were no declarations of interest.

2 Apologies

Apologies were received from Committee Members Bill Costley, Willie Mackie and Douglas McIvor, and from EMT member Jackie Galbraith, Jane McKie and Donna Vallance.

3 Minutes of the Meeting held on 8 March 2017 *(Paper 1)*

Subject to a minor editorial amendment noted by the Board Secretary, the minutes were approved as a correct record.

Proposed: Gordon James
Seconded: Heather Dunk

4 Matters Arising

Page 1 Item 4: East Ayrshire Council had indicated that the financial settlement agreed would be paid by the end of the academic year, 31 July 2017.

Pages 2/3 Item 8: The BACS agreement, as approved by this Committee, was circulated to all Board Members for consideration. The agreement was approved by Board members, coming into effect in time for the April payroll run, and was consolidated into the minutes of the March Board meeting.

5 Management Accounts to March 2016 (Paper 2)

A Gordon took the Committee through the Management Accounts as presented in Paper 2. Questions were asked in relation to the variation in utility costs to that originally budgeted for. It was explained that with the new Kilmarnock Campus now open, the College was gaining knowledge through experience of the associated utility costs.

Subject to editorial amendment to Section 3, as discussed, the Committee noted and approved Paper 2.

6 Budget for the 12 months to July 31 2018 (Paper 3 - Reserved)

M Breen introduced the draft budget for 2017/18, explaining that producing a budget which maintained the quality of the learner experience was a challenging task in the current external environment of financial constraint and uncertainty.

The EMT had prepared a draft budget for Committee consideration, which had achieved that primary objective. The budget, as presented, was projected to produce a modest operating surplus prior to net depreciation charges. Other areas of expenditure beyond the control of the College would be subject to close monitoring and reporting throughout the academic year and be subject to a September 2017 budget revision particularly in relation to any final agreements on National Bargaining.

As was the case for 2016/17, final confirmation of funding was not received from SFC until the May prior to the start of the new academic year on 1 August 2017. Staffing costs now represented approximately 70% of budgeted expenditure and would therefore be the subject of review and adjustment on the basis of any agreed National Bargaining outcomes. This meant that a significant part of the budget, as presented, would be subject to review and adjustment. The necessary adjustments would be brought to the first meeting of this Committee, or its successor, in autumn 2017.

M Breen added that the increase in funding made available by SFC for 2017/18 did not fully offset the additional costs incurred by the College in recent years and would not cover the additional expenditure proposals associated with the current round of National Bargaining. M Breen explained that proposals in relation both to current pay and terms and conditions would impact significantly on the final budget outturn.

In discussion, the Committee congratulated the College on the production of the budget paper, which was considered to be clearly presented and laid out. The Committee considered that there existed a number of serious challenges for the College, as highlighted by experience and as contained within the budget. These included:

- The outcome of National Bargaining, when known, and the potential impact this would have without the appropriate level of new funding being made available by the Scottish Government.
- PFI costs for the Kilwinning Campus. The Committee noted that following four years of discussion with SFC no substantial progress had been made on specific funding support being provided by SFC, despite the College providing all of the requisite information and evidence. Ayrshire College was the only college in the sector that was required to pay annually from its SFC grant funding to service a PFI contract. This had impacted significantly on the College's cash flow position, which was now becoming acute. The related cash outflow had not been, and was not in this budget, related to the operational side of the College's expenditure. Rather the outflow which was draining the cash flow was associated with ongoing PFI payments, exacerbated by the SFC instructions for the handling of Net depreciation over the previous two years.
- Trading Cash projections. The Committee noted the scenario modelling and their associated projections provided by the EMT. The multiple impacts of National Bargaining, the lack of any progress on PFI discussions with SFC, the treatment of net depreciation and the uncertainty surrounding how much, if any, support would be provided by the Scottish Government to offset the costs of National Bargaining outcomes all presented a very challenging future in terms of the trading cash available to the College. It was considered to be imperative that the College must make clear to SFC and the Scottish Government the impact and implications for the College in the event that there is no change to the current fiscal environment.

The Committee felt that it was now time for the above to be placed on the Corporate Risk Register as a separate risk item, as it represented a significant risk to future external audit assessments of the College as a going concern.

The Committee noted the draft budget and congratulated the College and the staff involved on the preparation of such a clear and well-presented document in challenging circumstances.

The Committee noted that major issues existed for the College in managing the as yet unresolved issue of being required to make annual PFI payments from core SFC grant funding, and the uncertainty surrounding the amount of support to be provided by the Scottish Government in meeting the cost of any National Bargaining outcomes

The Committee noted that the budget was prepared and presented on the basis of the information currently available and the current known cash flow position. The Committee also noted the scenario projections prepared by the College and agreed that SFC and the Scottish Government must be made aware of the impact and implications if there is no change in the current fiscal environment.

The Committee agreed that a revised budget be brought forward in the autumn of 2017 when the outcomes of National Bargaining are known and further information on the fiscal environment becomes available.

On the basis of the above discussion and the caveats recorded in this minute, the Finance Committee recommended to the Board of Management that the draft budget for the 12 months to July 31 2018 be approved.

7 FY 2017-18 Capital Expenditure Programme (Paper 4)

M Breen took the Committee through the 2017-18 Capital Expenditure Programme, as approved by the Estates & New Campus Development Committee, and asked that the Finance Committee now consider approval of the capital programme presented within the paper, which would be entirely funded by SFC capital grant.

The Committee noted Paper 4 and approved the expenditure of £795,000 as detailed in the paper and to be funded entirely by SFC capital grant.

8 SFC Resource Returns for FY 2017-18

A Gordon explained the Resource Return process for 2017-18.

The Committee noted the above verbal report from the Director of Finance and Student Funding.

9 2016-17 Support Funds Position at 20 April 2017 (Paper 6)

M Breen introduced Paper 6 and explained that all students had received the funding they were entitled to based on College policies. M Breen stated that there were no budget issues that require to be drawn to the attention of Members as all student funding expenditure was within the SFC budgets allocated.

The Committee noted the above very positive report.

10 2017-18 Student Support Funds Allocation (Paper 7)

M Breen introduced the above paper and took the Committee through it. A number of questions were asked and satisfactory replies received.

The Committee noted the above paper and that it represented a start point for 2017-18 which may have to be revisited, depending on decisions to be taken at a later date.

11 2016-17 Credit Report at 24 May 2017 (Paper 8)

M Breen introduced Paper 8, and explained that while the credit target had been reached, decisions were awaited from SFC on the sector wide issue of one-plus activity and with it possible financial clawback. M Breen explained that the College had submitted a detailed paper on its one-plus activity to SFC some time ago but no formal response had been received.

The Committee noted the above and were pleased by the progress made towards meeting the credit target. The Committee awaited the decisions to be made by SFC on sector wide one-plus activity.

12 Corporate Risk Register – Finance Committee Extract May 2017 (Paper 9)

M Breen introduced the Risk Register extract and took the Committee through it.

Following discussion on the content of the Risk Register Extract, the Committee agreed the following:

- **M Breen to draft an additional risk which takes cognisance of the PFI payments for the Kilwinning Campus, which the College is obliged by SFC to pay directly from its grant funding without additional cash being provided. This requirement had and continued to impact significantly on College cash flow, and posed a significant risk to the future cash flow position of the College. This additional risk to be considered at the next meeting of the Committee or its successor.**
- **Fin1 – Agree that it now be raised to 20.**
- **Fin2 – Agree that it be closed off for the new academic year as this is all now embedded in procedures.**
- **Fin3 – Remain as is.**
- **Fin4 – The last box, “Controls and Actions” be updated.**
- **Fin5 – Remain as is.**
- **Fin6 – Remain as is**

13 AOB (Verbal)

The Chair took the opportunity to thank all in the Finance Team for their excellent work in challenging circumstances over the previous year.

The Chair and the Committee noted with regret that this would be the last meeting to be attended by Alistair Gordon, Director of Finance & Student Funding, who would be retiring in July 2017. The Committee thanked Alistair for all of his work and counsel over the years and wished him all the very best in his retirement.

- 14 Date of Next Meeting:** The next meeting of the Committee would be advised following consideration by the Board.