

**South Lanarkshire College
Finance Committee (Board of Management)
Held on 3rd June 2015**

Present J Gallacher
S Dillett
K McInnes
S McKillop

A Allan
K McAllister

Apologies A Martin

1. Declarations of Members' Interests

Mr Dillett intimated that he was a trustee of the South Lanarkshire College foundation.

2. Minutes of the Previous Meeting

The minutes of the meeting held on 10th March 2015 had already been agreed by the Board of Management.

3. Matters Arising

Student Support Funds - Mr McKillop updated members further on the resolution to the underfunding by SFC of student support for 2014/15. He added that the much-improved financial settlement from the Funding Council for 2015/16 should result in the College being able to meet the requirements of the students and that there should not be a shortfall. This was welcomed by members.

Mr Gallacher asked that he be sent a copy of the minutes of the Lanarkshire Board meeting at which the student support shortfall was discussed. Mr McKillop agreed to have this done.

Student activity 2015/16 – Mr McKillop also updated members on the grant in aid settlement for 2015/16. Due to the increased level of ESF activity awarded to the College and the new method of measuring activity, it was likely that the College would be delivering the same amount of activity in 2015/16 as the previous year, but for a higher level of income. Previously it was thought that the College would be delivering slightly less activity for the same amount of funding as in 2014/15. He added that the situation as it had panned out was better for students and for the College. Again, members noted their satisfaction at the outcome.

Mr Allan took members through the arrangements re ESF Priority 5 activity for 2014/15, asking members to note that due to New College Lanarkshire (NCL) not meeting their target, South Lanarkshire was able to draw down a further 2,000 wSUMs. Although this could have been more advantageous to the College if the

situation had been clarified sooner. The Principal was happy with this, and also with the possibility of further activity in 2015/16 if the situation arose again.

Lennartz – Mr McAllister updated members on the proposal to pursue a claim re reclaiming VAT on the main building. Members had asked that this be done via a sectoral bid if possible and Mr McAllister stated that this was being done, with one of the other FE colleges taking the lead. It was noted that the Scottish Government and the Scottish Funding Council had been contacted to ask if they had any objections to the claim being pursued, and both had stated that they didn't. Mr McAllister agreed to keep the Committee informed of progress.

4. Finance Manager's Report

Mr McAllister stated that the main purpose of the report was to present the College's management forecast for the 16 months to July 2015.

Management Forecast – 16 months to July 2015 (Appendix 1)

The meeting noted that a deficit was being predicted. As stated at the previous meeting, Mr McAllister stated that most colleges in the sector would be posting a deficit due to the payment having to be made by them to cover the student funding shortfall. Colleges were now being allowed to post a deficit up to the value of their net depreciation figure, and that this could be to address issues other than the student support shortfall.

Mr McAllister commented that the forecast incorporated additional ESF activity in the period (being the transfer of activity from NCL) and additional fees, whilst alternative income was forecast to be below budget. It was noted that a major rebranding and promotional push had resulted into a temporary spike in Marketing spend.

In response to a question from Mr Dillett, Mr McAllister stated that the College was actively looking into more joint procurement with NCL. He told members that the College had gone to tender with NCL re the Colleges' refectory provision and that assistance in the process had been given by APUC. A decision would be made on the tender within two weeks.

Budget for Year to 31st July 2016 (Appendix 2)

Mr McAllister took members through the proposed budget for the following financial year. He asked the Committee to note that he had incorporated the potential effect of the required revaluation of the College land and buildings. As previously noted, the impact of the increased depreciation would be felt across the sector, and South Lanarkshire was no different. As noted re the 16-month forecast for 21014/15, colleges were being allowed to post a deficit, provided it was no greater than the net depreciation figure. Mr McAllister stated that he would consult the Committee on the format of management accounts in the future, but it was generally agreed that the distorting effect of the depreciation impact should be excluded.

Mr Gallacher asked that comparisons with the two preceding 12 month periods be added to the Budget schedule to give members a perspective on the Budget for 2015/16. McAllister said that this would be done and circulated to members.

The Committee agreed to recommend approval of the Budget to the next Board of Management meeting.

Finance Issues Update – Depreciation (Appendix 3)

Discussion ensued re the presentation of depreciation in the College's published accounts. Mr McKillop stated that he planned to consult the external auditors on this, but he hoped that they would not object to there being a separate line on the face of the P & L Account to cover the issue. This was agreed by the Committee.

It was also agreed to be clear in the brief given to the firm engaged by the College to undertake the valuation. Mr McKillop gave examples of differences in circumstances that prevailed since the last valuation.

The Code of Good Governance for Scotland's Colleges

The Code forms a reference document to good governance for the sector. Colleges are required to comply with it as a condition of grant and are now required to state its adoption in its annual audited financial accounts as part of its corporate governance statement.

Mr McAllister confirmed to members that work was almost complete in reviewing the College's compliance with the principles of the Code and that a report on this would be presented to the Board. The Board will have to formally adopt the Code and the review being undertaken should assist in this process.

Overdraft Facility

Mr McAllister asked the meeting to agree to extend the overdraft facility at the existing level of £350,000 although he did not expect it to be required except, possibly, at certain trigger dates like the end of March or July. This was agreed.

AOCB

Mr McKillop updated the Committee on the situation re national collective bargaining. He stated that the College had signed the Recognition Procedures Agreement which bound the College to national bargaining and he awaited developments. He stated that he was not hopeful of a successful transition to national pay bargaining in the short term.

There being no further business, the Chair thanked members for their attendance.