

**South Lanarkshire College
Finance Committee (Board of Management)
Held on 30th November 2015**

Present J Gallacher
 S Dillett
 K McInnes
 S McKillop

J Evans (Chair of Audit Committee)
K McAllister
A Allan

Declarations of Interest

Mr Dillett asked the meeting to note that he was a Trustee of The South Lanarkshire College Foundation. There were no other declarations of interest

Minutes of the previous meeting

These had been approved by the Committee previously.

Matters Arising

There were no matters arising from the previous minutes.

Draft Audit Financial Statements for the 16 months to 31st July 2015

It was noted that the Audit Committee had considered the report of the College's external auditors, and that they had issued an unqualified opinion on the Financial Statements which allowed the Finance Committee to consider them.

Mr McAllister thanked members of the Audit and Finance Committees for their input prior to the meetings and the amendments would be made in line with these comments.

It was noted that these amendments were minor and did not affect the figures themselves or the substantiveness of the Notes to the Accounts. A new copy of the Statements would be sent out with the Board of Management meeting papers in December.

Mrs Evans asked if the College had KPI targets for the financial figures. Mr McAllister replied that there weren't, but that this would be done for future periods.

Mr Dillett asked if the College had been successful in its request for more student activity. Mr Allan replied that the Funding Council had made encouraging noises on this, but no offer had been made by them yet. He added that the activity awarded in

2015/16, albeit measured in credits rather than SUMs, was roughly equivalent to that offered in 2014/15.

Mrs Evans noted that the College had a significant amount of its core activity supported by the ESF Priority 5 programme. She asked if this had been audited recently, and Mr McKillop said that it had been a year ago. He added that the Scottish Government had changed the eligibility evidence rules after the College had recruited students, and that this was causing problems in backtracking. He was, however, confident that the College would make its target easily and have a significant over-subscription which may lead to additional income.

Discussion ensued on the new Remuneration Report that was required in the Financial Statements following the adoption of the Government's Financial Reporting Manual (FReM).

Mr McKillop reiterated what he had said at the Audit Committee in that he was unhappy to have employee pension arrangements detailed within the accounts, particularly as most of the benefits had accrued whilst he was employed by other organisations. He stated that this would be made clear in a note to be added to the draft presented to members.

Mr Dillett stated that current bad press being "enjoyed" by the FE sector may make the inclusion of pension "pots" a target for bad publicity. Mr Gallacher agreed and suggested that the College have a statement ready if this were to happen. He also stated that he was unhappy with the SFC action re the making up of the shortfall in student support funds and the allied instruction to colleges that they could utilise net depreciation to support other defined areas. It was widely held that almost all of Scotland's FE colleges would now be posting a deficit, largely as a result of this policy and this would concentrate more focus on the sector, and only in an adverse way.

Mr McAllister spoke about the changes to the compilation and presentation of the Financial Statements both in 2014/15 and going forward due to the introduction of the new financial reporting standard, FRS102. He stated that published accounts were becoming more and more inaccessible to the lay reviewer. Members were in total agreement that the new arrangement were not in the interests of transparency and general understanding.

Mr Gallacher proposed that the Committee recommend the Financial Statements for approval at the next meeting of the Board of Management. This was agreed.

Management Accounts – 3 months to October 2015 and the forecast for the 12 months to July 2016

Members discussed the figures and noted that the projected surplus was slightly down on Budget. Mr Gallacher highlighted the low level of cash and bank as the year drew to a close in July 2016, with the last five months of the year showing a cash deficit. Mr McAllister commented that a position of very little “free cash” was the situation that government accounting promoted and that the ESF Priority 5 funds would not be coming to the College as the costs were being incurred, causing a persistent problem as the year closed. This had been flagged up to the Funding Council as a serious issue. Mr McKillop stated that College management were hopeful that some additional in-year activity may offset the cashflow issue as well as boosting the overall financial situation.

Mrs Evans asked about the College’s overdraft arrangements and how often they had been utilised. Mr McAllister stated that the current facility was for £350,000 and that it had been utilised twice.

It had been noted that the external audit report had suggested that there be a reconciliation between management accounts and statutory accounts. Mr McAllister stated that it was his intention to have this done for future meetings.

FRS 102 – The New Financial Reporting Standard

Mr McAllister took members through the extensive briefing document which highlighted potential areas of concern for the College. Whilst members were unhappy with the distorting effect that the new arrangements would have on the College’s accounts, they accepted that the College had no choice but to accept the implications of FRS102.

AOCB

Lennartz – Mr McAllister updated the Committee on the tender to identify a firm with VAT expertise to lodge a claim with HMRC re the outstanding Lennartz liability. He stated that there were seven Scottish FE colleges involved in the claim. Members noted that even if the claim were successful, utilising the funds released would have to be done with extreme caution in case of appeal by HMRC.

Salary Claim – Mr McKillop asked the Committee to note that following the transfer of terms and conditions to central negotiation, the College was not now able to deal directly with its employees as regards a salary award. It was noted that the lecturing and support staff unions had called for industrial action in support of their claims and that a strike was very likely.

There being no further business, the Chair thanked members and Mrs Evans for their attendance