South Lanarkshire College
Finance Committee (Board of Management)
Held on 15th September 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 3rd June 2015 had already been agreed by the Board of Management.

3. Matters Arising

There were no matters arising that would not be covered by the business of the meeting.

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.

<u>Management Forecast – 16 months to July 2015</u> (Appendix 1)

The meeting noted again that a deficit was being predicted. Again, as mentioned 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. The Scottish Funding Council was now allowing colleges to post a deficit up to the value of their net depreciation figure, and that this could be to address specific issues other than the student support shortfall. Mr Gallacher commented that he was very uncomfortable with this situation, and this was echoed by the meeting. He added that we now had the situation where the Board would not sanction the submission of a deficit budget, but the posting of a loss for the period was now being actively advocated by the Funding Council.

Mr McAllister stated that the course of action being pursued by the Funding Council to meet student support shortfalls would be replicated in 2015/16. Mr McKillop, however, stated that the increase in student support funds awarded to the College for that year should mean that the shortfall would be small.

Mr McAllister commented on the management Profit & Loss Account indicating where activity in one area had decreased and in others had increased. The main increase in income concerned ESF Priority 5 funding, where the College had been awarded additional funded activity by SFC to compensate for shortfalls in activity being experienced elsewhere.

Mr McKillop updated the meeting on the situation re national collective bargaining; it was not clear when any agreement would be reached.

Mr Gallacher sought clarification on the increase in Marketing spend over budget. Mr McKillop explained that spend in this area had been minimal in previous years, but had been "pump primed" in the year and this would not be replicated in the current year. The increase in spending had been incurred through rebranding of all the College marketing materials.

The meeting noted that the management forecast did not take account of the effect of the annual actuarial valuation of the support staff pension liability. Mr McAllister informed the meeting that this exercise had been carried out and that it would result in a charge of £602k to the year accounts.

Mr McAlister took members through the major changes to the format of the Financial Statements (Appendices 2 and 3), with the main item being the introduction of a Remuneration Report. He stated that this did not replace the salaries note contained within the Statements, but augmented it. Mr McKillop stated that it was intended to add details on the remuneration of the strategic members of staff which, in the College's case, would just be the Principal.

<u>Finance Issues Update – Depreciation</u> (Appendix 4)

Mr McAllister and Mr McKillop took members through the exercise that had been undertaken to revalue the College estates and establish a depreciation charge for next year when the valuation would take effect.

Appendix 4 detailed that, following the valuation, the College had to decide on a period over which to depreciate the estates and a residual value. Mr McAllister told the meeting that the matter had been discussed with the external audit partner and this methodology was agreed by him. The College proposed that the building be written off over 42 years, being a standard 50 years less the 8 years that the building had been open. As far as a residual value was concerned, College management proposed that the residual value be set at £5 million. Whilst both of these factors would have to be agreed with the College's external auditors, KPMG, it was felt that they would not have a problem with either.

Discussion ensued and whilst it was accepted that the residual value was quite subjective, it was agreed to approve the write off period and the residual value.

Lennartz

Mr McAllister reported that a consortium of Scottish FE colleges had engaged APUC to undertake a tender exercise to pursue a claim against HMR & C in respect of the outstanding "Lennartz" liabilities; the results of the tendering exercise was expected in mid-October. This was noted by members who asked to be kept briefed on developments.

Principal Accounting Policies

Mr McAllister presented papers showing the proposed Policies that the College would use to produce its Financial Statements for the period. It was noted that changes were minimal from the previous period, and the new set of Policies was duly approved.

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