

**South Lanarkshire College  
Finance Committee (Board of Management)  
Held on 10<sup>th</sup> March 2015**

**Present** J Gallacher  
K McInnes  
S McKillop

A Allan  
K McAllister

**Apologies** S Dillett  
A Martin

**1. Declarations of Members' Interests**

No declarations were received.

**2. Minutes of the Previous Meeting**

The minutes of the meeting held on 18<sup>th</sup> November 2014 had already been agreed by the Board of Management.

**3. Matters Arising**

Student Support Funds – Mr McKillop updated members on the resolution to the underfunding by SFC of student support. Members were already aware that the Funding Council had proposed a sector-wide solution to the underfunding by telling colleges to use what they termed “cash released by the utilisation of net depreciation”. This was to be done, they said, within each region. For Lanarkshire, this entailed New College Lanarkshire giving up approximately £1.8m in cash to cover the shortfall for the academic year 2014/15. As South Lanarkshire did not have the cash reserves that NCL had, they would not be giving up any cash.

At a joint meeting of the New College Lanarkshire College and South Lanarkshire College boards held on 3<sup>rd</sup> March, Funding Council representatives attending the meeting had presented what was essentially a fait accompli in that they stated that their proposed solution was “the only deal on the table”.

Mr Gallacher and Mr McKillop had attended the meeting and both stated that they were extremely unhappy about the solution, and the way that the matter had been handled by the Funding Council. The College had asked that, as the problem was a central one, they wished NCL to transfer SLC's allocation to the Funding Council, and for them to transfer the funds to South Lanarkshire. Mr McAllister stated that he hoped that the mechanism would be that SLC were transferred additional funds in their usual monthly cash allocation, whilst NCL would have less transferred to them, the difference in both cases being the shortfall for the period to March 2015. He added that, presumably, a similar over and under-transfer would be effected to cover the period from April to July 2015.

Mr McKillop reminded members that the College had received several communications from SFC which said that the Board should feel confident to take the same level of risk in 2014/15 as in previous years re student funding. He also stated that the “solution” had been effectively dressed up as more money being made available to the sector, which was not actually the case. Mr McAllister pointed out that whilst the Funding Council claimed that the sector had been funded for depreciation, this was not actually cash, but what is termed budget cover.

Mr McKillop added that the Funding Council were proposing to fund the anticipated shortfall in 2015/16 in the same way. He continued that whilst an additional £2m had been allocated to the Region for student funding next year, this would still leave the Region almost £800k short, based on the 2014/15 awards to students.

Financial Regulations - Mr Gallacher asked if the update to the College’s Financial Regulations had been completed. Mr McAllister replied that the changes to reporting requirements which were impending via the adoption of Government accounting etc. would require a thorough review of the Regulations. This would be done prior to the completion of the current reporting period. This was noted by members.

#### **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. 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. Mr McAllister commented that the forecast incorporated additional ESF activity in the period. Whilst alternative income was forecast to be below budget, this should be compensated for by a higher than anticipated level of fee income. Mr Gallacher asked that the College investigate the implication of the revaluation of the College estates. This was agreed.

Discussion ensued on the College’s cash position and Mr Gallacher asked if the overdraft facility had been used. Mr McKillop replied that it was used briefly in April 2014, but had not been utilised since. It was agreed to maintain the facility at its current level.

Mr Gallacher made suggestions re the presentation of key financial indicators and Mr McAllister agreed to make the changes suggested and circulate an amended version to members.

#### Indicative Grant-in-Aid Allocation (Appendix 2)

Mr McAllister direct members to the papers, but asked them to note that some of the allocations had not been finalised as yet, and would not be until April. That being the case, it was not felt appropriate to prepare a budget until that time. The meeting agreed. It was, however, noted that the allocation to the Region for capital had shrunk by 25%. It was the view of the sector that this had happened to free up funds for student support, but Mr McAllister reported that the Funding Council had denied this.

Mr McKillop stated that whilst the split of activity for 2015/16 would have to come via the Region, he was hopeful that the Funding Council would be involved in the process as an independent broker.

Mr Allan explained the changes in funding methodology as regards the new credits which would replace weighted SUMs. The likelihood was that the College could deliver less activity next year for the same amount of funding.

#### Finance Issues Update (Appendix 3)

Mr McAllister referred members to this schedule which summarised information now being produced for the Funding Council and also updated the Committee re recent developments and work which was being undertaken by the Finance Department. The changes to reporting were highlighted and Mr McAllister stated that he would be working on the possible effects of the changes being imposed.

#### Colleges Scotland Briefing Note (Appendix 4)

Colleges Scotland had distributed a briefing document to inform boards of management of developments in the sector as a result of the change of accounting year end. Mr McAllister drew attention to the section on the Treatment of Net Depreciation. He also informed the meeting that the extent of the external audit on the College's March 2015 Resource Return had not been decided as yet, although the Funding Council referred to the work to be done as a "soft audit". It was noted that this may involve additional costs, but the Funding Council were of the opinion that the work could be undertaken within the current agreement with external auditors. Mr McAllister said that whilst the Funding Council had provided some initial guidance, their proposed accounting treatment of some items was not correct and guidance was being amended. Mr Gallacher stated that the College's external auditors would dictate treatment rather than the Funding Council.

#### VAT – Lennartz Proposal (Appendix 5)

Mr McAllister took members through the paper he produced following a seminar he attended re a challenge to HMRC's treatment of the VAT on new build projects; essentially this would be done via a class action on behalf of several Scottish and English colleges. He asked the meeting to support his proposal to participate in the claim. The meeting agreed to ask for support for the proposal at the forthcoming Board of Management meeting.

Remit of the Finance Committee (Appendix 6)

Mr McAllister asked the meeting to note that the remit of the Audit Committee had been amended with, amongst other things, a change to that Committee's brief re the consideration of the College's audited financial statements. Whilst the change did not affect the responsibility of the Finance Committee in respect of the financial statements, Mr McAllister proposed that the wording of the section which dealt with that subject in the formal remit be amended to express a consistency with the new Audit Committee remit. This was agreed by members, who also made other suggested changes to the remit. These were approved by the meeting and Mr McAllister agreed to circulate an amended version of the remit to members for submission to the Board of Management.

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