

John Wheatley College
Board of Management
Financial Control Committee

Minutes of the Financial Control Committee held on Wednesday 12 October 2005 at 5pm in the Alex Viola Suite (Room S/O9), Easterhouse Campus.

1. Sederunt

The meeting commenced at 5pm and was attended by:

A Woolley (Acting Chair in the absence of Tom Burton);
G Jones;
I Graham (Principal); and
J Cope (co-opted member)

In Attendance:

A Kirk (Depute Principal);
J Gow (Chief Finance Officer);
A Inglis (Assistant Principal);
A Sherry (Assistant Principal);
M Brennan (Financial Adviser to the Board); and
S Wilkie (for recording purposes only).

2. Apologies

The apologies were received from:

T Burton;
E Gillespie; and
P Craig.

3. Terms of Reference

Members noted the terms of reference for the Financial Control Committee. It was confirmed that the meeting was quorate with 3 members in attendance.

4. Declarations of Interest

No declarations of interest were expressed at the meeting.

5. Minutes of the meeting held on 18 May 2005

The minutes of the previous meeting were taken as read. There were no corrections for accuracy. They were accepted as an accurate record of the meeting held on 18 May 2005.

6. Matters arising from the minutes of the meeting

There were no matters arising from the minutes of the previous meeting.

7 Correspondence:

SFEFC

i) Benchmarking of Costs: Outputs for 2003-04

The Principal reported that item 8 attempts to provide details on the College's approach to securing value-for-money for 2005/06 and that it was anticipated that this would result in the College improving its performance when compared to the rest of the sector though the impact would not be immediate. A Kirk further informed members that it was anticipated that the data for 2004/05 would also show some improvement. However members noted that the College was in the lower quartile in terms of efficiency when using this benchmarking data.

The Principal reminded members that at incorporation the College was one of the most efficient in the sector.

ii) Accounts direction for Scottish Further Education Colleges 2004-05

The Principal informed members that the draft set of accounts would be discussed with the external auditors later this week.

Members agreed to note the correspondence from the SFEFC.

iii) New Arrangements for Payment of Fee Waiver Grant

Members agreed to note the correspondence from the SFEFC.

b) Strathclyde Pension Fund – Actuarial Valuation as at 31 March 2005

The Chair informed members that this would be discussed under item 23 on in the agenda.

8 Approach to Securing Value-For-Money – 2005/06

The Principal apprised members of the steps which the College intends to take to address the Board of Management's Value-for-Money (VfM) agenda for academic/financial year 2005/06.

The Principal highlighted the VfM agenda for the year included:

1. a review of the College's management of aged and potentially bad debt;
2. a review of the utilisation of teaching staff to ensure efficient use is made of their contractual hours; and

3. the retendering for internal audit, facilities management, security and child-care services.

The Principal referred to Review of Teaching Staff Utilisation and noted that the College's analysis of sector-benchmarking data reveals that its sick absence levels remain significantly above national norms, this data also indicated that the College's utilisation of staff within current contractual arrangements is poor when compared with other colleges.

I Graham reported that a major initiative to improve the College's relative position has been embarked upon in session 2005/06. He informed members that A Inglis is undertaking a regular series of systematic checks of performance indicators related to staff utilisation in order to ensure that teaching staff were deployed effectively. In addition the College has put in place new procedures to manage its Time-Off in Lieu of paid overtime procedures.

I Graham reported that consultation with EIS/FELA had begun about a Workforce Plan which will modernise use of temporary and part-time staff. He anticipated that this workforce plan would be implemented at the turn of the calendar year.

The Principal further reported that he had spoken to all staff on 26 August 2005 about the seriousness of staff absence and the consequences of it current high levels on the College's financial security. In addition all staff who line manage or supervise others have been re-apprised of their responsibilities to conduct interviews with staff returning to work. He also informed members that all staff have been advised, in writing, at the start of session 2005/06 of the College approach to the management of sick absence.

The Principal confirmed that the College would continue to involve its Joint Consultative Committee (JCC) in discussions about the improvement of staff utilisation throughout the session. He reminded members that the EIS/FELA branch had agreed to this approach as part of the wage settlement for session 2005/06.

A Kirk reminded members that the College had already undertaken a re-tendering exercise for Security Services and that the new provider, Mitie Security, would undertake these services as of 5 December 2005. The Principal added that the College would seek to retender its child care provision during session 2005/06. He reminded members that the arrangements for Internal Audit services would be reviewed with a view to a tender exercise being conducted during calendar year 2006.

In response to questions I Inglis informed members that that the newly introduced revised timetabling software had proved to be effective in identifying how to make more efficient use of teaching staff contact time. He added that as a result the College had acted early to amalgamate classes which had low student numbers in order to release staff to teach other more viable groups.

A Kirk informed members that room surveys are currently being undertaken and that this would provide further data on student numbers.

Members of the Financial Control Committee agreed to note the contents of the Principal's report and appendices.

9 Financial Monitoring Statements for the Period from 1st August 2004 to 31st July 2005

J Gow spoke to his report and advised members that these statements were prepared mid August 2005 for the previously scheduled meeting which had been postponed and were here for information as events had subsequently moved on with the preparation of the Annual Accounts for session 2004/05.

Members agreed to:

- i) note the contents of this report and its appendix;
- ii) note the College's financial position for the period; and
- iii) request the College to bring forward the full Annual Report and Financial Statements for the year ended 31st July 2005 to the next meeting.

10 Report on Cash Flow to 31st July 2005

The Chief Finance Officer spoke to his report informing members of the College's cash flow for the year to 31st July 2005.

He confirmed that the total balance of the College's account as at 31st July was £353,943.

Members of the Financial Control Committee agreed to note the contents of the Chief Finance Officer's report and its appendix.

11 Bursary Funds and Education Maintenance Allowances – Academic Year 2004/05 – Final Report

The Chief Finance Officer informed members of the College's allocation of funds available for student support during the academic year 2004/05 had been £546,852.

He reported that there had been a total of 370 full time bursary/EMA applications. Bursaries were awarded to 320 full time students resulting in a commitment of £422k. EMA's were awarded to 117 students resulting in a commitment of £86k.

Members of the Financial Control Committee agreed to note the contents of the report and its appendices.

12 Further Education Hardship Fund – Academic Year 2004/05 – Final Report

The Chief Finance Officer reported at the end of session 2004/05 that there was an amount available to be carried over to session 2005/06 after clawbacks. In response to questions he informed members that this carry over was result of an historical underspend and that the

College had utilised the grant which it had been awarded from SFEFC in the previous session.

Members of the Financial Control Committee agreed to note the contents of the report and its appendix.

13 Mature Student Bursary Fund & Higher Education Hardship Fund – Academic Year 2004/05 – Final Report

J Gow spoke to this report informing members of the disbursement of these funds for session 2004/05. He reported that there were 21 awards from the MSBF and 30 awards from the HEHF during session 2004/05.

Members of the Financial Control Committee agreed to note the contents of the report and its appendix.

14. Child Care Funds – Financial Year 2004/05

J Gow reported that the College had spent all its allocation for the year 2004/05.

Members of the Financial Control Committee agreed to:

- (i) note the contents of the report; and
- (ii) request for the Principal and the Chief Finance Officer to report back to future meetings as appropriate on the progress of any future allocations of child care funds.

15. Child Care Funds – Financial Year 2005/06

The Chief Finance Officer informed members of the actual allocation of child care funds to date. He reported that the funding allocated to child care support for financial year 2005/06 was £151,428 and that this allocation was to be used entirely by providing support towards the childcare costs of the College's full and part time FE students. Therefore there was currently no funding available for any further bids for support from this fund.

In response to questions he informed members at the date of compiling this report there had been 68 applications for childcare support. In addition there was also a reserve list comprising of 23 applications. He reported that these students would only receive support if students currently in receipt of this support were to leave their programme of study.

Members expressed their concern at the limited funding available to learners who required childcare and noted the steps which the College had taken (previously reported to the Committee) to address this issue with SFEFC. After considerable discussion members agreed to an overspend of up to a maximum 10% of this budget. In response to questions the Depute Principal informed members that if retention rates followed that of previous years the budget would be on track at the end of the academic year.

Members of the Financial Control Committee agreed to:

- (i) note the contents of the report; and
- (ii) request the Principal and Chief Finance Officer to report back on the progress of any future allocations of child care funds.

16 Financial Performance Indicators for Further Education Colleges in Scotland 2003/04

J Gow spoke to his report informing members of the indicators where the College deviated from sector norms in terms of efficiency. He reported that income and expenditure performance had generally improved throughout the sector whilst the balance sheet remained relatively stable.

The Chief Finance Officer proceeded to highlight the the following performance indicators:

- i) income and expenditure performance;
- ii) key areas of balance sheet strength;
- iii) expenditure and income analysis; and
- iv) unit costs.

Overall these indicated an improving financial position which had resulted in an SFEFC financial security rating of secure. He reminded members that this was a rating generated by a software package devised by SFEFC. However he informed members that the College's unit costs had risen by 11% and was above the average for the sector. In response to questions J Gow opined that a substantial proportion of this increase was related to the high levels of sick absence experienced by the College. This was further reflected in the staff utilisation figures which saw the Weighted Student Unit of Measurement (Wsum) per Full-time Equivalent (FTE) member of staff decline to 339 while the sector average rose to 363.

The Principal informed members that these figures again highlighted the importance of the College ensuring an effective absence policy and procedure was in operation and the costs of high levels of absence.

The Chief Finance Officer concluded that this data was evidence that the College had become less efficient over the period from 2002/03 to 2003-04 when compared to the sector as a whole with the cost per Wsum being 13% above the sector average.

Members proceed to consider these figures in depth recognising that there were costs associated with the College operating over a number of locations however these were necessary in order to serve the communities within the catchment area. In addition they welcomed the steps outlined by College managers under item 8 to improve efficiency.

Members agreed to note the contents of this report.

17. Fee Waiver Procedures

The Chief Finance Officer apprised members of the new procedures for the administration of the College's fee waiver claim.

He advised that the Internal Auditors had made a number of recommendations for improvement, these have been discussed in detail by both senior management and operational staff in August 2005 and a revised procedure implement for the start of the current session. He further informed members that though it was early in the implementation processes however the indications were that the revised procedures had resulted in improvements.

Members agreed to:

- i) note the contents of this report; and
- ii) authorise the College to implement the procedures from 1st August 2005.

18. Insurance Cover 2005/06

A Kirk spoke to his report informing members of the insurance cover which had been purchased for 2005/06.

The Depute Principal confirmed that Marsh UK Ltd is the College's insurance broker. They were selected as a result of the competitive tender.

He reported that the College had experienced an 3.58% increase in premium costs overall and that the brokerage fee had increased by 8.33%. The largest premium increase is in the area of legal expenses where the increase was 5.5%.

The Depute Principal highlighted the areas of the College's insurance cover, these included combined curriculum, directors and officers liability and commercial legal protection. He further reminded members that the terrorism cover had been included following comments made in previous years.

Members of the Financial Control Committee agreed to:

- i) note the contents of the report; and
- ii) note the insurance cover the College has in place for 2005/06.

19. Report on Financial Forecast Return

J Gow informed members of the College's requirement to submit an annual financial forecast return (FFR) to the SFEFC by 30th June each academic/financial year. He further informed members that this return was attached as appendix 1 and that the FFR categorises the College as being financially secure for all of the years on the return.

Members of the Financial Control Committee agreed to note the contents of the report; and its appendix.

20 FRS17 – Retirement Benefits

The Chief Finance Officer reported that Audit Scotland recommended that the College should review the treatment of retirement benefits as defined by FRS17 for the 2004/05 annual accounts however they did not recommend that the College should change its existing practice.

Members of the Financial Control Committee agreed to:

- i) note the College had reviewed the disclosure of the SPF scheme for the 2004/05 accounts as requested by Audit Scotland; and
- ii) for the Board of Management at its meeting in December 2005 formally amend the policy.
- iii) Note the draft accounts would not be amended for 2004/05.

21. Report on Management Accounts

The Chief Finance Officer spoke to this report an informing members of the revised management accounting procedures. He detailed the key objectives of the revised management accounting procedures, these included:

- i) improve budget management skills of budget holders;
- ii) improve the quality of information provided by the Finance Department; and
- iii) ensure that regular financial reports are provided to SMT

Following discussion members noted the contents of this report.

22. Report on Bad Debt procedures

J Gow spoke to his report informing members of the revised debt recovery procedure. He discussed the procedure in detail informing members that the 3 reminder/final demand letters would be issued by the College. Any further action would be taken after careful consideration on a case by case basis recognising the need to consider the value of the debt and the cost of recovery.

Members of the Financial Control Committee agreed to:

- i) note the contents of this report and its appendix;
- ii) endorsed the debt recovery procedures
- iii) request that the Chief Finance Officer to bring a full report on debtors and the provision of bad debt to a future meeting.

23. Strathclyde Pension Fund Valuation

Mr Gow informed members that support staff were eligible to join the Strathclyde Pension Fund and that a number exercised this option. He report that staff members currently contribute 6% of their salary to the scheme and the College contributes 15% of the employee's salary. He further informed members that the most recent actuarial opinion was that the scheme liabilities will exceed the value of its assets. The scheme actuaries have therefore provided an estimate of the increased employer contribution rates over the next few years. This will result in

increases to the employer contribution rates placing significant additional costs on the College.

The Principal informed members that SFEFC had indicated in its letter-of-grant that there would not be an element in future grant awards to compensate colleges for such an increase therefore this additional expenditure would require to be found from within revenue funding.

In response to questions the Chief Finance Officer informed members that the proposed additional cost for 2005/06 can be managed within existing budgets. However the College would need to take the increases for future years into account when establishing budgets from 2006/07 onwards.

Members of the Financial Control Committee agreed to note the contents of this report and its appendix.

24 Report on Cash Flow to 31 August 2005

The Chief Finance Officer spoke to this report informing members of the College's cashflow forecast as at 31 August 2005.

Members agreed to note the contents of the report and its appendix.

25. Draft Annual Report & Financial Statements 2004/05

The Chief Finance Officer reported that the draft 2004/05 accounts show a £15k surplus had been passed to the external auditor (Audit Scotland) on the 30th September 2005. He also reported that Audit Scotland had undertaken the audit process from the 3rd to the 11th October 2005, however as yet the College had not received any feedback on the audit as yet.

The Depute Principal reported that the accounting treatment of the valuation and sale of the Shettleston campus in the draft accounts differed from the treatment proposed to the Financial Control Committee in a previous report. The Chief Finance Officer then described the approach taken in the accounts.

The College has applied *FRS 11 - Impairment of Fixed Assets* and charged the impairment (reduction in value) to the Statement of Total Recognised Gains and Losses (STRGL). The advantage of this treatment is that the impairment does not impact on the College income and expenditure account. The Chief Finance Officer indicated that the justification for this was that the impairment was due to a change in the basis of the valuation from a depreciated replacement cost value to market value. Therefore, the impairment was not as a result of a consumption of economic benefit and charging the impairment to the STRGL was the correct treatment.

The Chief Finance Officer reported that he believed this was the correct and most appropriate treatment of the impairment, however, he did point out that Audit Scotland had raised concerns when this was first proposed in June 2005 and have still not confirmed that they are content with this application of FRS11. However, the Chief Finance Officer did

confirm that SFEFC had confirmed ,in writing, on two separate occasions , that they were content with this treatment. The Committee noted the potential conflict with the Auditors and indicated that the committee would support the management team in defending their position to Audit Scotland on this issue.

Members of the Financial Control Committee agreed to note the contents of this report and its appendix.

26. Benchmarking 2003/04 Questionnaire

M Brennan spoke to his report informing members that KPMG had been commissioned by the Scottish Further Education Funding Council to undertake a benchmarking exercise in order to contribute to the improvement of the finance security of the FE Sector in Scotland. He confirmed that the SFEFC continues to seek ways to improve the reporting of and the usage of the data collected as part of the benchmarking exercise.

In addition, he confirmed that the SFEFC forwarded a questionnaire, as part of the circular FE/36/05 to all Scottish Further Education Colleges to obtain their views on how the benchmarking exercise can be improved.

I Graham reported that the College had demonstrated the use of benchmarking data to improve services under items considered earlier on the agenda.

Members noted the contents of the report.

27 Closure

Having discussed all items on the agenda the Chair of the Committee thanked members for their attendance. The meeting closed at 6.15pm.

28 Date of Next Meeting

The next meeting is scheduled for Thursday 10 November 2005 at 5pm in Room SO9, Easterhouse Campus.