

John Wheatley College
Board of Management
Financial Control Committee

Minutes of the Financial Control Committee held on Thursday 27 September 2007 at 5.00pm in Room S/O9, Alex Viola Suite, Easterhouse Campus.

1. Sederunt

The meeting commenced at 5pm and was attended by:

A Wooley (Acting Chair)
I Graham (Principal)
M Forsyth
R Blythe (co-opted member)
Jim Sweeney (co-opted member)

In Attendance

J Gow (Chief Finance Officer)
A Inglis (Assistant Principal)
S Double (Finance Manager)
L McEwan (for recording purposes only)

2. Apologies

Jim Cope (co-opted member)
Barnard Rooney (Chair)
Cllr McMaster
Alan Sherry (Assistant Principal)

3. Terms of Reference

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

4. Declarations of Interest

Ian Graham declared an interest in Item 10 as a consequence of serving on the Shettleston, Baillieston and Greater Easterhouse Community Planning partnership. Interests were also declared for Councillor Catherine McMaster who chairs Shettleston, Baillieston and Greater Easterhouse Community Planning Partnership. Ian Graham also indicated that he was a member of the Partnership's Funding Advisory Group – he did not however take part in the discussions relating to the College's applications to that body. Alan Inglis also declared that he chairs the Shettleston, Baillieston and Greater Easterhouse Lifelong learning Group for the Community Planning partnership.

5. Minutes of the meeting of the Financial Control Committee held on 24 May 2007

The minutes of the previous meeting were taken as read. They were accepted as an accurate record of the meeting held on 24 May 2007.

6. Matters arising from Financial Control Committee Minutes held on 24 May 2007

The minutes of the meeting of the Financial Control Committee held on 15 February 2007 were taken as read. They were accepted as an accurate record of the meeting.

7. Correspondence

a) Scottish Funding Council

i) Letter to Roger McClure re FRS17

The Principal informed members that he had written to the Scottish Funding Council to inform them that the College had, during the 2005/6 financial year, changed its accounting policy relating to the Strathclyde Pension Scheme. The Board of Management again re-considered this issue in March 2007 and concluded that there was no need for the College to change its accounting policy.

ii) Response from Martin Fairbairn

Members of the Financial Control Committee agreed to note the contents of the letter from the Scottish Funding Council.

b) APUC – Expenditure Analysis 2005 – 2006: Feedback

J Gow informed members that APUC had completed a detailed analysis of expenditure information received from all of Scotland's universities and colleges for the year 2005-06. I Graham expressed his concern that public funding would run out in 2 years time and that institutions would therefore be obligated to pay for such analysis. At this stage it looked as if the APUC infrastructure might have significant on-costs for Colleges (when compared with existing arrangements made through the Authorities Buying Consortium - abc).

Members of the Financial Control Committee agreed to note the contents of the document.

8. Key Elements of Funding – Financial Year 2007/2008 (Revised 18/08/07)

A Kirk informed members that this document was the most up-to-date version of projected income for the current financial year.

Members of the Financial Control Committee agreed to note the contents of the document.

9. Presentation of Budget Information – New Reporting Standard

The Principal spoke to his report which sought to inform members of detail of the IPSASB's (International Public Sector Accounting Standards Board) new standard for the presentation of budget information in financial statements.

He reminded members that the Scottish Funding Council (with other agencies) is currently revising the SORP (Statement of Recommended Practice) which applies to both Universities and Colleges (on a UK-wide basis).

The Principal informed members that the IPSASB had issued IPSAS 24 'Presentation of budget information in financial statement' which identified disclosures to be made by public sector entities that made their approved budgets publicly available.

Furthermore, he reported that the standard does not require that public sector entities made publicly available their approved budgets, nor does it specify requirements for formulation or presentation of approved budgets. However for those public sector entities that do make their approved budget publicly available, it requires that the financial statements include

- a comparison of actual amounts with amounts in the original and final budget, made on the same basis of accounting as adopted for the budget, even if that basis is different from the basis adopted for the financial statements;
- an explanation of material differences between budget and actual amounts; and
- a reconciliation of actual amounts on a budget basis, with actual amounts presented in the financial statements when accounting and budget basis differ.

He further reported that a comparison of budget and actual amounts in the financial statements can only be made as additional budget columns in the primary financial statements where the financial statements and the budget are prepared on a comparable basis. An explanation of the reasons for differences between the original and final budget required to be disclosed.

The Principal informed members that the disclosure of comparative information in respect of the previous period is not required for the disclosures specified by this IPSAS and that the standard applied for periods beginning on or after 1 January 2009.

It was assumed that the Scottish Funding Council will issue guidance on this new standard to Colleges at an appropriate future date.

Members of the Financial Control Committee agreed to:

- (i) note the context of this report; and
- (ii) note the details of the IPSAS 24 Standard which will be integrated into the presentation of budget data in financial statements from 1 January, 2009.

10. Community Regeneration Fund Annual Monitoring Reports (referred for information)

This report contains formal declarations of interest.

A Inglis spoke to his report which sought to bring to the attention of members the most recent annual progress reports submitted to Glasgow Community Planning Limited (GCPL) in regard to the projects for the Community Regeneration Fund (CRF), which is managed by GCPL, for the Greater Easterhouse Learning Network (GELN) and for its Youth Access Project.

He reminded members that in 2006/07 the College received £103,125 from the Community Regeneration Fund towards the running costs and capital refurbishment costs of the Greater Easterhouse Learning Network.

He further informed members that this funding contributed to the implementation of wireless networking across the GELN, replaced older PC computers and contributed to key staff costs. In 2006/07, the GELN provided internet access to over 2000 local people and formal learning opportunities to over 400. The GELN also supported a number of other local projects including the College's Youth Access project, the College's Wider Access programme, Lochend Learning Community's Family Learning Project, and GEDC's (now GERA) outreach employability services.

Members were asked to note that the College spent £104,455.85 in line with the CRF application. It also made an additional contribution of £83,835 towards the relevant staff salaries and network maintenance costs. The project met all of its Regeneration Outcome Targets (as detailed in section 12 of the report).

A Inglis further informed members that in 2006/07 the College received £76,875 from the Community Regeneration Fund towards the running costs of its Youth Access Project.

He advised that funding enabled the College to employ youth workers and teaching staff to support young people in ICT-based activities. These opportunities are provided in partnership with GELN learning centres and a range of other youthwork providers. In 2006/07, the Youth Access Project engaged with over 400 young people providing both diversionary activities and a ICT related lifelong learning opportunities.

Members were asked to note that the College spent £81,336.87 in line with the CRF application and that the project exceeded all of its Regeneration Outcome Targets.

Members of the Financial Control Committee agreed to:

- (i) note the contents of the Assistant Principal's report;
- (ii) note the contents of the Annual Monitoring Reports; and
- (iii) note that the College has used its allocated community regeneration funding and has met its regeneration outcome targets.

It was suggested by the Committee that an example of good practice would be to nationally link formal and informal learning and informed members that a 2 day Conference would be held in March 2008 at Murryfield to promote youth work within schools. I Graham stated his interest in this event. Mr Inglis agreed to pursue this with YouthLink Scotland.

11. a) Fee Waiver System Review December 2006

The Chief Finance Officer spoke to his paper which sought to apprise members of the contents of the Internal Auditor's Report on Fee Waiver System Review and the College Management's response to their findings.

He informed members that the Internal Audit Report on Fee Waiver System Review produced by the Internal Auditors as a result of their visit in December 2006 indicated the areas examined and the methodology applied to the audit of the areas reviewed.

He also stated that there were a total of three (3) recommendations which fell into the following grades:

High Grade Recommendation: 1;
Medium Grade recommendation: 1; and
Low Grade recommendation: 1.

The Chief Finance Officer then stated that the College had indicated in the response to the Internal Audit report how and when it intends to address these recommendations. The College will also, following consideration by the Financial Control Committee, incorporate the recommendations into its Audit Action Plan.

In addition to the above the Auditor considered three (3) recommendations made following previous reviews of this area. All of these recommendations are now considered to be implemented and complete. The College will continue to monitor the consistency between Unit-E and fee waiver forms.

Members of the Financial Control Committee were informed that the Audit Committee agreed to:

- (i) note the contents of the report and its appendix;
- (ii) note that there are three now audit recommendations contained in the Baker Tilly report on Fee Waiver System review;
- (iii) note the College management response; and

- (iv) request the College to address the audit recommendations and update the College's Audit Action Plan.

b) Debt Collection Process December 2006

The Chief Finance Officer spoke to his paper which sought to apprise members of the contents of the internal Auditor's Report on the Debt Collection process and the College Management's response to their findings.

He requested that members note the three (3) new recommendations, two (2) of which fell into the 'medium' grade category and one (1) which fell in to the 'low' grade category.

He further reported that the College had indicated in the response to the Internal Audit Report how and when it intends to address these recommendations, which would, following consideration by the Financial Control Committee, be incorporated into its Audit Action Plan.

Members of the Financial Control Committee agreed to:

- (i) note the contents of this report and its appendix;
- (ii) note that there are three new audit recommendations contained in the Baker Tilly report on the Debt Collection process;
- (iii) note the College Management response; and
- (iv) request the College to address the audit recommendations and update the College's Audit Action Plan.

c) Budget Setting Process and Management Accounting and Reporting – December 2006

The Chief Financial Officer spoke to his paper which sought to apprise members of the contents of the Internal Auditor's report on the Budget Setting process and Management Accounting and Reporting along with the College Management's response to their findings.

He requested that members note the five (5) recommendations made by Baker Tilly, all of which fell in to the 'low' grade category.

He further reported that the College had indicated in the response to the Internal Audit Report how and when it intends to address these recommendations.

Furthermore, the Chief Finance Officer stated that the Auditor had considered recommendations made following previous reviews of this area and were satisfied that the two (2) 'low' grade recommendations had had been fully implemented by the College prior to the December 2006 visit.

Members of the Financial Control Committee agreed to:

- (i) note the contents of this report and its appendix;
- (ii) note that there are five new low grade audit recommendations contained in the Baker Tilly report on the Budget Setting process;
- (iii) note the College Management response; and
- (iv) request the College to address the audit recommendations and update the College's Audit Action Plan.

d) Student Records and Information Systems Review – February 2007

The Chief Finance Officer spoke to the contents of his paper which sought to apprise members of the contents of the Internal Auditor's Report on Student Records and Information Systems review and the College management's response to their findings.

He requested that members note the one (1) recommendation made by Baker Tilly, which fell in to the 'medium' grade category.

The Chief Finance Officer then stated that the College had indicated in the response to the Internal Audit report how and when it intends to address this recommendation. The College will also, following consideration by the Financial Control Committee, incorporate the recommendations into its Audit Action Plan.

Furthermore, the Chief Finance Officer stated that the Auditor had considered seven (7) recommendations made following previous reviews of this area and were satisfied that two (2) of these recommendations should now be considered as complete. Proposed College action in respect of the other recommendations was detailed in the report.

Members of the Financial Control Committee agreed to:

- (i) note the contents of this report and its appendix;
- (ii) note that there is one new low grade audit recommendations contained in the Baker Tilly report on Student records and Information Systems Review;
- (iii) note the College Management response; and
- (iv) request the College to address the audit recommendations and update the College's Audit Action Plan.

e) Contracts and Tendering – February 2007

The Chief Finance Officer spoke to the contents of his paper which sought to apprise members of the contents of the Internal Auditor's Report on Contracts and Tendering and the College management's response to their findings.

He requested that members note the one (1) recommendation made by Baker Tilly, which fell in to the 'medium' grade category.

The Chief Finance Officer then stated that the College had indicated in the response to the Internal Audit report how and when it intends to address this recommendation. The College will also, following consideration by the Financial Control Committee, incorporate the recommendations into its Audit Action Plan.

Furthermore, the Chief Finance Officer stated that the Auditor had considered six (6) recommendations made following previous reviews of this area, two (2) of which fell in to the 'medium' grade category and four (4) of which fell in to the 'low' grade category. He further stated that Baker Tilly were satisfied that one (1) of the 'low' grade recommendations would now be considered to be complete and that the College would incorporate the remaining two medium and three low recommendations into revised procurement procedures. The College intends to update its procurement procedures during session 2007/08 in response to recent Scottish Executive's Procurement Regulations and the publication of the McClellan report.

Members of the Financial control Committee agreed to:

- (i) note the contents of this report and its appendix;
- (ii) note that there is one new medium grade audit recommendations contained in the Baker Tilly report on Contracts and Tendering;
- (iii) note the College Management response; and
- (iv) request the College to address the audit recommendations and update the College's Audit Action Plan.

The Chair then commended the Chief Finance Officer and his team for their thorough efforts.

12. Budget Monitoring Report – August 2007

The Finance Manager spoke to the contents of his paper which sought to apprise members with a high-level overview of expenditure against budget for the first month of the financial year.

He informed members that it was too early in the year to draw firm conclusions on expenditure patterns, particularly as the College was closed to students for much of August and expenditure on temporary lecturers was expected to be below normal levels. He further reported that this had been taken into account in budget phasing, however, no attempt had been made to project expenditure to the year end. He stated that no meetings had yet taken place, at this early stage in the financial/academic year, with budget holders to discuss the figures contained within this report.

He further reminded members that the College revenue budget for 2007/08 was approved by the Board of Management in May 2007.

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

13. Reports on cash Flow

a) 31 July 2007

The Chief Finance Officer spoke to the contents of his paper which sought to apprise members of the College's cash position as at 31 July 2007.

He informed members that the cash flow shown provided a summary of the actual cash transactions for the 2006/07 financial year. The College bank balance was £110k at the year end, which was reasonably close to the £130k balance projected in the Financial Forecast return (FFR). He further reported that during the year the College had received £14.9m in income and had spent £16.2m (excluding student bursary funds).

The Chief Finance Officer further reported that as expected, the year end cash balance is relatively low as a result of expenditure on the East End Campus, which had been reported separately. He requested members to note that there was still some grant income outstanding at the year end, and it was expected that this would cover outstanding retentions and other financial accounts.

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

b) 31 August 2007

The Chief Finance Officer spoke to the contents of his paper which sought to apprise members of the College's cash position as at 31 August 2007 and provided an estimated cash flow to the end of the 2007/08 year.

He informed members that the cash flow shown provided a summary of the actual cash transactions for August 2007. The College bank balance was £777k at the month end. He reported that the cash balance had recovered (from the year end position of £110k) largely as a result of the final ERDF claim being received for the new Campus and up-front funding provided by the Scottish Funding Council (SFC) for Hardship and Childcare/

However, he further stated that there is still uncertainty regarding additional funding allocations from SFE (NEET, Knowledge Transfer and Employer Links), at present. At present, it was expected that the College could maintain a positive bank balance throughout the 2007/08 year.

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

14. Accounting for Shared Services

The Chief Finance Officer spoke to the contents of his paper which sought to address the accounting issues raised by the shared services

agreement which was in place in respect of library services and the use of facilities at The Bridge. He informed members that the agreement provided the College with a right of access to certain space within the Bridge at specified times.

He further informed members that Financial Reporting Standard (FRS)15 dealt with accounting for fixed assets. An asset was defined as *'..the rights or other access to future economic benefits controlled by an entity as a result of a transaction or past events.'* (FRS 5). The Statement of Recommended Practice (SORP) which applied to FE colleges provides detailed guidance issue regarding the accounting for a right of access to an asset not owned by the institution:

'A number of institutions occupy premises which are owned by other bodies and for which no annual or nominal rental payment is made....Where an institution enjoys the use of an Asset which it does not own and for which no rental is paid, the financial statements must disclose this and, if practicable, a value should be attributed to this benefit and be capitalised...and thereafter depreciated over the period of use.'

He stated that the above noted guidance indicated that the College should attempt to attribute a value to the access rights it has to facilities at The Bridge. This value should be capitalised (with a corresponding increase in the revaluation reserve) and depreciated over the remaining life of the agreement. The College did make an annual payment to Glasgow City Council (under a service level agreement) for library services. KPMG, the external auditors, had raised this as an issue in their audit plan for the 2006/07 year end.

Furthermore, the Chief Finance Officer informed members that in order to address the accounting issue, the College instructed James Barr, Chartered Surveyors, to value the right of access. James Barr were provided with a copy of the agreement between the College and Glasgow City Council. The College also arranged a tour of The Bridge to ensure that the surveyor had a clear understanding of the physical areas and facilities the College has a right of access to, and of the use the College is currently making of these facilities.

He informed members that James Barr (the College's External Consultants) had provided a letter which informed the College that they estimated that any benefit the College gained from the access agreement was approximately offset by the access rights GEAC / Glasgow City Council had to College owned facilities. As a result, James Barr declined to provide an asset value. A further concern which may have led to this decision is that there is no realisable value attached to the shared service agreement.

The Chief Finance Officer further reported that as a result, the College had taken the view that it was not practicable to place a value on this agreement and that the right of access cannot be capitalised. In these circumstances, the College would disclose the right of access in a note to the accounts (from the 2006/07 year onwards). This complied with the guidance stated above. The College did not intend to re-visit

this issue for five years unless there was a significant change to either the shared service arrangements or to the accounting regulations.

Members were asked to note that the College would take the same approach to premises which form part of the Greater Easterhouse Learning Network. It was also not practical to value the right of access the College had to these properties (as discussed with James Barr), the use the College made of these would be fully disclosed in the accounts. In some cases the use of premises for the learning network was agreed on a year by year basis and utilised space in small community venues that would otherwise be unused. It was estimated that the value of any access rights would be immaterial even if they were practicable to assess the value in a robust way at a reasonable cost.

Members of the Financial control committee agreed to:

- (i) note the contents of the report and its appendices;
- (ii) note that the College has taken reasonable steps to obtain a valuation of its shared services agreements; and
- (iii) endorse the College's proposed accounting treatment of shared services agreements.

15. Review of Colleges' 2005/06 Financial Statements

The title of the report "Review of College's 2005/06 Financial Statements" would be amended to read "Review of Colleges' 2005/06 Financial Statements".

The Chief Finance Officer spoke to the contents of his paper which sought to provide members with details of the review of Colleges' 2005/06 Financial Statements published by the Scottish Funding Council (SFC)

He informed members that one of the SFC corporate targets was that all FE and HE institutions were to be financially secure by 2006. In 2002, 34 colleges were in deficit, this had dramatically improved and by the end of the 2005/06 financial year only 2 colleges reported underlying deficits. The SFC had highlighted a number a reasons of this improvement in financial management and would continue to monitor financial performance through the review of Financial Forecast Returns (FFRs).

The Chief Finance Officer further stated that since only two Colleges reported underlying deficits at the end of 2005/06 this was an improvement on the FFR forecasts and the underlying surplus was 1.9% of income. Eleven (11) colleges recorded a surplus of less than 1% of income. He informed members that there had also been an improvement in cash balances and the overall net current asset position. Long term borrowing had also increased to £35.1m (from £21.7 at the end of the previous year). This borrowing had part funded the capital investment program.

Furthermore, he informed members that 2005/06 was the first year in which FRS 17, the accounting standard which dealt with accounting for pensions, was fully implemented. He reported that seventeen (17) colleges were able to identify their share of local government pension

deficits and this led to additional charges of £1.2m in the income and expenditure accounts for these colleges. No colleges moved from a surplus to deficit position as a result of the full implementation of FRS 17. Again, for these colleges only, the net pension deficit decreased from £43.5m to £39.6m during the year. The SFC noted that the recognition of pensions deficit had had an impact on the balance sheet position of these colleges making them appear to be less financially healthy than the colleges which have been unable to disclose their liability.

The Chief Finance Officer further reported that the SFC had received audit management letters for all colleges and there were no qualified audit opinions. Paragraph 22 of the report provided a list of common internal and external audit issues.

It was further reported by the Chief Finance Officer that European income (excluding ERDF) totaled £22.2m or around 4% of total sector income. This source of income was projected to decrease to £9.6m in 2008/09. Most colleges had compensatory strategies in place to ensure that the reduction in this income source did not threaten their financial security.

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

16. Borrowing Consent

The Chief Finance Officer spoke to the contents of his report which sought to apprise members of confirmation that the Scottish Funding Council (SFC) had provided borrowing consent for the College's overdraft facility. He reminded members that the College planned to have an overdraft facility of £300k in place during financial/academic 2007/08. This was highlighted in the College plan and Budget approved by the Board of management in June 2007.

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

17. Draft Annual Accounts for year ended 31 July 2007

The Chief Finance Officer spoke to the contents of his report which sought to provide members with an early draft of the College Accounts for the 2006/07 financial year.

He informed members that it was expected that KPMG would commence the external audit of the accounts on Monday 8 October 2007 with the full draft annual report and accounts being made available to them one week earlier.

He further reported that work on the Annual Report of the Board of Management section of the draft 2006/07 College Accounts was underway, and it was expected that the final version of the full document would be presented at the next meeting of the Financial Control Committee.

He stated that the College was expecting to report a surplus of £35k for the year. This was slightly higher than the forecast surplus reported (as part of the Financial Forecast Return) to the Scottish Funding Council (SFC).

He further stated that the College would continue to treat the Strathclyde Pension Fund Scheme as if it were a defined contribution, as approved by the Board of Management.

I Graham stated that the implications of the College's treatment of FRS 17 may be discussed at the Financial Control Committee at a later date.

The Chief Finance Officer asked members to note that as expected, the College had a relatively low cash balance of £119k at the end of the year. The College also had net current liabilities of £156k which was as a result of the investment in the East End Campus. It was expected that the College would return to a net current asset position early in 2007/08 financial year.

He further reported that a full variance report on the year end position would be available at the next Financial Control Committee meeting.

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

18. Impairment/Disposal of Fixed Assets Review 2006/07

The Finance Manager spoke to the contents of his report which sought to detail the assets identified for impairment or disposal in the 2006/07 annual accounts, while reminding members that the College Financial Regulations and Fixed Asset Accounting policy require College management to consider all categories of fixed assets for impairment each year.

He further informed members that all disposals had been considered and approved by the strategic management team within John Wheatley College and had been recorded in the 2006/07 annual accounts. He asked members to note that the College management review of fixed assets did not identify any other impaired assets.

Members of the financial Control committee agreed to note the contents of the report and its attached paper.

19. Review of Financial Performance Data for year ended 31 July 2006

The Chief Finance Officer spoke to the contents of his report which sought to provide members with a combined analysis of the Scottish Funding Councils (SFC) documents entitled Financial Performance Indicators for Scotland's Colleges and the Benchmarking data, both of which were published in June / July 2007.

He reported that the analysis of the data provided clearly showed significant improvement in many of the key indicators, which

demonstrated the impact of action the College had taken to address areas of performance where the College was previously out of line with sector norms.

A discussion followed on the advantages and disadvantages of employing agency staff. The Principal stated that the College did not engage in agency staff as there was no continuity and legal issues had to be taken into consideration when doing so. The Board had considered such a possibility on several occasions since incorporation. Its conclusions were that no benefits would accrue from such an approach (unless the College's operational environment significantly changed). The Principal further stated that it was not College policy to have teaching staff fully utilised within existing contracts. This allowed for some 'slack' in the system.

The Chief Finance Officer stated that the Sector Performance Indicators for Further Education Colleges in Scotland were first published in 2005 to assist Colleges in reviewing their financial performance. The report was particularly useful in enabling Colleges to compare key financial indicators with the rest of the sector and in monitoring trends through the years. He further reported that the SFC utilised data contained within College audited financial statements and from the Unit Cost return submitted by all Colleges in December each year.

He informed members that overall income & expenditure account indicators had improved in 2005/06 and indicate a further improvement in the financial health of the sector. Only two colleges had reported deficits for the year with the other 37 reporting surpluses. The sector average underlying surplus was around 2.2% of total income (up from 1.7% in 2004/05). 30 Colleges reported an accumulated surplus on general reserves (against 29 in the previous year).

He asked members to note that significant one-off events have distorted the high level financial performance indicators for many College's, particularly as many institutions have had to recognise local government pension fund deficits in their primary financial statements for the first time in 2005/06.

On aggregate, 65% of the total sector expenditure of £608m related to normal staffing costs, this percentage had reduced slightly. Premises costs have increased significantly, depreciation charges were around 5% of total spend and non-staff related premises costs were around 7% (or £44.5m). Other operating expenses accounted for 29% of total expenditure. Grants from the funding council amounted to 71% of aggregate income (this excludes income related to HE provision in Colleges).

The Chief Finance Officer further informed the committee that the Balance Sheet information indicated that there had been around a 16% (£88m) increase in the aggregate value of fixed assets across the sector. Cash balances and net current assets had also improved on aggregate. There had also been a £20m increase in short and long term borrowing, much of this was likely to be related to borrowing to

part fund the investment in fixed assets. The aggregate pension liability (for colleges able to disclose the liability) was £39.6m.

The Chief Finance Officer reported that on aggregate, Colleges exceeded the 2005/06 activity target by 1.9%. Thirteen colleges failed to achieve their activity target (up from 6 in the previous year), these Colleges were all within the 3% leeway allowed by SFC and therefore received funding for around 12,000 Weighted Student Units of Measurement (WSUMS) that were not delivered.

Furthermore, sector unit costs (cost per WSUM) increased by 10.8% from £195 to £216, the element relating to staff costs increased by 10% with the non-staff cost element increasing by 12.7%.

He informed the committee that the WSUMs per full time equivalent (FTE) member of teaching staff was a key efficiency measure. Overall this reduced by 2.7% during 2005/06 (from 371 to 361 WSUMs per FTE teacher). It was likely that changes to the method used by the SFC for measuring activity has had an impact upon the figures for many colleges. Increased pension contributions and other cost pressures such as rising energy prices will also have contributed to the above inflation increase in unit cost.

He further reported that the College achieved an Income & Expenditure surplus of £22k during the 2005/06 financial year and had been rated as being financially secure. The surplus achieved represents 0.3% of the College's income. He asked members to note that the College charged £156k in costs relating to the East End Campus (under construction throughout 2005/06) to the income and expenditure account. As this was an exceptional, non-recurring cost it was excluded from the 'underlying' position for the purposes of the performance indicator and benchmarking data. The College therefore reported an underlying surplus of £178k for the year.

The construction of the new East End Campus has had a significant effect on the balance sheet (the campus has been completed in 2006/07). The value of the College's fixed asset base has increased significantly. The College has not had to borrow money to part fund the campus in either the short or long term. Overall the College balance sheet was fairly robust at the end of the 2005/06 year and it is forecast that the College will continue to meet the SFC criteria for achieving a financially secure status and will maintain its financial sustainability.

The Chief finance Officer reported that the SFC required all Scottish College's to submit benchmarking data each year. The Benchmarking data reinforces the main trends identified in the performance indicator data outlined above. He asked members to note that the benchmarking data uses the Equivalent Weighted Student Unit of Measurement (EWSUM) measure rather than the Weighted Student Unit of Measurement (WSUM) measure used in the performance indicator data. The College was also participating in a Benchmarking Club with three other colleges, the benchmarking data will also be explored in detail by the club.

He reported that the large increase in the College's surplus/(deficit) per Equivalent Weighted Student Unit of Measurement (EWSUM) in 2005/06 is due to non-recurring new build East End Campus costs of £156k, charged to the Income and Expenditure account in 2005/06, being added back to the surplus figure used to calculate this indicator. This is the same adjustment referred to in section 2.3 and inflates the indicator surplus figure and hence the surplus per EWSUM ratio.

He further reported that the College's gross cost per EWSUM has increased year on year over the past three years but remains well below the sector median.

The Chief Finance Officer informed members that the College's teaching costs per EWSUM decreased in 2005/06 due to more efficient use of teaching staff, and is now actually lower than the sector median. Members noted that the College's teaching contact hours per full time equivalent and proportion of permanent teaching FTEs remained below the sector median.

Furthermore, overall, both the average days sickness and absence per teaching FTE and non-teaching FTE have improved significantly over the past three years. Both are, however, still slightly higher than the sector median. The College expressed some doubt about the accuracy of the sector median, this view was reinforced when this indicator was examined in some detail with the other members of its Benchmarking Club (this related to the wide variety of ways in which 'absence' was defined).

He reported that the data analysis shows that the College is far more reliant upon SFC grant than the sector median, and is in receipt of a low level of academic tuition fees.

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

20. Finance Team Annual Report 2006/07

The Chief Finance Officer spoke to the contents of his report which sought to apprise members of the Financial Control Committee with the Financial Team annual Report for 2006/07. He reminded members that support teams within the College are required to conduct an annual self-evaluation exercise and annual report using HMLe methodology.

He further reported that continuing professional development priorities and an action plan for 2007/08 had been provided and would form an important part of the Finance team operational Plan for 2007/08. This would be considered at the next meeting of the Financial Control Committee.

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

21. Childcare Funds – Financial year 2006/07

The Chief Finance Officer spoke to the contents of the report by the Deputy Finance Manager which sought to apprise members of the actual allocation of childcare funds as at the financial year end.

He reported that the childcare support allocated to the college for financial year 2006/07 was initially £210k which was to be used entirely for providing support towards the childcare costs of full and part time FE students. As was the case during session 2005/06, the demand for the College's Childcare Fund for 2006/07 exceeded allocation. He further reported that the college was invited to tender for a redistribution of funds from SFC and from this re-distribution the College received a further £70k towards the cost of childcare support.

He asked members to note that as at 31 July 2007 the College had supported 108 applications for childcare.

He informed members that following the demise of One Plus on 21 January 2007 the College had been negotiating with the Company liquidator over final sums due and this had been taken into account as a separate item within the report.

He further reported that the College had negotiated with an alternative provider to take over the crèche facility within the Easterhouse Campus and the service reopened on 5 February 2007. This delay however, resulted in there being a period of two weeks for which no fees were due.

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 to future meetings as appropriate on the progress of any future allocations of childcare funds.

The Chief Finance Officer highly commended Michael Buchan, Depute Finance Manager, on his continued outstanding performance and high levels of accuracy.

22. Bursary Funds and Education Maintenance Allowances

The Chief Finance Officer spoke to the contents of the report of the Bursary Officer which sought to apprise members of the actual allocation of bursary funds for 2006/07 and to inform members of the final bursary and EMA position for academic year 2006/07.

He asked members to note the following:

The initial bursary grant allocated to the College for financial year 2006/2007 was £477,900.

SFC circular SFC/34/2006 invited bids from colleges for additional student support funds for 2006/07. John Wheatley College submitted

a bid for additional funds and were awarded an extra £49,087 in bursary funds.

In April 2007, as part of the annual SFC redistribution process, the College was awarded an additional £42,000 in bursary funds.

In addition to this John Wheatley College had £29,677 in respect of unused funds brought forward from the previous year, bringing a total of £598,664 available for student support during academic year 2006/07.

The Funding Council had imposed a cap of £86,022 on the amount that can be spent on study expenses.

At the date of compiling this report there had been 383 bursary/EMA applications.

Bursaries had been awarded to 326 full time students resulting in a commitment of £474k.

EMA's had been awarded to 124 students resulting in a commitment of £87k.

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

23. Further Education Hardship Fund

The Chief Finance Officer spoke to the contents of the report by the bursary Officer which sought to apprise members of the disbursement of funds for session 2006/07. He reminded members that the FE Hardship Fund is an allocation of money which the college receives from the Scottish funding Council (SFC) to assist both full and part time students who are experiencing financial difficulties when attending college programmes.

He asked members to note that the College's gross allocation for session 2006/2007 was £138,230. Added to this amount was the sum of £7,679 in respect of unallocated funds brought forward from the previous academic year, bringing the total available funds for 2006/07 to £145,909.

Members would recall from the last meeting of the Financial Control Committee that demand from the College's F.E. Childcare meant that there would be a requirement to vire £65,000 from the F.E. Hardship Fund to supplement the Childcare Fund. However, as part of the SFC redistribution process announced in April 2007, the College has received an additional Childcare allocation of £70,000 and consequently there was no longer any requirement to vire funds from the F.E. Hardship Fund.

To date there had been 224 applications for support from the F.E. Hardship Fund. The interview process had now been completed and had resulted in 195 students being awarded support with total funds of £138k being committed.

29 applications were rejected because the students failed to provide sufficient evidence of financial hardship.

Of the awards, 75 students will receive assistance on an installment basis throughout the academic year and a further 120 were awarded one off payments.

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

24. Higher Education Childcare Fund and Higher Education Hardship Fund – Academic Year 2006/07 – Year End Report

The Chief Finance Officer spoke to the contents of the report by the Bursary Officer which sought to apprise members of the disbursement of Higher Education Childcare Funds (HECF) and Higher Education Hardship Funds (HEHF). He reminded members that both funds are allocations of money which the College received from the Student Awards Agency Scotland (SAAS) to assist students who are undertaking Higher education programmes at the college. The HECF provides financial assistance with formal childcare costs for full time students. The HEHF is available to both full and part time students and is intended to assist students who are experiencing financial difficulties.

Members were reminded that the College's allocations for HECF and HEHF for session 2006/2007 were £11,171 and £6,800 respectively. Added to this amount was the sum of £2,152 in respect of unallocated funds brought forward from the previous academic year. However, the anticipated clawback from SAAS in respect of previous years' underspends is £1,027. This brings the total combined funds available for 2006/2007 to £19,096.

As in previous years, colleges are permitted to vire up to 40% of either fund's allocation into the other fund if demand requires.

There were 26 awards from the HEHF resulting in an allocation of £11,050.

There were 3 awards from the HECF resulting in an allocation of £3,650.

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

25. Risk Management – risk issues to be considered as a consequence of the consideration of the above agenda

The Financial Control Committee agreed to consider FRS 17 as a risk.

26. Closure

The meeting closed at 6 pm with the Chair thanking all members for their attendance.

27. Date of Next Meeting

The next meeting of the Financial Control committee is scheduled to take place on Thursday 29 November at 5 pm.