

**John Wheatley College**  
**Board of Management**  
**Financial Control Committee**

**Minutes of the Financial Control Committee held on Thursday 30 November 2006 at 5pm in Room SO9, Alex Viola Suite, Easterhouse Campus.**

**1. Sederunt**

The meeting commenced at 5pm and was attended by:

H Ostrycharz(Chair in the absence of T Burton);  
P Craig;  
C McMaster;  
I Graham (Principal); and  
A Woolley (from 5.10pm)

In Attendance

A Kirk (Depute Principal)  
J Gow (Chief Finance Officer)  
A Sherry (Assistant Principal)  
S Double (Finance Manager)  
A Inglis (Assistant Principal)(from 5.20pm); and  
S Wilkie (for recording purposes only)

**2. Apologies**

T Burton  
J Cope(co-opted member); and  
E Gillespie

The Principal requested that item 16 be taken directly after item 9. Members agreed to this proposal.

**3. Terms of Reference**

Members noted the terms of reference for the Financial Control Committee. It was confirmed that the meeting was quorate with 5 members in attendance.

**4. Declarations of Interest**

There were no declarations of interest expressed at this Committee meeting.

**5. Minutes of meeting held on 7 September 2006**

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 7 September 2006.

**6. Matters arising from the minutes of the meeting held on 7 September 2007**

**Item 12 – College Credit Card**

Mr Gow reported that the College had now received the credit card from the Clydesdale Bank and that appropriate procedures had been put in place for its use.

Mr Woolley arrived at the meeting at this point (5.10pm)

**7. Draft Annual Audit Report 2005/06**

The Principal spoke to the report prepared by the Chair of the Audit Committee, he informed members that it provided an overview of the work of the Audit Committee during financial/academic year 2005/06. He reminded members that this report would also be considered by the Audit Committee scheduled for 4 December 2006 and the Board at its meeting on 7 December 2007. In addition the report will also be placed on the agenda of a future Joint Consultative Committee. He also reminded members that the annual accounts could not be placed in the public domain until permission was received from the Auditor General which it was anticipated would be early in 2007.

He highlighted the following:

- a) the extension of the appointment of Baker Tilly as the Internal Audit Service until 2008;
- b) that the fee charged for external audit services during financial/academic year 2005/06 was £12,000 compared to £11,700 in 2004/05;
- c) that the fee for Internal Audit Services was £23,000 compared to £26,000 in session 2004/05; and
- d) a reduction in the number of high priority recommendations from six in financial year 2004/05 to four in financial year 2005/06

He noted that the report confirmed the Audit Committee's view that the College has continued to improve its financial health during financial year 2005/06.

I Graham further reported that Baker Tilly confirmed that the College had 'an adequate framework of control over the systems examined'

The Principal informed members that Audit Scotland had confirmed that the College had an operational surplus of £22,000 and the overall historical balance of £141,000 at 31 July 2006. He reported that the External Audit report was unqualified and that Audit Scotland verified that the accounts gave a true and fair view of the state of affairs at the College at 31 July 2006.

He informed members that using SFC criteria the College's financial position to be 'secure'.

He reminded members that the College had undertaken a number of value for money initiatives in academic/financial year 2005/06 and these included:

- a review of the utilisation of teaching staff hours to ensure their effective and efficient use;
- a review of the College's management of aged and potentially bad debt;
- the re-tendering of some external services, and
- the identification of models of procurement.

The Principal reported that the auditors had been content with the progress which the College had made with these initiatives.

The Principal also reported that the College had undergone a number of other external audits, including an audit carried out by the Scottish Qualifications Authority, the British Computer Society European Computer Driving Licence Audit and from the Investors in People (IIP). These audit reports had also been considered by the Audit Committee. Furthermore the College was awarded the gold award from the Royal Society for the Prevention of Accidents (Rospa) for their commitment on health and safety issues.

It was noted that Audit Scotland would give an unqualified report on the College's financial statements in the Annual Accounts for Financial Year 2005/06.

The Principal reminded members that the Chair's report is required to be sent to the Scottish Funding Council by the 31 December 2006 subject to approval by the Board.

Mr Inglis arrived at the meeting at this point (5.20pm)

Members of the Financial Control Committee agreed to note the contents of the Chair of the Audit Committee's report.

## **8. Final Budget Variance Report 2005/06**

The Chief Finance Officer spoke to this report informing members of the detailed analysis of variances against budget for all the main areas of College activity for financial year 2005/06. He informed members that this report was a summary of the variance reports which the Committee had considered during the course of academic/financial year 2005/06 and did not indicate any substantial changes from those previously reported.

A Woolley welcomed this report as it provided an effective overview of the College financial statements.

The Principal reported that the SFC are considering whether to discontinue with the Financial Forecast Return in order to allow more self regulation. He informed members that the College was unlikely to be supportive of this potential change.

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

## **9. Annual Report and Financial Statement for the year Ended 31<sup>st</sup> March 2006**

The Principal asked Ms Wilkie to ensure that the appendix to this report was not placed in the public domain for the reasons previously considered under agenda item 7. Ms Wilkie agreed to ensure that this was done.

The Chief Finance Officer reminded members that they had considered a draft set of annual accounts at the meeting held on 7 September 2006 and that subject to a few minor amendments these were the accounts considered by Audit Scotland.

J Gow highlighted key areas of the report including:

- the operating surplus of £22k which was slightly more than that forecast in the Financial Forecast Return submitted to the Funding Council in June 2006;
- that staff costs had been reduced by £289k compared to the previous session mainly as a result of a reduction in absence rates and the more effective utilisation of teaching staff;
- that the capital expenditure on the new East End campus was £7.3m in this financial year; and
- that the Easterhouse campus was now valued at £6,350k

J Gow also reminded members that the Board of Management, on the advice of the Financial Control Committee, had approved a change in the College's accounting policy in relations to Pension Disclosures treating the Strathclyde Pension Fund as a defined contribution scheme.

The Chief Finance Officer reported that the College has been rated as being 'financially secure' using SFC software.

Members of the Financial Control Committee agreed to:

- (i) note the contents of this report and its appendix; and
- (ii) endorse the John Wheatley College Annual report and Financial Statement for the year ended 31<sup>st</sup> July 2006.

## **16. Financial Statements and Return 2005/06 – Unit Costs Return**

The Chief Finance Officer informed members of the unit costs return for 2005/06.

The Chief Finance Officer reported that the unit cost calculated by the College for 2005/06 is £208, this is a £3 reduction from the 2004/05 figure. This reduction was largely due to reduced spend on teaching staff as a result of more effective utilisation of class contact time. He further reported that the WSUMS per teaching FTE had increased from 299 to 366. He informed members the sector average was 369 WSUMs per FTE in 2004/05. Members welcomed this improvement in the unit cost data.

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

## **10. Pension Scheme Valuations**

**Peter Craig left the meeting at this point(5.35pm).**

The Chief Finance Officer reminded members that they had previously been informed that an actuarial valuation of the College's liability of Strathclyde Pension Fund (SPF) scheme had been commissioned. This exercise reported that the College's pension liability for the SPF scheme was estimated at £674k by the scheme actuaries as at 31<sup>st</sup> July 2006. This is not disclosed in the annual accounts.

J Gow reported that the College had made provision of £129k as at 31<sup>st</sup> July 2006 for early retirements. He reported that the balance sheet does not recognise the remaining £545k of the liability. He further added that it was hoped that the overall net liability for the scheme would reduce over the medium term as a result of increased employer contributions.

The Principal reported that the Strathclyde Pension Fund is one of the best performing scheme in Scotland and noted that the College is cautious about giving early retirements and that it as not done so for some considerable time.

The Scottish Teachers Superannuation Scheme valuation was also discussed. The Chief Finance Officer informed members that this is not a funded scheme therefore the College is unable to identify its share of the scheme assets or liabilities.

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

## **11. Report on Cash Flow to 31<sup>st</sup> October 2006**

The Chief Finance Officer informed members of the College's cash position as at 31 October 2006. He reported that in respect of the New Build, £2,180k in grant income had been received from the Scottish Funding Council with £1.948k from both Scottish Enterprise Glasgow and the European Regional Development Fund (ERDF). He reported that the cash expenditure on the new build to the end of October 2006 was £3,7778k.

He reported that at 31 October 2006 the College had a bank balance of £2,372,607. He informed members that this high cash balance was due to the timing of new campus income and expenditure.

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

The Principal proposed that items 12 and 14 should be taken together. This was agreed by members.

**12. September 2006 Budget Monitoring**  
**14. College Income & Expenditure Account and Balance Sheet as at 30<sup>th</sup> October 2006**

The Finance Manager spoke to this report informing members of the analysis of expenditure against budget for the three months to 30 October 2006.

He reported that the Income and Expenditure account for the first three months of the financial year shows a surplus of £196k. The budgeted surplus at this stage of the year is £125k. However he informed members that as this early in the academic/financial year that no trends had yet emerged and that it was anticipated that the second quarter figures would provide a more complete analysis.

The Finance Manager reported that the value of fixed assets had increased by £1,312k. This is due to expenditure on the Haghill campus of £1,380k, with the remaining difference being due to depreciation changes on existing assets of £68k.

Members of the Financial Control agreed to note the contents of both of the reports.

**13. FRS 15 – Valuation of the Easterhouse**

The Finance Manager spoke to this item informing members of the financial implications of the valuation of the Easterhouse campus.

He reported that James Barr ( Quality Surveyors) had been appointed to undertake the survey and to provide a valuation of the Easterhouse Campus. Following this exercise James Barr had valued the land to be £280k and the buildings to be £6,070k thus totalling £6,350k.

He further added that James Barr reported that the remaining economic life of the campus was now 47 years compared to the previous figure of 30 years. The Principal informed members that this increase in the economic life of the building was partly due to the regular maintenance which the College had undertaken.

J Gow added that the market valuation of the campus if it became surplus to the requirements and was to be sold was estimated to be between £3m and £3.5m.

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

**15 Strathclyde Pension Fund – Annual Report and Accounts for Year Ended 31<sup>st</sup> March 2006**

The Chief Finance Officer spoke to this report informing members of the key areas of the Strathclyde Pension Fund annual report as follows:

- the Fund had a closing net asset value of £8.9m;
- investment return of 27.2%; and
- 97% Funding level.

He further reported that further increases in employer contributions are anticipated to recover the 3% funding deficit. The Principal reminded members that one of the contributing factors to this deficit was the decision of Local Authorities to grant themselves a payment 'holiday' in the recent past (when stock markets were 'buoyant').

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

## **17. Benchmarking Club**

### **Councillor McMaster left the meeting at this point (6pm)**

J Gow spoke to this report informing members on progress on the work of the Benchmarking club of which the College was a member along with Cumbernauld, North Glasgow and Langside colleges. The Principal reported that Rodger Mullin would facilitate meetings between the Assistant Principals and Finance Managers from each College to progress the work the Benchmarking Club.

The Chief Finance Officer reported that the Benchmarking Club has provided a useful forum for gaining a better understanding of the differences in the benchmarking data and some of the underlying issues. However it had become apparent that the collection of data was not uniform therefore comparisons in a number of areas, including absence rates, were problematic. As a result there had been no immediate financial benefit to the College in terms of Value-for-Money.

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

## **18. Finance Team Self Evaluation Annual Report 2005/06**

Mr Gow spoke to his report informing members of the Finance Team's annual report for 2005/06 which followed the template used by all support staff teams. He informed members that the team had used the HMIe four point grading system and that the evidence included reports by both the internal and external auditors. As a result of this activity an action plan had been drawn up to address the targets agreed by the team which were designed to enhance further the quality of the services which it offered.

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

## **19. East End Campus – Overdraft Facilities**

The Principal spoke to his report informing members of the overdraft facilities arranged by the College to address potential cash flow issues related to the phasing of expenditure associated with the East End Campus Capital project. He reminded members that the College had sought, and had been granted, approval from the Funding Council for this overdraft facility.

The Principal informed members that the College had now secured overdraft facilities with the Clydesdale Bank which allowed for:

- i) overdraft facilities of £500k until 31 January 2007;
- ii) £700k until March 2007; declining to
- iii) £500k until 31 May 2007.

He reported that the College had not conducted a formal tender exercise for this facility nevertheless a 'market test' was conducted to compare the rates available. The Principal further reported that the Funding Council had been informed formally of these arrangements. He reminded members that as the terms of the agreement were 'commercial-in-confidence' therefore this paper would not be placed in the public domain at this time. This status would apply until such time as the East End Campus project reached a 'practically completed' stage.

Members of the Financial Control Committee agreed to:

- (i) note the contents of the Principal's report and its appendices;
- (ii) note the terms of the College's overdraft facility in respect of the East End Campus Project
- (iii) note that, for reasons of commercial confidentiality appendix 2 will not be available in the public domain or under provisions of the Freedom of Information Act until such time as the East End Campus Project is 'practically complete'; and
- (iv) note that the College has advised the Scottish Funding Council of the overdraft facility it has now agreed with the Clydesdale Bank plc.

## **20 Childcare Funds – Financial Year 2006/07**

The Chief Finance Officer spoke to this report advising members of the actual allocation of childcare funds to date.

He reported that the demand for the College's Childcare Fund for 2006/07 had exceeded the allocation made by the Scottish Funding Council.

Members agreed to:

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

## **21. Bursary Funds and Education Maintenance Allowances**

J Gow spoke to this report informing members of the actual allocation of bursary funds for 2006/07 and to apprise members of the bursary and Education Maintenance Allowance (EMA) commitment for the current year.

He reported that the initial grant allocated to the College for financial year 2006/07 was £477,900. The College made a bid for additional funds and were awarded an extra £49,087 in bursary funds. This added to £30,900 in respect of unused funds brought forward from the previous year,

leaving a total of £557,887 available for student support during academic year 2006/07.

Members of the Financial Control Committee agreed to:

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

## **22. F.E. Hardship Fund – Academic Year 2006/07**

The Chief Finance Officer advised members of the disbursement of funds for session 2006/07. He confirmed that the total available funds for 2006/07 was £145,909.

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

## **23. HE Childcare Fund and HE Hardship Fund**

J Gow informed members of the disbursement of funds for Session 2006/07.

He confirmed that the total funds available for 2006/07 is £19,096.

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

## **24. Closure**

Having discussed all items on the agenda the Chair of the Committee thanked members for their attendance. The meeting closed at 6.10pm.

## **25. Date of Next Meeting**

The date of the next meeting of the Financial Control Committee is scheduled to be held on 15 February 2007.