

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

**Minutes of the Financial Control Committee held on Thursday 7 September 2006 at 5pm in Room SO9, Alex Viola Suite, Easterhouse Campus.**

**1. Sederunt**

The meeting commenced at 5pm and was attended by:

T Burton(Chair);  
A Woolley;  
P Craig;  
H Ostrycharz; and  
I Graham (Principal).

In Attendance

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

**2. Apologies**

E Gillespie (co-opted)  
J Cope

**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 17 May 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 17 May 2006.

**6. Matters arising from the minutes of the meeting held on 17 May 2006**

There were no matters arising from the previous minutes.

**7. Correspondence**

**(a) Scottish Funding Council**

The Principal asked that agenda 7a (ii) could be taken before 7a (i). Members agreed to this proposal.

**(ii) Circular 40/06 – Review of Public Procurement in Scotland**

The Principal reported that the College is required to provide information to the Scottish Funding Council confirming that it is complying with the current legislation on public procurement.

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

**(i) College Response to SFC Procurement Activity**

The Principal informed members that the wrong appendix had been submitted to the report that had gone to the previous Board meeting. The Principal further informed members that the College subscribes to the Authorities Buying Consortium (abc) at an annual costs of around £1,700 per annum.

The Principal reported that the College had established high level procurement guidance in the Financial Regulations, these are updated regularly and are approved by the Board of Management.

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

Helen Ostrycharz joined the meeting at this point 5.03pm.

**(iii) Circular 52/06 – Review of HE Financial Statements 2004/05**

The Principal reported that this item of correspondence would be considered later on in the agenda.

**(b) Scottish Executive**

The Principal spoke to this item of correspondence from the Scottish Executive informing members of the total amount of support allocated to discretionary funds in 2006/07.

Members of the Financial Control Committee agreed to note the contents of the correspondence from the Scottish Executive.

**8. College Finances**

**a) College Budget 2006/07**

The Chief Finance Officer spoke to this report seeking approval for the revised budget due to the changes in the College management structure and the final pay award to teaching staff.

J Gow informed members that the revised budget allows for a 3% increase in all pay rates, he noted that agreement had been reached with the teaching staff and negotiations are on-going in relation to support staff.

The Principal reported that a progress report will be presented to the next Board meeting on the East End Campus project.

Members of the Financial Control Committee agreed to:

- (i) note the contents of this report and its appendices; and
- (ii) approve the revised budget.

#### **b) Draft Annual Accounts for Year Ended 31<sup>st</sup> July 2006**

The Chief Finance Officer spoke to his report, informing members of the details of the early draft of the College accounts for financial year 2005/06. He added that it is anticipated that Audit Scotland will commence the external audit of the accounts on Thursday 2<sup>nd</sup> October. He reported that a final set of draft accounts will be passed to the external Audit team in mid-September 2006.

In response to questions, J Gow reported that a full year end budget variance report will be submitted to the next meeting of this Committee.

A Woolley commented that this was the first time a draft set of accounts had been submitted to this Committee so early in the year. A Woolley expressed his thanks to J Gow and his team for their hard work.

The Principal added that in the future the College will include in the annual report and account the 9 point grid related to best value published by the Executive.

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

## **9. Pensions**

### **(a) Pension Arrangements**

J Gow spoke to this report advising members that SFC had published a Circular titled 'Pension Arrangements in the College Sector'. He also reported that Audit Scotland have published a report on Public Sector Pension Schemes in Scotland.

He reported that the Funding Council had reported that the average college pension contributions are forecast to increase by 143% over the period from 2000/01 to 2007/08, this equates to average increased costs of around £85k per college per annum.

In addition, he informed the Committee that in 2004/05; 22 colleges, including John Wheatley College, disclosed their share of Local

Government Pension Scheme deficits. The total deficit for these Colleges was £48.4m against general reserves of £9.7m for the same group. It is estimated that the total pension's liability for all Colleges is likely to be around £100m.

The Principal reminded members that the College could send a representative only as an observer to the meeting of the pension trustees as it was not a full member of the Scheme.

Members of the Financial Control Committee agreed to:

- (i) note the contents of this report and its appendices;
- (ii) note that the College has taken the impact of increasing pension contribution rates into account in its financial plans where appropriate; and
- (iii) note that the College will continue to request a valuation report on the College share of the Strathclyde Pension Fund deficit.

#### **(b) Strathclyde Pension Fund**

The Chief Finance Officer informed members of the SPF Funding Strategy statement and Actuarial Valuation as at 31<sup>st</sup> March 2005.

Members of the Financial Control Committee agreed to:

- (i) note the contents of this report and its appendices;
- (ii) note that the College has taken the impact of increasing SPF contribution rates into account in its financial plans; and
- (iii) note that the College will continue to request a valuation report on the College share of the Strathclyde Pension Fund valuation.

### **10. Report on Cash Flow to 31<sup>st</sup> July 2006**

The Chief Finance Officer informed members of the College's cash position as at 31<sup>st</sup> July 2006.

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

### **11. Financial Forecast Return**

#### **(a) Financial Forecast Return**

J Gow reminded members that the financial forecast return (FFR) was approved at the Board of Management at its meeting on the 22<sup>nd</sup> June 2006.

He added that the College is currently rated as being financially secure for each year in the FFR return. In response to questions he informed members that this rating is derived from the SFC software.

The Chief Finance Officer informed members that he was happy to take any questions they may wish to ask. No questions were raised at this stage.

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

**(b) College Plan and Financial Forecast Return: Review Visit 2006**

A Sherry spoke to this report informing members of the outcome of the GMAP visit which took place on 10 August 2006. He reported that no major issues had been raised and that the representative from the Funding Council had stated that the College Plan was 'comprehensive'.

Members of the Financial Control Committee agreed to:

- (i) note the contents of this report and its appendix; and
- (ii) the outcome of the routine meeting between GMAP and College management.

**12 College Credit Card**

The Chief Finance Officer spoke to this report informing members of the up-to-date position on progress. He indicated difficulties affecting the Government trend level and requested authority to apply for a credit card with the Clydesdale Bank, the College current bankers.

He added that a credit card is required due to the increasing use of suppliers for one-off transactions such as transport arrangements and for the purchase of goods via the internet. He informed members that detailed controls had been put in place to control the use of the credit card.

Members of the Financial Control Committee agreed to:

- (i) note the contents of this report and its appendix; and
- (ii) authorise the College to apply for a Clydesdale Bank credit card.

**13. Review of Colleges' European Funding Returns**

J Gow informed members that the SFC had published a review of Colleges' European Funding Returns and that the purpose of his report was to inform members of the Financial Control Committee of this review. He stated that the SFC report was attached as appendix A and that the SFC had also requested information relating to College European Income for the 2005 calendar year, which was attached as appendix B.

He reported that for the five year period from 2000 to 2004, the Further Education sector claimed £97.6m in European Structural Fund (ESF) funding. In 2004, the sector received £21.8m in European funding (excluding European Regional Development Funds [ERDF] which are used to support capital projects). Members noted that this represented 3% of total sector income and ranged from 0.5% to 15.4% for individual Colleges.

He further highlighted that most Colleges had taken this into account in their financial plans and many Colleges had indicated that they would seek alternative income streams. However, he reported that the SFC was

concerned that some institutions who were heavily dependant on ESF funds did not have appropriate contingency plans in place.

The Chief Finance Officer reminded members that the College had not relied heavily upon ESF funding in recent years. He indicated that the College did not wish to become dependant upon this income stream, in respect of either its financial health or ability to meet its activity target.

J Gow reported that the College had recognised approximately £105k in ESF funding in the 2005/06 financial year, which represented around 1.3% of revenue income. He informed members that this funding was used to support three programmes, namely Building Glasgow's People (BGP), Glasgow Employment Multiplier (GEM) and Youthstart Plus. Students on these programmes received travel, attendance, childcare and other benefits which helped the College to attract and retain students from specific groups. He indicated that the ESF funding allowed the College to provide these benefits as an enhancement to the programmes. J Gow reminded members that the ESF funding is a contribution towards the full cost of running these programmes and that this funding does not benefit the College financially, as the additional cost of providing the enhanced courses generally exceeds the contribution from ESF.

In addition, he reported that the College was the lead organisation for the Youthstart Plus programme, which was a one year project that was expected to run until December 2006 only. He opined that the College would need to consider the financial implications of continuing the BGP and GEM programmes in the same format should the ESF funding for these end. He indicated that the College would consider providing similar activity at a lower cost or replacing it with other activity in the event that ESF support was no longer available.

J Gow informed members that the College was aware of the impact that the loss of ESF funding was likely to have and had considered this both in its financial and curriculum plans. He opined that consequently the expected reduction in ESF funding was not a major strategic issue for the College.

The Principal expressed his concern as to the contents of the SFC report as indicated, but some Colleges had not yet planned for the reduction in European funding on which they had become dependent.

Members of the Financial Control Committee agreed to:

- (i) note the contents of this report and its appendices; and
- (ii) authorise the College to submit appendix B to the SFC.

#### **14. Review of Colleges' Financial Statements 2004/05**

The Chief Finance Officer informed members that the SFC had published a review of Colleges 2004/05 financial statements.

He reported that the SFC have also reviewed internal audit annual reports and have concluded that internal auditors are generally satisfied that internal controls at colleges are adequate. However, there are a few Colleges where internal auditors have made high priority

recommendations about fundamental control weaknesses and that SFC will monitor this position.

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

#### **15. Benchmarking of Costs: Outputs for 2004/05**

The Principal reported that the benchmarking club meets tomorrow, however to date progress had not been as positive as the College had anticipated.

The Chair asked for clarification of the term ESUM. A Kirk gave a brief explanation of how this was used to establish common data.

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

#### **16. National Strategy for Shared Services**

The Principal spoke to this report informing members of the Scottish Executive's emerging strategy for the potential of shared services in the public sector in contributing to the Efficient Government Initiative.

He added that the College does not propose to respond to this document on an individual basis. The Association of Scotland's Colleges is preparing a response on behalf of the sector. The Principal reported that this paper is being presented today for information only. A brief discussion took place regarding shared services.

Members of the Financial Control Committee agreed to:

- (i) note the contents of the Principal's report;
- (ii) note the contents of the report's annex (the Scottish Executive's Consultative Paper in respect of the potential for Shared Services to Public Sector Reform in Scotland).
- (iii) note that ASC (the Association of Scotland's Colleges) will, in due course, respond to the Consultative Paper on behalf of the college-sector; and
- (iv) note the examples of the College's current commitment to the principle of shared services to obtain best value and improved public services.

#### **17. College Funding – Academic/Financial Year 2004/05**

The Principal informed members of the summary of the Scottish Funding Council's (SFC) expenditure on the further education sector in Scotland during academic/financial year 2004/05.

Members of the Financial Control Committee agreed to:

- (i) note the contents of the Principal's report; and
- (ii) note the contents of the SFC Circular 25/06 (College funding for Academic Year 2004/05).

**18. Higher Education Discretionary Funds: Undergraduate and Postgraduate Hardship and Childcare Funds 2006/07**

A Sherry spoke to this report advising members of the allocations made to the College for such funds in Session 2006/07.

He reported that the allocations for Session 2006/07 are as follows:

- (a) Hardship Fund Allocation: £6,800; and
- (b) Childcare Fund Allocation: £11,171.

Members of the Financial Control Committee agreed to:

- (i) note the contents of this report and its appendix;
- (ii) note the allocations of:
  - (a) £6,800 to the HE Hardship Fund; and
  - (b) £11,171 to the Childcare Fund

**19. ABC – Annual Report and Accounts**

The Principal confirmed that this report was prepared by him and not by the Chair.

He reported that the College has been a member of ABC since incorporation. The College's annual subscription to ABC in 2005/06 was £1,674.

The Principal highlighted the effectiveness of ABC both in obtaining savings and establishing benchmark data for negotiations with suppliers to seek further reductions in the cost of goods and services.

Members of the Financial Control Committee agreed to:

- (i) note the contents of the Principal's report;
- (ii) note the College's membership of ABC (the Authorities Buying Consortium) to secure economies of sale in the purchase of goods and services; and
- (iii) note the contents of the ABC Annual Report and Accounts for 2005/06 (attached as annex 1 to this report).

**20. Childcare Funds – Financial Year 2005/06**

The Chief Finance Officer informed members of the allocation of Childcare funds to date. He reported that the funding allocated to childcare support for financial year 2005/06 was £151,428 and that this allocation is to be used entirely to provide support towards the Childcare costs of the full and part-time FE students. He reported that 91 applications had been received by the College as of 31<sup>st</sup> August 2006.

He informed members that it was projected that this budget would be fully committed and that virement would be required, as in session 2005/06, to meet the demand for childcare provision.

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.

The Chair advised that Item 22, 23 and 24 would be taken before item 21.

**22. Bursary Funds and Education Maintenance Allowances – Final Report**

J Gow spoke to this report informing members of the actual allocation of bursary funds for 2005/06 and of the final bursary and EMA position for academic year 2005/06.

The Chief Financial Officer reported that there had been 262 bursary/EMA applications. Bursaries have been awarded to 306 full-time students resulting in a commitment of £488k. EMA's were awarded to 149 students during Session 2005/06.

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

**23. Further Education Hardship Fund – Final Report**

The Chief Finance Officer reported that were 225 applications for support from the FE Hardship Fund. Of these, 166 students have been awarded support. Total expenditure for the year was circa £65k.

The Chief Finance Officer also reported that 59 students had been refused support because they were unable to provide sufficient evidence of financial hardship.

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

**24. HE Childcare Fund and HE Hardship Fund – Update Report**

J Gow informed members of the disbursement of funds from the Higher Education (HECF) and the Higher Education Hardship Fund (HEHF) for session 2005/06.

There have been 39 applications for support from the HEHF which resulted in 35 awards resulting in a commitment of £11,125. 4 students were refused support because they failed to provide sufficient evidence of hardship. There were 5 applications for support from the HECF and all applicants were awarded support. The total spend for the year was £8,225.

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

**21. Finance Team Operational Plan – Session 2006/07**

The Chief Finance Officer spoke to this report and advised members of finance team operational plan.

He reported that the first four (4) pages highlight's the work of the section. He gave a brief overview of the functions of the team and detailed the operational priorities for the team in session 2006/07.

Member of the Financial Control Committee agreed to:

- (i) note the contents of this report and its appendix; and
- (ii) approve the finance team operational plan for 2006/07.

**25. Closure**

Having discussed all items on the agenda the Chair of the Committee thanked members for their attendance. The meeting closed at 6pm.

**26. Date of Next Meeting**

The date of the next meeting of the Financial Control Committee is scheduled to be held on 30 November 2006.