

John Wheatley College
Board of Management
Financial Control Committee

Minutes of the meeting of the Financial Control Committee held on Wednesday 30 September, 2009 at 5.20 pm in Room MF12/14, East End Campus.

1. Sederunt

B Rooney (Chair);
I Graham (Principal);
R Blyth;
A Woolley; and
J Cope (Fellow of Board);

In Attendance:

A Kirk (Depute Principal);
S Double (Finance Manager);
J Gow (Chief Finance Officer); and
L McEwan (for recording purposes only)

2. Apologies

J Sweeney (Co-opted Member).

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 (five) members in attendance.

4. Declarations of Interest

Item 9 – Budget Monitoring Report – 2008/08

A Woolley declared a conflict of interest as a consequence of his former membership of the Scottish Funding Council's (SFC's) Capital and Investment Committee.

Item 10 – Strathclyde Pension Fund Valuations

The Principal, J Gow and S Double declared a conflict of interest as a consequence of their membership of the Strathclyde Pension Fund.

5. Minutes of the meeting held on 13 May, 2009

The minute of the meeting was accepted as an accurate record of the meeting held on 13 May, 2009.

6. Matters arising from the minutes of the meeting held on 13 May, 2009

There were no matters arising from the minutes of the meeting held on 13 May, 2009.

7. Correspondence

a) Scottish Funding Council (SFC)

i) Financial Forecasts 2008/09 – 2011/12

The Principal spoke to the contents of the correspondence from Brian Baverstock of the SFC which sought to apprise members of the reduction in the level of detail in the Financial Forecast Return.

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

ii) Student Hardship Funds at John Wheatley College

The Principal spoke to the contents of the correspondence from Mark Batho (Chief Executive, SFC) in respect of a letter from Bob Doris MSP to Fiona Hyslop MSP regarding student hardship funds at the College.

I Graham informed those present that the contents of the correspondence had subsequently been overtaken and a more detailed report would be considered at the forthcoming Board meeting scheduled to take place on 21 October, 2009.

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

b) Scotland's Colleges

i) Procurement Capability Assessments (letter from Nigel Paul [APUC] to Linda McTavish & letter from John Swinney MSP to Chief Executives of Public Bodies)

The Principal spoke to the contents of the correspondence from Nigel Paul (APUC) to Linda McTavish (Convenor of Principals' Convention) and Anton Muscatelli (Universities Scotland) which sought to apprise members of the Procurement Capability Assessment (PCA) process which had recently been launched by John Swinney MSP.

Members noted that the PCA application to the Sector now made procurement more proportionate and further noted that the methodology set out a mechanism for identifying areas where organisations may strengthen their approach to procurement through a detailed evaluation of their procurement capability.

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

c) The Scottish Government – Effective Public Procurement

The Principal spoke to the contents of the correspondence from John Swinney MSP which requested every public sector organisation to review their level of participation in the following:

- relevant Centre of Expertise;
- use of the Public Contracts Scotland Portal;
- use of the Best Practice Indicators;
- examination of contracts being let to look for opportunities to involve SMEs;
- innovative thinking about joint commissioning or procurement of services; and
- E-procurement processes.

Members of the Financial Control Committee noted that the College would take part and support the request made by Mr Swinney MSP and further agreed to note the contents of the correspondence.

8. Draft Annual Accounts

J Gow spoke to the contents of his report which sought to provide members with an early draft of the College Annual Accounts for the 2008/09 financial year.

Members noted that the draft College Accounts were passed to KPMG on 24 September, 2009 in advance of the External Audit which was currently in process and would be considered at the Board meeting scheduled to take place on 3 December, 2009.

Members were provided with a copy of the draft Annual Accounts for their information.

The Chief Finance Officer informed those present that the College had a surplus of £51k for financial year ended 31 July, 2009 which was broadly in line with the budget and the estimated surplus of £48k reported to the Scottish Funding Council (SFC) in the Financial Forecast Return (FFR).

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

9. Budget Monitoring Report – 2008/09

J Gow spoke to the contents of his report which sought to provide an analysis of actual expenditure against budget for financial year 2008/09.

Members recalled that the College revenue budget for 2008/09 was approved by the Board of Management in June 2008 and noted that there were a few differences between how financial information was reported in the annual accounts and the monthly management accounting process.

J Gow further informed those present that the College's Finance Team prepares monthly budget reports which are discussed in detail with budget

holders. Members noted that some variances in the budget were due to changes to planned income and expenditure which became apparent after the budget for the year had been prepared. Members further noted that English for Speakers of Other Languages (ESOL) funding was confirmed as £30k less than planned and the Care Leaver Project funding was confirmed as £50k greater than planned.

A discussion followed on Capital expenditure and the value of assets on the College's Balance Sheet. The Chief Finance Officer confirmed that guidance from the Scottish Funding Council (SFC) may change the life span of assets.

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

10. Strathclyde Pension Fund Valuations

Members noted that the College's Board of Management had decided to continue to account for the Strathclyde Pension Fund (SPF) as if it were a defined *contribution* scheme within the terms of Financial Reporting Standard (FRS) 17. In addition, members recalled that the College contended that the SPF actuaries were unable to provide an accurate enough analysis of the College's share of the overall scheme assets for inclusion in its Annual Accounts and therefore the College had not recognised any pension fund asset or liability (apart from the provision for unfunded early retirements) in its draft balance sheet for the year ended 31 July, 2009.

Members were provided with a copy of the actuarial valuation, the underlying assumptions and the most recent actuarial valuation of the full fund for their information.

Following a detailed discussion members agreed that the contents of the report considered by the Financial Control Committee should be brought to the attention of the full Board of Management at the meeting scheduled to take place on 21 October, 2009.

11. Reports on Cash Flow

- a) 31 July, 2009**
- b) 31 August, 2009**

J Gow spoke to the contents of both reports which sought to apprise members of the College's cash position as at 31 July, 2009 and 31 August 2009 respectively.

Members noted that the total balances on the College's main bank accounts were as follows:

- 31 July, 2009 £229,850
- 31 August, 2009 £613,571

Members agreed to note the contents of both reports.

12. Review of Financial Performance Data for the Year Ended 31 July, 2008

Members recalled that in previous years the Scottish Funding Council (SFC) had published two main documents which provided financial performance indicator data (*Financial Performance Indicators for Scotland's Colleges* and the *Benchmarking* data). However, this year the SFC had published only the Financial Performance Indicators as a consequence of the Benchmarking data being deemed to have served its purpose. S Double informed those present that his report sought to provide an analysis of the most relevant indicators covering the year ended 31 July, 2008.

The Finance Manager further informed members that overall, the analysis of the data provided in the body of his report demonstrated that the 2007/08 data was inline with recent trends with the College maintaining or improving several key indicators.

In addition, S Double reminded members that, as was outlined in the College's Financial Strategy, its efficiency, performance management and the ability to achieve and demonstrate Best Value continue to represent key targets for the College.

S Double expanded on the main elements of his report to those present and members agreed to note the contents of the document.

13. Finance Team Operational Plan – 2009/10

J Gow spoke to the contents of the Finance Team Operational Plan for Session 2009/10 which would be used as a basis for monitoring the performance of the Finance Section throughout the coming year.

Members were provided with a copy of the Operational Plan for their information.

J Gow briefly highlighted the key points from the Plan and members of the Financial Control Committee agreed to note the contents of the document.

14. Finance Team Self Evaluation Report – Session 2008/09

J Gow spoke to the contents of the Finance Team Self Evaluation Report for Session 2008/09 which confirmed that most targets set in Session 2007/08 had been achieved.

A Woolley commended Mr Gow and Mr Double on the positive content of the Report which confirmed that the Finance Team continued to work in partnership to develop the skills of Rosemount and the Greater Easterhouse Arts Company (GEAC). Members of the Financial Control Committee endorsed the commendation and agreed to note the contents of the Self Evaluation Report.

15. Review of Financial Regulations

S Double spoke to the contents of his report which sought to facilitate the process of making required amendments to the Financial Regulations before requesting final approval for the amendments by the College's Board of Management.

Members recalled that the College maintained Financial Regulations which set out the financial policies of the College and that the regulations provided the system of internal controls over the College's resources and provided assurances that the resources were being properly applied for the achievement of the College's strategic and operational objectives.

S Double highlighted for members the required amendments to the Financial Regulations before requesting final approval for the amendments by the College's Board of Management.

Members of the Financial Control Committee agreed to consider the College Financial Regulations and request that the College's Internal Auditors (Wylie & Bisset) approve the amendments before they are finally considered by the College's Board of Management.

16. Treasury Management Guidance

The Principal spoke to the contents of his report which sought to apprise members of recent guidance from the Scottish Funding Council (SFC) in respect of Treasury Management.

Members were provided with a copy of the guidance for their information and noted that it was sent not directly to the College but to Ms Linda McTavish (who is the Convenor of *Scotland's Colleges Principals' Convention*).

That guidance confirmed that *'there is no extant treasury management guidance that Colleges should be working to though we (the SFC) regard the Substance of the Scottish Public Finance Manual (SPFM), which is to avoid any investment of a speculative nature, as representing good practice in this area'*.

Members noted that it was the College's practice, following advice from the National Audit Office (NAO) related to the much earlier collapse of the BCCI (the Bank of Credit and Commerce International), to ensure that no public funds should be banked offshore.

Members were, in these circumstances, recommended to note the SFC guidance in this matter. The principal confirmed that no further action was, at present, deemed to be necessary to comply with this advice.

Members of the Financial Control committee agreed to:

- i) note the contents of the Principal's report;
- ii) note the contents of the recent guidance in respect of Treasury Management from the Scottish Funding Council (which was attached as an appendix to the Principal's report); and
- iii) note that no consequential action was required in this respect by the College.

17. August 2009 Budget Monitoring Report

S Double spoke to the contents of his report which sought to provide an analysis of expenditure against budget for the first month of the 2009/10 financial year.

Members were provided with a summary of the actual expenditure against budget for August 2009 for their information and noted that it was too early in the year to draw firm conclusions on expenditure patterns as this was the first month of the financial year.

S Double confirmed that the budget would continue to be monitored carefully throughout the year and a detailed report on each area of College activity would be brought to the next meeting of the Financial Control Committee.

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

18. Obsolete / Damaged Asset Review 2009/10

S Double spoke to the contents of his report which sought permission to write-off obsolete and damaged equipment which had been identified as obsolete or damaged beyond repair along with a list of assets identified on the Fixed Asset register which were obsolete, had been replaced or did not meet the definition of an asset.

Members were provided with a list of all equipment identified as damaged or obsolete for their information.

Members of the Financial Control Committee agreed to:

- i) note the contents of the report and its appendices;
- ii) endorse the recording of the disposal of the obsolete and damaged assets identified at Swanson Street in the 2009/10 Annual Accounts. This disposal would reduce fixed asset cost by £204,994 and reduce fixed asset accumulated depreciation by £204,994; and
- iii) endorse the recording of the disposal of the assets identified as being required to be disposed following a review of the Fixed Asset Register in the 2009/10 Annual Accounts. This disposal would reduce fixed asset cost by £788,029 and reduced fixed asset accumulated depreciation by £788,029.

The Chief Finance Officer requested that the following items be considered together. Members approved this request.

19. Bursary Funds and Educational Maintenance Allowances – Academic year 2008/09 – Year End Report

20. Further Education Discretionary Fund – 2008/09 – Year End Report

21. Higher Education Childcare Fund & Higher Education Discretionary Fund

22. Bursary Funds and Educational Maintenance Allowances – 2009/2010 – Update Report

23. Childcare Funds – Financial Year 2008/09

The Chief Finance Officer highlighted the key points in each report for those present and members did not raise any questions.

Members agreed to note the contents of the five (5) above reports and appendices.

24. Childcare Funds – Financial Year 2009/10

J Gow spoke to the contents of his report which sought to apprise members of the current allocation of childcare funds for the financial year 2009/10.

A discussion took place in respect of the Scottish Funding Council's (SFC's) indication that a re-distribution of funds would be made during 2009 and it would be anticipated that the College would request additional funding during the re-distribution to assist meeting any shortfall between funds presently committed and confirmed funds currently available to the College.

Members of the Financial Control Committee agreed to:

- a) note the contents of the report; and
- b) 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.

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

There were no items to be considered as a consequence of the consideration of the above agenda.

26. CIPFA Guide for Finance Committee Members

The Clerk to the Board spoke to the contents of his report which sought to advise members of the Committee of details of a new Guide for Finance Committee Members in Further and Higher Education which had been produced by CIPFA (Chartered Institute of Public Finance and Accountancy).

R Stewart described the process undertaken by the College to make qualitative judgements about the College's financial management and a discussion followed on the evaluation scores. The draft pre-completed Tool was provided for the information of members and it was suggested that this document should form the basis of the Committee's substantive discussions. Members noted that the pre-completed questionnaire included draft evaluation scores and annotations in respect of all 35 of the self-evaluation questions.

Furthermore, R Stewart informed those present that for the majority of questions, a clear maximum score of 4 (i.e. "Yes, strongly") was indicated. However, for a few questions, a lower score was suggested, and the

Committee may therefore wish to consider these questions in more detail in its discussions.

Members of the Financial Control Committee agreed to:

- i) note the content of the Principal's report;
- ii) note the CIPFA Guide for Finance Committee Members in Further and Higher Education (appendix 1 to the report);
- iii) note the Self-Evaluation Tool and explanatory notes (appendices 3 and 4);
- iv) note that the Chair, Chief Finance Officer and Clerk had pre-completed the Tool in draft form as an aid for the Committee's discussions (appendix 5);
- v) using the draft pre-completed Tool, made qualitative judgements about the College's financial management in the light of the best practice recommendations in the CIPFA guidance; and
- vi) consider whether or not there are any material changes needed to the College's Financial Governance arrangements which had been highlighted by the CIPFA guidance.

27. Closure

The meeting closed at 6.30 pm with the Chair thanking all in attendance.

28. Date of Next Meeting

Tuesday, 17 November, 2009