



A meeting of
Argyll College Finance & General Purpose Committee

to be held at 2pm on Friday 28 February 2020 at
CERC, Lochgilphead PA31 8RR
Tel 01631 559830 VC Code – 53943

A G E N D A

Agenda item no		Status	Papers
20.1.1	Welcome		
20.1.2	Apologies for absence & declarations of interest & to identify any items deemed confidential 20.1.7 is a confidential item		
20.1.3	Minutes of the joint meeting with Audit Committee held on 29 November 2019	For information	Attached
20.1.4	Matters arising i) Update on Nursery ii) Update on Helensburgh funding draw down	For information For information	Oral Oral
20.1.5	Internal auditors discussion with Committee on 2019/20 Audit Plan – by VC		
20.1.6	Management Accounts to 31 January 2020	Consideration	To follow
20.1.7	Confidential item	For information	Attached
20.1.8	AOCB a) To note position with procurement of external audit service	For information	Oral
20.1.9	Date of next meeting: Friday 22 May 2020 – location TBC.	To note	

**Minutes of the joint meeting of the
Audit and Finance & General Purpose committees
held at 1.00 pm on Friday, 29th November 2019
at the Oban Centre, Glenshellach Business Park**

Present: John Colston (JC), Chair of Finance & General Purpose committee, Scott Matheson (SM)(by VC) Chair of Audit Committee, Ken Jones (KJ), Amber Crowley (AC), Gillian McCready (GMcC), Jim Findlay (JF)(by VC), Tony Dalgaty (TD), Martin Jones (MJ).

Apologies: Andrew Campbell (AC), Elaine Munro (EM)

In Attendance: Jamie Davidson and Christina Pirolli, Henderson Loggie (by VC for 19.4.4) Gill Callaghan, TIAA (by VC for item 19.4.7), Ailsa Close (AEC)

No	Item	Action
19.4.1	<p>Welcome, Apologies & declarations of interest. Apologies were received from Andrew Campbell.</p> <p>JF declared his position as a local authority councillor.</p>	
19.4.2	<p>Minutes of previous meetings.</p> <ul style="list-style-type: none"> • Audit Committee minute of 24th May 2019. Minutes approved, to be signed by Chair. • Finance & General Purpose committee on 29th August 2019. Minutes approved and signed by Chair. 	
19.4.3	<p>Matters arising.</p> <p>i) Update on Nursery MJ updated the committee that a potential purchaser has re-emerged and discussions have restarted. An interim manager is currently in place - a childcare tutor with the relevant qualifications to manage the nursery. MJ is hoping to have an update for the board meeting.</p> <p>ii) Oban MJ reported that a room in the Oban centre has been repurposed as a classroom, which has freed up a room to use as an office to accommodate the staff moving from WHHA. There is other work planned to allow the Oban centre to be used more efficiently. JC said this was a positive move and asked if there is any financial penalty to moving. AEC confirmed that there is no penalty and there will be a cost saving going forward of over £20k per annum</p> <p>iii) Riverside AEC was assured that the sale would go through 2 weeks ago but there has been a hold up on the purchaser's side. The sale was put through last year's accounts. AEC expects the sale to go through before the board meeting.</p> <p>iv) Islay AEC has been getting quotes from 3 companies to carry out the work. The quotes are coming in much higher than the quantity surveyor expected.</p>	

	<p>Awaiting a visit and quote from another firm but the difficulty of the island location was acknowledged</p> <p>v) Helensburgh AEC confirmed that an invoice has been issued to UHI but no payment received as yet. This is being pursued and an update will be provided at the next Board.</p> <p>vi) NRPA MJ confirmed that Argyll College has not signed up yet although a number of other colleges have in the interim. A dialogue has been maintained with SFC although not all communications via the region had been forwarded. A route map towards signing has been put in place. MJ stated that there are hidden costs involved in the professionalisation of college lecturers, there is a 2 year window for staff to gain qualifications and receive funding towards course fees and time to study. TD expressed concern that this might take away the flexibility that Argyll College needs. JF stated that it should be embraced as a good opportunity to raise the quality of teaching staff. AC said there is some confusion amongst staff as to different pay rates. MJ agreed that an internal communication would be sent to tutors to clarify the pay rates. MJ reported on the national processes relating to job evaluations for support staff. ACTION: MJ to provide internal communication to tutors regarding pay rates for clarity.</p>	MJ
19.4.4	<p>Audit report from Henderson Loggie. (At this point, the meeting was joined by Jamie Davidson (JD) and Christina Pirolli (CP) Henderson Loggie by VC)</p> <p>SM asked Henderson Loggie to summarise the key points of the report, JD reported these as follows:-</p> <ul style="list-style-type: none"> • Income has increased and expenditure has increased - mainly due to national pay bargaining, teachers pensions and Strathclyde Pension Fund • Additional income covers the increased costs • The loss on the sale of Riverside has been accounted for in this year. • The college now has full assigned status therefore the accounts are published under the Accounting for Further and Higher Education Statement of Recommended Practice rather than the Charities SORP. The main impact being that deferred grants were carried forward but are now shown at the top half of the balance sheet • The audit findings reported two cases where payroll was authorised after it had been paid. A further finding was that pre 1 Jan 2019, not all documentation is in place to ensure that employees have the right to work in the UK <p>JD asked if there were any questions.</p> <p>SM thanked Henderson Loggie for the work they had done and asked how Argyll College compares to the sector in general. JD stated that Argyll College mirrors the sector, all have the same pressures on income and rising costs and that the balance sheet shows a reasonably healthy position.</p> <p>SM asked Henderson Loggie if they need anything further from the college. JD said that they need approval of the numbers in general and there are some items on the report to be checked with AEC.</p>	<p>AEC</p> <p>AEC/MJ</p>

	<p>JC stated that the report is a good reflection on the performance of the college and SM agreed. SM asked for clarification of the process in place for payroll. AEC stated that the payroll is completed in Oban but she is in Dunoon so not always available for signature. It has been discussed that MJ or EM are able to authorise payroll too so there is always a signatory available.</p> <p>ACTION: AEC and MJ to follow up for next meeting.</p> <p>JC asked if payroll management could be outsourced but AEC stated that the majority of the work is in pulling together timesheets and hourly rates and another trained member of staff would be preferable.</p> <p>Audit Report approved and recommended to the Board.</p>	
19.4.5	<p>Draft Annual Report and financial statements for year ended 31 July 201</p> <p>AEC indicated the accounts are easier to read than charity accounts and the current position is quite positive due to having reasonable level of unrestricted reserves.</p> <p>SM requested that Board members provide any additional comments or questions to AEC before Wed 4th December.</p>	
19.4.6	<p>Management accounts to 31 October 2019</p> <p>AEC stated that the actual figures are not wholly accurate due to staff absence and therefore not all invoices having been processed by the quarter end. Noted that confirmed funding for FE is lower than budgeted.</p> <p>JC asked about the increase in salaries costs budgeted, AEC confirmed this is due to the nursery sale not likely to be early in the year as was expected when the budget was prepared.</p>	
19.4.7	<p>Internal Audit annual report 2018/19 (At this point, the meeting was joined by Gill Callaghan (GC) of TIAA by VC)</p> <p>SM asked GC for a summary of the report.</p> <p>GC reported that:-</p> <ul style="list-style-type: none"> • The report concluded reasonable assurance over all • 8 x priority 2 recommendations and 5 x routine housekeeping • No limited assurance • Value for money – arrangements are in place <p>SM asked for any questions or comments from the committee.</p> <p>AEC thanked TIAA for producing the reports in time for the meeting.</p> <p>Internal Audit Reports approved and recommended to the Board.</p>	
19.4.8	<p>Internal Audit Plan 2019/20</p> <p>AEC stated that Henderson Loggie cannot present the Internal Audit plan for 2019/20 as they are currently still external auditors. Once the accounts have been signed off, they will be in a position to present and discuss the internal audit. SM asked if this will affect the timeline of them completing their work. AEC felt that it will not.</p>	

19.4.9	<p>Final Internal Audit Reports:</p> <p>i) Management & Board reporting - JF pointed to the report's mention of the strategic plan and the need for the SMT and Principal to focus on a 6 month timetable in which to implement it. MJ reported that work has been going on in the background (including a staff away day) and there will be a presentation to the next board meeting.</p> <p>i) ICT review of GDPR – This was noted</p> <p>ii) Budgetary Control - SM suggested that SMT meetings should include the management accounts on the agenda. JC suggested that all staff should be encouraged to take ownership of the financial health of the college. SM asked that MJ and AC think about how this could be best achieved.</p> <p>iii) Follow up on previous reports – SM asked whether a process had been implemented for the checking of passports and visas. AEC confirmed that it has been in place since January 2019.</p>	MJ/AEC
19.4.10	<p>Review of risk register.</p> <p>MJ explained to the committee how the risk register works and how to read it. AC asked how Argyll College compare to the rest of UHI. MJ responded that all partners have the same issues but it can be difficult to compare as it depends on how much information is input by individuals. TD noted that there is no mention of injury to staff or students.</p> <p>ACTION: MJ to look at 'injury' for the next audit meeting. SM agreed that the risk register be kept under review by the committee.</p>	MJ
19.4.11	<p>AOCB</p> <p>There was no other business.</p>	
19.4.12	<p>Date of next meeting – To be agreed at Board meeting on 13 Dec 2019</p>	
19.4.13	<p>Signed by</p> <p>..... Date</p> <p>Chair of Finance & General Purpose Committee</p> <p>..... Date</p> <p>Chair of Audit Committee</p>	

Agenda Item 20.1.6



Management accounts to 31 Jan 2020

The accounts for the first half of the year are showing a surplus of £61k. There has been an increase in our creditors of £581k since the year end. Much of increase in creditors is due to deferred grants being received but not yet expended. The schedule of deferred grants details what these are. We have also received funding in advance for the year which has been included in accruals.

The management accounts have been amended to reflect the layout of the statutory accounts which now follow the Education SORP rather than the Charities SORP.

We have had funding for Credits for the year confirmed at £53k less than last year, but for the same credit target.

Our HE numbers for the year are now likely to come in at 190, so we have reduced the income from that budgeted, but final figures have still to be confirmed. UHI has advised that they will be looking to provide the MicroRam figure in mid-April when previously it has not been agreed until late June/early July. A figure of £160k for the year has been forecast in these figures based on previous years, but we should have an accurate figure for MicroRam in the next set of management accounts to the end of April 2020.

National Bargaining funding has been included at an amount of £1.17m. Continued receipt of this is dependent on the College signing up to NRPA at some point in the near future. Job evaluation process for support staff is commencing in other colleges, but until we are formally signed up for NRPA, the College will not be able to progress with this.

The decision has been taken, for well documented reasons, to close the nursery at the end of June. We will incur redundancy costs and the recovery of some fee income debts may be difficult

The Balance Sheet shows unrestricted reserves at the period end of £1.7m, but this is before any adjustment for pension liability, which for 2018/19 was £815k.

Ailsa E Close
24/02/20

Argyll College UHI Ltd

	Actual	Budget	Expected	
	31/01/2020	2019/20	Outturn	
INCOME			2019/20	
SFEFC SUMs Income	1,322,024	2,697,403	2,644,048	
SFEFC SUM's Income - ESOL	0	0	0	
UHI Income - RAM	268,701	633,235	530,909	Based on HE FTEs at Nov 2019
UHI Income - PGDE	21,729	67,000	47,238	Per UHI
UHI Income - Other	58,787	130,000	128,550	Flatrate £20k, SSC£108550
SAAS Income	29,789	309,000	281,000	Will be lower because of lower HE numbers
ILA Income	5,200	11,000	11,000	
DYW income	35,949	180,000	180,000	
MITC funding	0		21,667	5 months year 1
Modern/Foundation Apprenticeships	19,648		30,000	
Bursary Income/Student support	26,592	50,000	45,000	
Other PPE reimbursement/CITB	0	10,000	0	
Maintenance/Capital Grant income	44,706	80,000	62,027	£15042 is for capital rather than maintenance
ESF	41,254		41,254	Income now agreed and paid by UHI for ESIF credits
Bank Interest Received	96	3,000	3,000	
FE Student Fees	92,181	105,000	100,000	
HE Student Fees - Taught	32,615	20,000	35,000	
Commercial Training Activity	16,082	40,000	30,000	
Commercial Training Activity - CSCS Income	1,500	8,000	3,000	Lower because we had to stop tests in all but 1 centre
Nursery Income - Fees	75,577	0	180,000	Closure from end of June - bad debts likely
Property Lease Income	3,959	0	3,959	Leased building delay in sale
Room/Facility Hire - With Own Insurance	929	1,500	2,000	
Room/Facility Hire - Without Own Insurance	810	500	1,000	
Vending Machine Income	782	3,000	1,500	
Hairdressing Income - General	4,886	9,100	6,500	
Hairdressing Income - Retail	0	0	0	
Hairdressing Income - Other	0	0	0	
Catering Income	4,378	11,500	10,500	
Feed-In Tariff	2,336	6,500	4,000	
Other income	2,119	0	4,000	
National Bargaining Grant funding	535,696	860,000	1,071,392	Incls £64k for Superann
Income from Staff	0	700	700	
Graduation Income	375	550	400	
Branded clothing income	1,002	700	2,000	
	2,649,702	5,236,988	5,481,644	
LESS: EXPENDITURE				
MicroRam	80,000	150,000	160,000	
Staffing Costs - Salaries	699,698	1,200,000	1,417,333	staff costs not included in original budget, backfill for MITC post from Apr 20
Staffing Costs - Employer's NI	56,587	108,000	125,560	
Staffing Costs - Employer's Pension	87,021	168,000	181,744	
Staffing Costs - Maternity Pay	(8,790)	1,000	1,000	
Staffing Costs - Sick Pay	0	10,000	10,000	Costs still to be analysed
Staffing Costs - Travel and Subsistence	5,990	20,000	20,000	
Staffing Costs - Training	1,240	6,000	6,000	
Staffing Costs - Disclosure	349	1,000	1,000	
Staffing Costs - Recruitment	360	15,000	3,000	
Staffing Costs - Other	9,402	0	20,000	Redundancy costs for Nursery staff
Teaching Staff Costs - Salaries	856,383	1,677,040	1,713,000	Reforecast in line with mid year costs
Teaching Staff Costs - Employer's NI	67,007	150,934	134,000	Reforecast in line with mid year costs
Teaching Staff Costs - Employer's Pension	156,216	335,408	313,000	Reforecast in line with mid year costs
Teaching Staff Costs - Maternity Pay	0	1,000	1,000	
Teaching Staff Costs - Sick Pay	0	10,000	10,000	Costs still to be analysed
Teaching Staff Costs - Travel and Subsistence	5,884	12,000	12,000	
Teaching Staff Costs - Training Other	4,092	12,000	12,000	
Teaching Staff Costs - Disclosure	403	1,300	1,300	
Teaching Staff Costs - Recruitment	0	3,000	3,000	

Teaching Staff Costs - Other	18,935	12,000	38,000	Predominantly cost of subcontractors for Maritime courses
Payments to Subcontractors	27,568	65,000	80,000	Additional costs for Nursery secondment and external contractors
Learning Resources/Mats	34,390	60,000	60,000	
Student PPE/Kit	8,510	20,000	20,000	
Payments to Awarding Bodies - SQA	8,261	60,000	60,000	
Payments to Awarding Bodies - CITB	1,674	5,000	5,000	
Payments to Awarding Bodies - BCS	4,955	8,000	8,000	
Payments to Awarding Bodies - Activ Training	1,268	3,500	3,500	
Apprenticeship levy	7,724	16,000	16,000	
Marketing and Promotion	18,595	50,000	50,000	
Health and Safety Costs	10,690	25,000	25,000	
Non Chargeable Catering Costs	1,693	5,000	5,000	
Property Costs - General maintenance	30,819	70,000	70,000	
Property Costs - Lease Costs	20,817	72,000	57,500	Move from WHHA back to Centre in Dec
Property Costs - Venue Costs	2,392	10,000	10,000	
Property Costs - Rates and Water Charges	700	17,000	17,000	
Property Costs - Utilities	42,390	80,000	80,000	
Property Costs - Cleaning	18,632	30,000	30,000	
Property Costs - Other Property Costs	3,012	4,000	4,000	
Insurance	26,724	31,000	31,000	
ICT Maintenance and Support	62,409	117,000	117,000	
Equipment repairs	2,471	5,000	5,000	
Equipment Lease Costs	23,625	40,000	40,000	
Company Vehicle Costs - Fuel	1,570	5,000	5,000	
Company Vehicle Costs - Repairs and Maintenance	2,554	3,000	3,000	
Company Vehicle Costs - Road Tax	30	300	300	
Company Vehicle Costs - Other	2,240	40,000	40,000	
Supplies and Copying	9,281	10,000	20,000	
Postage	2,892	7,000	6,000	
Telecoms	2,978	18,000	18,000	
Other expenses	1,714	4,000	4,000	
Donations	154	0	500	
Subscriptions	12,550	27,000	27,000	
Professional Fees - Audit and Accountancy	12,210	20,000	20,000	
Professional Fees - Legal	11,723	12,000	30,000	
Professional Fees - Other	899	5,000	5,000	
Payments To/On Behalf of Students - Travel & Subsistence	9,575	20,000	20,000	
Payments To/On Behalf of Students - Hardship	2,507	10,000	10,000	
Payments To/On Behalf of Students - Disclosure	147	3,000	3,000	
Payments To/On Behalf of Students - Graduation	5,522	5,000	7,000	
Payments To/On Behalf of Students - Other	40	3,500	3,500	
Governance Costs - Travel & Subsistence	55	1,500	1,500	
Governance Costs - Other	228	500	500	
Bank Charges	480	550	550	
Loan Interest - BoS Fixed Rate	0	2,000	2,000	
Bad debts	0	1,500	1,500	
Vending Machine Costs	1,131	5,000	2,300	
Hairdressing Supplies - General	125	8,500	500	
Hairdressing Supplies - Retail	0	0	0	
Hairdressing Costs - Other	36	400	400	
Food Purchases	6,413	15,000	15,000	
	2,487,151	4,914,932	5,223,487	
Operating surplus	162,551	322,056	258,157	
Non Capital Fixed Assets	8,846	40,000	40,000	
Depreciation	92,500	185,000	185,000	
Net surplus/(deficit) for the year	61,205	97,056	33,157	

Argyll College UHI Ltd
Statement of Comprehensive Income
For the period ended 31 Jan 2020

	Actual 2019/20 £	Reforecast 2019/20 £	2018/19 £
Income			
SFC grants	1,857,720	3,715,440	3,616,214
UHI grants	355,178	649,978	630,334
Tuition fees and education contracts	179,433	457,000	872,390
Other operating income	159,694	463,226	340,250
Commercial training activity	17,582	33,000	51,534
Release of deferred capital grant	0	0	126,188
Investment income	96	3,000	7,145
Total income	<u>2,569,702</u>	<u>5,321,644</u>	<u>5,644,055</u>
Expenditure			
Staff costs	1,960,777	4,022,937	4,236,833
Other operating expenses	454,740	1,076,500	1,250,050
Depreciation	92,500	185,000	184,842
Interest and other finance costs	480	4,050	9,720
Total expenditure	<u>2,508,497</u>	<u>5,288,487</u>	<u>5,681,445</u>
Income/(Deficit) before other gains and losses	<u>61,205</u>	<u>33,157</u>	<u>(37,390)</u>
Impairment loss	0	0	(122,639)
Total comprehensive income for the period	<u><u>61,205</u></u>	<u><u>33,157</u></u>	<u><u>(160,029)</u></u>

Argyll College UHI Ltd
 Balance Sheet
 As at 31 Jan 2020

	31/01/2020	2018/19
Tangible fixed assets	3,842,091	3,836,896
Debtors		
Trade debtors	96,411	18,282
Other debtors	124,046	130,635
	<u>220,457</u>	<u>148,917</u>
Cash at bank	2,267,513	1,701,517
	<u>2,487,970</u>	<u>1,850,434</u>
Creditors <1yr		
Trade Creditors	27,868	115,704
Bank Loans	2,964	15,105
Accruals	907,583	553,633
Deferred Grants	3,504,438	3,171,082
Tax & Social Security creditor	58,499	67,017
Other creditors	60,034	57,319
	<u>4,561,386</u>	<u>3,979,860</u>
Net current assets	(2,073,416)	(2,129,426)
Net Assets	<u><u>1,768,675</u></u>	<u><u>1,707,470</u></u>
Reserves		
Unrestricted funds	1,707,470	1,707,470
Comprehensive income for the period	61,205	0
	<u><u>1,768,675</u></u>	<u><u>1,707,470</u></u>

Argyll College UHI Ltd
 Deferred grants
 For the period ended 31 Jan 2020

	Balance at 1 August 2019 £	Recd in year £	Balance at 31 Jan 2020 £	
Capital Reserve	3,125,665	73,882	3,199,547	Capital grants recd by the college since its inception being w/o in line with depreciation
Beam Suntory (Laphroaig Fund)	7,289	0	7,289	Funds rec'd from Laphroaig Distillery for courses in Islay
Princes Trust	10,000	0	10,000	Dates back to Fraser Durie's first year
A & B Council MITC funding	0	52,000	52,000	Funding for Maritime Industry Training Centre for 1 year
Scottish Govt Greenfleet	14,446	98,014	112,460	Funding for lease of 9 electric vehicles
Foundation Scotland	2,000	0	2,000	Funding for courses in Islay
Muir of Laurieston Trust	11,682	0	11,682	Funding for tractor for agriculture courses in Campbeltown, w/o in line with depreciation
Campbeltown Legacy		46,590	46,590	New fund for educational activities in Campbeltown area, legacy bequest
Islay alterations		56,514	56,514	Backlog maintenance grant, work not commenced as yet
Hardy PL Society Bursary		6,356	6,356	Funding for horticulture vists
	<u>3,171,082</u>	<u>333,356</u>	<u>3,504,438</u>	