

Finance & General Purposes Committee

MINUTES

Meeting reference: F&GP 2019-20/02

Date and time: Wednesday 11 December 2019 at 5:00pm

Location: Room 019

Members present: David Littlejohn, Board Member
Brian Crichton, Board Chair
Craig Ritchie, Board Member
Debbie Hutchison, Board Member (from Item 6)
Katrina Hodgson, Board Member (from Item 15)
Margaret Cook, Principal

In attendance: Lorenz Cairns, Depute Principal (Academic)
Veronica Lynch, Vice Principal (External)
Catherine Etri, Associate Principal (Curriculum)
Graham Little (Interim Head of Finance)
Katy Lees (Head of HR & Organisational Development)
Ian McCartney, Clerk to the Board of Management

Apologies: Amy Studders (HISA Perth President)

Chair: **David Littlejohn**

Minute Taker: Ian McCartney

Quorum: 3

Summary of Action Items

Ref	Action	Responsibility	Time Line
1	Welcome Clerk to ensure that papers for extraordinary meeting of F&GP/Audit/ Board are circulated at least 1 week in advance of meeting	Clerk	Feb 2020
7	Estates Update Depute Principal (Academic) to prepare brief based on Paper 3 for a competitive procurement process re Estates Strategy, inclusive of options appraisal.	Depute Principal (Academic)	February F&GP (scheduled)
14	External Audit 2018-19: Status Rationale on Paper 10 to be amended to avoid pre-judgement of outstanding investigations	Principal	ASAP
14	External Audit 2018-19: Status Disclosures summary actions on Paper 10 to be qualified to reflect no guarantee that all issues identified	Principal	ASAP
15.1	Business Development Strategy Defer to future Board for approval to allow for wider consultation (including Board Development Day).	Clerk	March or June Board
15.2	International Strategy Insert additional info re product ranges and present to next scheduled Board meeting	Vice Principal (External)	March Board

Minutes:

Item		Action
1.	<p>Welcome and Apologies</p> <p>The Chair welcomed everyone to the meeting, and introduced Interim Head of Finance to first meeting.</p> <p>Apologies were received from Amy Studders, HISA Perth President.</p> <p>On invitation from Chair, Principal outlined unusual context of this meeting, noting that there are no auditable accounts tabled for scrutiny and approval as the requirements of the External Auditors are not fully available, despite substantial work conducted by the Finance Team. The issue is further complicated by outstanding issues raised to the Auditor General meaning that the External Auditors are not in a position to move forward with production of the accounts at this stage.</p> <p>Principal noted that SMT were working on an action plan to work on issues to ensure robust financial management and to pull strands together arising from investigations to be in a position for the Board to meet in February to approve accounts.</p> <p>Principal further noted that UHI had been alerted to issue of normal reporting deadline of 31st December for to allow accounts to be forwarded to the Funding Council, however contingencies were being discussed to minimise problems in this regard.</p> <p>Meeting was advised that extraordinary meetings would be organised with dates allowing papers at least one week in advance, and with enough time in hand to ensure compliance deadlines.</p>	Clerk
2.	<p>Additions to the Agenda</p> <p>An additional Closed item was added to the Agenda for consideration by Independent Board members. This CLOSED item would be discussed prior to the joint F&GP/Audit section of the meeting.</p>	
3.	<p>Declaration of Interest in any Agenda Item</p> <p>There were no declarations of a conflict of interest.</p>	
4.	<p>Minutes of Meeting held on 23 September 2019</p> <p>The minutes were accepted as an accurate record.</p>	

5.	Matters Arising from Previous Minutes	
	<p><u>7.1 2019/20 Budget Proposals</u></p> <p>Action: Full Budget position to be presented at Board meeting on 9 October 2019</p> <p>Action Update: Completed</p> <p><u>8.1 Estates Update</u></p> <p>Action: Timescale for design and implementation of Estates Strategy to be presented at next Committee meeting,</p> <p>Action Update: Refer to Item 7 on Agenda</p> <p><u>10 Aviation Academy for Scotland – Tay Cities Deal</u></p> <p>Actions: Engage in additional dialogue with other key partners before presenting final proposals to the Board.</p> <p>Action Update: Completed</p> <p><u>10 Review of Meeting</u></p> <p>Actions: Update references to Chief Operating Officer.</p> <p>Action Update: Completed</p>	
6	Accounts	
	<p>Perth College Management Accounts – 3 months to 31 October 2019</p> <p>Interim Head of Finance presented a set of Management Accounts for the first quarter of the current financial year, noting a positive variance of £237k ahead of Budget, however a note of caution was sounded in that variances needed to be unpicked against a phased budget to provide more meaningful data. Provision of a half-year forecast within the next meeting cycle would look to be provided.</p> <p>Following a question from the Chair, Interim Head of Finance noted that more information from UHI would be required to better understand the phasing of funding mechanisms, however this was a 2-way process.</p> <p>Board Member, while welcoming the positive update, asked whether there should be any caution around the veracity of the figures, given the nature of the ongoing investigations. Principal noted that there is little spend in August, therefore an unphased</p>	

	<p>budget would be expected to give positive results. Interim Head of Finance further advised that a complex forecasting model was currently being developed within the Finance team.</p> <p>Board Member sought clarity on expenditure incurred against commercial activity. Vice Principal (External) noted that, whilst activities that are commercially delivered are fully costed, additional work is required to extract information, for example costs absorbed within teaching staff.</p> <p>In response to a Board members question regarding a £93k under-spend in academic budget, Interim Head of Finance noted that the approach to the consequences of national bargaining (ie accrual or phased budget) had yet to be determined, and this would be addressed shortly. Principal further noted that there still needed to be improvements to current systems and processes to ensure accidental permanisation does not occur.</p>	
7	Estates	
	<p>Estates Update</p> <p>Depute Principal (Academic) presented a first draft plan and outline sketches developed to provide a framework for future strategic development/expansion of the campus, which had taken 18 months to pull together in consultation with key stakeholders. Depute Principal (Academic) noted that the work identified some key issues that would need addressed, most pertinently with regard to the likely costs of either redevelopment or relocation.</p> <p>Following a robust discussion over the information provided, it was agreed that further work would need to be conducted on the draft before further consideration, including:</p> <ul style="list-style-type: none"> - initial discussions required with PKC re future primary school provision and likely impact on Perth College; - full options appraisal including location, strategy and funding; - Green travel plan. <p>In addition, the project would likely incur costs in excess of £25k for a feasibility study to be produced, therefore a brief for a competitive tender process would also be required. Brief to include a full options appraisal.</p>	Depute Principal (Academic)
8	Human Resources	
	<p>HR Update</p> <p>Head of HR & Organisational Development presented Paper 4</p>	

	<p>drawing particular attention to the Healthy Working Lives Gold Award review, which will be achieved on completion of a staff survey early in the new year.</p> <p>In response to a query from a Board Member regarding sickness absence statistics, Head of HR & Organisational Development noted that changes were being made to the methodology for recording types of sickness which should help counteract some of the current issues.</p> <p>Principal commended the HR team for the work they had conducted over the last few months during a particularly busy time.</p>	
9	Performance Management	
	<p>Balanced Scorecard</p> <p>Clerk to the Board of Management presented Paper 5, noting that only one KPI area was scheduled for presentation at the meeting.</p> <p>Board Chair noted that, in addition to RAG indicators, consideration should be given to other options such as happy/neutral/sad visuals to cater for colour-blind users.</p>	
10	Standing Committee Minutes	
	<p>Papers 6, 7 and 8 (minutes of JNC and JNC Consultation meetings) were presented to Committee for noting. Principal provided a verbal update on progress re the Consultation meetings, noting in addition that a meeting had taken place earlier that day; that over 60 emails had been received from staff via the Consultation email address; and that the next Consultation meeting was scheduled for January 2020.</p>	
2	Addition to the Agenda – CLOSED Item	
	<p>Independent Board Members and Principal discussed an urgent & confidential staff matter. This item was dealt with as a CLOSED item for minuting purposes.</p>	
11	Date & Time of next meeting	
	<p>Wednesday 04 March 2020 at 5:50pm</p>	
12	Review of Meeting	
	<p>The Committee agreed the meeting had covered its Terms of Reference.</p>	

<p>13</p>	<p>Joint Meeting</p> <p>At this stage, the Committee were joined by members of the Audit Committee to consider matters of mutual interest.</p> <p>Principal reiterated unusual context of this meeting, as outlined within Item 1,</p>	
<p>14</p>	<p>External Audit 2018-19: Status</p>	
	<p>Principal introduced paper 10, and outlined current position regarding 2018-19 Financial Statements and External Audit, noting that the Finance team had worked hard to provide a significant amount of information required for the External Auditors, however the issue raised to the Auditor General meant that it was not competent for the Auditor to recommend that the accounts be signed off at this time.</p> <p>Principal advised that UHI had been made aware of the issue, before outlining the required timescales which would allow sufficient time for the audit process to be completed, accounts to be signed off and Financial Statements and Audit Report to be lodged with the Scottish Funding Council by the end of April, noting the requirement for an additional cycle of F&GP, Audit and Board during late January and into February.</p> <p>Chair of F&GP provided a clear instruction that paperwork for these meetings is circulated in good order for to provide ample time for scrutiny by Board members.</p> <p>Chair of F&GP proposed taking each recommendation outlined within Paper 10 individually.</p> <p><u>1 - Rationale</u></p> <p>Board Member noted that the rationale outlined in Paper 10 makes a link to the ongoing investigation being undertaken with UHI Internal Audit, and queried whether timescales can be asserted at this stage pending the outcome of that investigation. Committee AGREED that the Rationale statement pre-judges a positive outcome from the UHI investigation and instructed Principal to amend accordingly.</p> <p>Pending amendment as outlined above, the Rationale was APPROVED.</p> <p><u>2 – Disclosures</u></p> <p><u>a) Payroll</u></p> <p>Board Member noted that previous Audit Committee had expressed concern to ensure that all payroll items were flushed out</p>	<p>Principal</p>

	<p>and asked whether management were satisfied that errors identified would be all. Principal noted that such a guarantee could not be provided at this time. Chair of Board suggested that this position be clarified within the Disclosures. This approach was AGREED.</p> <p>Board Member enquired whether any underpayment of pensions contributions had been identified. Vice Principal noted that only overpayments had been identified at this stage, but a deep-dive was still to take place, the findings of which will be reported back to Committee.</p> <p>Board Chair asked whether monies could be claimed back. Head of HR & Organisational Development noted that there were strict limitations on both amounts and timelines in this regard.</p> <p><u>b) Equalities Duties</u> Committee noted that a draft mainstreaming report had been completed, however this needs to be approved via Committee structures.</p> <p><u>c) Settlement Agreements</u> Principal noted that 2 Agreements had been processed without receiving formal permission, for which the Principal took responsibility, as these Agreements had no additional financial impact beyond contractual matters. It was noted that the Board Chair was involved in the matter at that time, and had also interpreted the guidelines in the same way.</p> <p><u>d) Procurement</u> Principal noted the long-term concerns in this area, and the contracted involvement of an APUC staff member to address these concerns.</p> <p><u>e) Contract Terms & Conditions</u> Principal noted the link in this item to Procurement and informed Committee that this item related to items such as the telecom masts on the roof whereby only a partial recoup of electricity costs had been claimed.</p> <p><u>f) Deferred Income</u> Principal noted that, while this item had been discussed numerous times at various Board meetings, it had now been identified by EY that the value of Deferred Income was not as material as had previously been thought.</p> <p>Principal noted that the Senior Management Team were being proactive in these matters, and in some of the areas highlighted under the parallel UHI investigation, and a robust Action Plan was being prepared to respond promptly to issues raised. It is recognised that there are elements of concern being raised that will need to be dealt with as soon as possible, that some items are</p>	Principal
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	<p>long-standing in nature, and there is a clear need to achieve compliance.</p> <p>EY noted that the Risk Profile of the Audit had altered as a result of the issues described, and that EY were liaising with the UHI Internal Auditor on these matters.</p> <p>Committee NOTED the Disclosures as outlined.</p> <p><u>3 – Approval Timeline & Dates For Completion</u></p> <p>Committee APPROVED amendments to the approval timeline as outlined.</p>	
15	Business Development	
15.1	<p>Business Development Strategy</p> <p>Vice Principal (External) presented Paper 11, referring to discussions that had taken place at the Board Strategy Day in September 2019, and noting the focus on margins of contribution rather than purely levels of income; the desire to meet the needs of existing and future workforces; and the links to curriculum development outlined within the Strategy.</p> <p>Board Member expressed concern that there was limited ambition with regards to strategic and market context, and noted the document could be viewed as quite insular, quoting only one reference to other businesses.</p> <p>In contrast, another Board Member felt that the Strategy was a very positive directional document with the potential to drill down to specific elements at a later date.</p> <p>Vice Principal clarified that the Committees' endorsement was sought on the direction of travel at this stage, with a revised version being tabled to the full Board for approval.</p> <p>Board Member queried how confident management were of the levels of staff and other resources available to deliver all the KPIs identified within the Strategy. Vice Principal acknowledged that certain areas within the organisation will need to be joined up better than is currently the case, but also noted that the KPIs for the 1st window had been set at achievable levels.</p> <p>Board Chair advised that, while the paper needs more detailed analysis of competitive environment to determine basis on which Perth College will compete and to provide insight into compelling reasons for choices, and there needs to be realistic objectives and stretch targets set, it does provide a higher degree of confidence in what is being promised.</p>	

	<p>Board Member queried the lack of baseline income to allow for a sense of proportion re income in 5 years' time. Vice Principal noted that targets were modelled to ensure they were realistic against budgets, and that the emphasis had been place on income not profitability to provide a link to core team costs and provide "true margins".</p> <p>Board Member identified that Phase 1 was scheduled for 2019/20 and discussions indicated a need to defer this timescale. Vice Principal noted that business development will continue in key areas but the full strategy will result in revised timescales, for example the proposed CRM system could be implemented quickly but system requires new ways of working.</p> <p>Committee AGREED that further consultation on the Business Strategy was required before being submitted to the Board. In addition, it was AGREED to utilise time at a Board Development session to further discuss the matter.</p>	
<p>15.2</p>	<p>International Strategy</p> <p>Vice Principal (External) presented Paper 12, noting the parallels between the International Strategy and the Business Development Strategy, and the focus on key markets building on existing provision.</p> <p>Vic Principal drew attention to the targeted growth in revenues from £900k in Year 1 to £2.7m in Year 5.</p> <p>Board Member sought clarification over Chinese Ministry of Education final approval. Vice Principal noted that current regulations allowed for a maximum of 3 partnerships in the in-market delivery of trans-national provision.</p> <p>Board Member asked for some additional information regarding product ranges. Vice Principal noted that there were opportunities in research partnerships and MBAs amongst other options. Vice Principal would provide more detailed information prior to any Board approval.</p> <p>Committee noted its broad approval of the International Strategy, noting that additional information regarding product ranges was requested prior to the final paper being tabled for approval at the scheduled Board meeting in March 2020.</p>	<p>Vice Principal (External)</p>
	<p>F&GP Committee concluded at this point, with Audit Committee continuing with its scheduled business.</p>	

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Notes taken to help record minutes are also subject to Freedom of Information requests, and should be destroyed as soon as minutes are approved.

Status of Minutes – Open* Closed
*** Excepting Item 2**

An **open** item is one over which there would be no issues for the College in releasing the information to the public in response to a freedom of information request.

A **closed** item is one that contains information that could be withheld from release to the public because an exemption under the Freedom of Information (Scotland) Act 2002 applies.

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Do the minutes contain items which may be contentious under the terms of the Data Protection Act 1998?
Yes
No