

Finance & Resources Committee

Minutes

Meeting reference: F&R2022-23/02

Date: Monday 12 December 2022 at 5.00pm

Location: Boardroom (Braham Room 019)

Members present: Katrina Hodgson, Chair
Michael Buchanan, Board Member
Andrew Comrie, Board Member
Heather Cormack, Board Member
Margaret Cook, Principal
Todor Pavlov-Kennedy, Student Board Member

In attendance: Jim Crooks, Chair of Audit Committee (from Item 12)
Fiona Martin, Member of Audit Committee (from Item 12)
Debbie McIlwraith Cameron, Member of Audit Committee (from Item 12)
Derek Waugh, Member of Audit Committee (from Item 12)
Lorenz Cairns, Depute Principal
Veronica Lynch, Vice Principal (External)
Iain Wishart, Vice Principal (Operations)
Ian McCartney, Clerk to the Board
Rachel Wynne, Ernst & Young, External Auditor (from Item 12)
David Archibald, Henderson Loggie, Internal Auditor (from Item 12)

Apologies: Graham Watson, Interim Chair, Board of Management
John Dare, Staff Board Member

Chair: Katrina Hodgson

Minute Taker: Ian McCartney

Quorum: 4

MINUTES

Item		Action
1.	<p>Welcome and Apologies</p> <p>Chair welcomed everyone to the meeting and noted apologies.</p>	
2.	<p>Additions to the Agenda</p> <p>None</p>	
3.	<p>Declaration of Conflict of Interest in any Agenda Item</p> <p>None</p>	
4.	<p>Minutes of Meeting of Finance & Resources Committee, 05 October 2022</p> <p>The minutes were approved as a true and accurate record of the meeting.</p>	
5.	<p>Matters Arising from previous minutes: 05 October 2022</p> <p><u>10.1 – HR Update</u></p> <p>Action: Head of HR and Clerk liaise re the current requirements re Mandatory Training to Board Members.</p> <p>Action Update: Clerk had now received the outstanding list re Board Mandatory Training and will distribute.</p> <p><u>6.2 – Estates Strategy & Aviation Academy for Scotland Update</u></p> <p>Board Member requested an update on the latest position re this issue.</p> <p>Depute Principal advised that the Perth College Masterplan had been shared with PKC, who are due to respond before Xmas break to firm up a joint masterplan, initially with regards to space as financial elements had not yet been discussed. It was likely that 5-year outlook for the project would be required.</p> <p>Depute Principal further advised that the Scottish Futures Trust was the most likely bidding source should these plans be further developed, however there was a need to firm up access to these funds. Following a query from a Board member re commercial impact on the nursery, Depute Principal noted that the nursery would form part of the discussion with PKC.</p>	

<p>6.1</p>	<p>Perth College Financial Update: Year to 31 October 2022</p> <p>Vice Principal (Operations) summarised Paper 2, noting that actual staff costs do not incorporate National Bargaining at this stage, and that HE numbers were down quite significantly which has led to staff costs being behind budget.</p> <p>Vice Principal (Operations) advised that Paper 2 also showed a realignment of budget centres based on commercial incomes aligned to areas noted in Paper 3 to provide additional clarity.</p> <p>Board Member asked whether Perth College was broadly in line with the sector. Vice Principal (Operations) advised that the whole sector seemed to be sharing pain around clawback, energy costs and National Bargaining, however Perth College may be unusual in the impact of the drop in HE numbers as we recruit more therefore the impact is bigger.</p> <p>Chair queried whether the timing issues noted were a surprise. Vice Principal (Operations) noted that Estates work was a factor, particularly around work from 2021/22 requiring to be completed in a timely manner to allow the AOP to be utilised appropriately. It was planned to tackle this better in the next Budget phase.</p> <p>Board Member queried whether there was any lobbying being done with regard to HE numbers. Depute Principal noted that UHI were looking to tackle numbers within the current AY, however with UCAS entries for 2023/24 closing in January, it would appear difficult to see how this gap will be bridged. Principal further noted that the UHI2024 Curriculum strand are looking towards 2024/25.</p> <p>Committee noted Paper 2.</p>	
<p>6.2</p>	<p>Financial Outlook</p> <p>Vice Principal (Operations) summarised Paper 3 and noted that a discussion on similar issues had been tabled at Strategic Development Committee (paper included). Vice Principal (Operations) further noted that the comparability of sector spending should be treated with caution as this were high-level estimates as not all Colleges report spending in the same way.</p> <p>Chair thanked Vice Principal (Operations) for the comprehensive paper and the huge amount of information provided, noting that the paper focused the mind on the question of what the core business of the College is.</p> <p>Board Member suggested that the benefits of some of the poorer-performing commercial operations need to be taken into account, particularly around recruitment and retention, as this might justify them being subsidised. Board Member agreed with this position,</p>	

	<p>however noted that the College do not strictly need to own such operations for benefit to be realised.</p> <p>Board Member noted that the ratio of reliance on Government funding would be useful to know, and suggested that different models need to be looked at, for example contracted services similar to those operated by Council-run leisure activities. Depute Principal advised that the College's reliance on core funding was approximately 80%.</p> <p>Chair thanked Members for their input, and asked what next steps were. Clerk advised that the next meeting of the Committee was to be a joint meeting with Strategic Development Committee, and suggested that these common areas form the bulk of the shared agenda. This proposal was AGREED by Committee.</p> <p>Board Member suggested that the numbers of income stream areas be reduced from the 22 listed to perhaps save on overheads.</p>	
7.1	<p>Aviation Academy for Scotland/Tay Cities Deal - update</p> <p>Vice Principal (External) briefly summarised Paper 4, noting that College would not be in a position to draw down funding in 2023/24, therefore proposes to defer drawdown until Year 10 of the project.</p> <p>Vice Principal (External) advised that the TCD Project Management Office was comfortable with this deferral as it posed a low risk to the project.</p> <p>Committee ENDORSED the proposals outlined in Paper 4.</p>	
8.1	<p>Estates Update</p> <p>Committee noted Paper 5.</p>	
9.1	<p>HR Update</p> <p>Committee noted Paper 6.</p> <p>Board Member requested that information be provided re staff absences apparently exceeding pre-pandemic levels. Clerk to liaise with Head of HR to issue as soon as possible.</p>	Clerk
9.1	<p>Estates Update</p> <p>Depute Principal presented Paper 7 for information.</p> <p>Committee noted Paper 7</p>	

<p>10.</p>	<p>Committee Meetings</p> <p>The following Committee Minutes were noted:</p> <ul style="list-style-type: none"> • EDIT Committee, 15 September 2022 • JNC Support Staff, 17 November 2022 • JNC Lecturing Staff, 22 September 2022 • JNC Lecturing Staff, 17 November 2022 • Staff Engagement Committee, 01 September 2022 • Staff Engagement Committee, 03 November 2022 	
<p>11.</p>	<p>Review of Meeting</p> <p>Committee confirmed that the meeting had been conducted in line with its Terms of Reference.</p>	
	<p>Joint Meeting with Audit Committee</p> <p>Committee held a joint meeting with Audit Committee to review Annual Statements and Reports relating to FY 2021/22.</p>	
<p>12.</p>	<p>Joint Welcome and Apologies</p> <p>Chair of Finance & Resources welcomed members of Audit Committee to proceedings, and noted apologies.</p>	
<p>13.</p>	<p>Declaration of Conflict of Interest in any Agenda Item</p> <p>None</p>	
<p>14.</p>	<p>Draft Perth College Group Report & Financial Statements for the Year ended 31 July 2022</p> <p>Vice Principal (Operations) presented Paper 9 for consideration and endorsement, noting that the final AOP figure was in line with expectation per the Management Book presented to previous Finance & Resource Committees.</p> <p>Vice Principal (Operations) advised that the Audit process had proceeded relatively smoothly, with only minor delays in the provision of certain information.</p> <p>Vice Principal (Operations) highlighted the Balance Sheet, noting that a revaluation of assets related to the College Estate had moved the overall asset position, and that there had been an accounting adjustment related to the Pension Fund liability which, under FRS102, cannot be shown as an asset on the Balance Sheet.</p> <p>External Auditor confirmed that all adjustments presented had</p>	

	<p>been recorded correctly.</p> <p>Chair of Finance & Resources queried the signing-off procedure for the Accounts. Vice Principal (Operations) advised that the Accounts were required to be signed off this week to allow for lodging with the Auditor General before the end of the year. It was AGREED that, with the Joint Meeting constituting a quoracy of the Board, the accounts could be signed off within that period and ratified by the Board on the 22nd, assuming any remaining amendments did not breach the Materiality threshold of £540,000 confirmed by External Auditor.</p> <p>Audit Committee Member queried the trend information around the environmental performance on Page 15 of the Group Report. Depute Principal advised that this had been addressed during the Estates Report to Finance & Resources Committee. Clerk to circulate this paper to Audit Committee for information.</p> <p>Vice Principal (Operations) noted that there was a material uncertainty around AST Going Concern, however due to this being within the College Materiality for the Group Accounts, this would not have an effect on the signing off timetable, and AST Auditors were in close consultation with EY on this matter.</p> <p>The Perth College Group Report & Financial Statements for the Year ended 31 July 2022 were APPROVED subject to any Materiality issues and would be presented to Board for ratification.</p>	Clerk
15.	<p>Draft External Audit Annual Report 2021-22</p> <p>External Auditor presented Paper 10, noting an Unqualified Audit Opinion for the Financial Statement presented under Paper 9. External Auditor thanked the College Finance Team for their efforts in presenting a set of accounts for consideration in December for the first time in a few years.</p> <p>External Auditor noted key risks as presented being Pensions (due to a significant swing due to the discount rate, a position that was being repeated across the sector) and Going Concern (AST had been considered but EY comfortable not to escalate due to position within Group Accounts, and are in regular contact with AST Auditors).</p> <p>External Auditor noted the following Wider Scope issues:</p> <ul style="list-style-type: none"> • A RED rating had been allocated to Financial Sustainability due to sector-wide issues resulting in the likelihood of difficult decisions being required • External Auditor noted the pace of change in internal 	

	<p>improvements within Finance Management since this matter was first advised in 2019/20, however there were still a number of key personnel dependencies that required addressing, and increased capacity was required, resulting in a RED rating being allocated</p> <ul style="list-style-type: none"> • Governance & Transparency had received an AMBER rating due to the pace of change from the previous year relating to the remaining items from the 2019 Audit Action Plan. External Auditor also noted the lack of clear evidence of consideration of the Public Sector Pay Policy when agreeing the revised Principal's remuneration • Value For Money also received an AMBER rating due to a delay in visibility of public performance reporting. <p>Board Member noted a presentational issue. External Auditor confirmed this was due a version control issue, and this would be corrected prior to publication of the Report.</p> <p>Chair of Audit noted comments re capacity within Finance and shared concern, however believed this should be resolved operationally. Chair of Audit requested that Clerk add the matter to the agenda of the next Audit Committee to take forward.</p> <p>Chair of Remuneration addressed the issue of the Principal's Salary advised in the External Audit Report.</p> <p>[Principal left meeting during discussion of this matter]</p> <p>Chair of Remuneration advised those present that the governance shortfall had been caused by an omission from the minutes, that discussion had place around the Public Sector Pay Policy, however this had not been formally recorded. Chair of Remuneration noted in mitigation that the review of the salary was a 5-year review therefore Remuneration Committee as a whole had been remiss in not addressing the issue on a regular basis.</p> <p>Chair of Remuneration advised that a briefing had been prepared earlier today in response to a query from a Board Member on this issue, and requested that the Clerk forward this briefing/response to External Auditor for full transparency.</p> <p>The Draft External Audit Annual Report 2021-22 was ENDORSED pending minor amendments, and would be presented to Board for approval.</p>	<p>Clerk</p> <p>Clerk</p>
<p>16.</p>	<p>Draft Internal Audit Annual Report 2021-22</p> <p>Internal Auditor presented Paper 11, noting that audit processes were independent and compliant with standards.</p>	

	<p>Internal Auditor noted the larger programme of work compared to previous years, and that, following the extension of Henderson Loggie’s contract as External Auditor, and Audit Needs Assessment had preceded the agreement of the Audit Plan.</p> <p>Internal Auditor advised that all reports within the Annual Action Plan had been delivered, with a summary of outcomes presented on page 3 of the Audit Report, and noted that the overall outputs were broadly positive.</p> <p>Internal Auditor highlighted the Follow-Ups section of the Report, advising that, of the 29 actions in this section, 8 had been fully implemented, 2 were close to full implementation, and 19 were outstanding but moving forwards.</p> <p>Chair of Audit noted the continuing theme of capacity and the number of Follow-Ups still outstanding, which would require to be addressed.</p> <p>Chair of Finance & Resources asked where responsibility for monitoring progress of the 19 outstanding recommendations referred to in the Follow-Up report lay. Chair of Audit noted that these linked back to the outstanding Audit Action Plan, and would be monitored accordingly. Vice Principal (Operations) advised that internal resource had been identified within team to lead on closing outstanding actions, and would be taking on this role from January 2023.</p> <p>The Draft Internal Audit Annual Report 2021-22 was ENDORSED, and would be presented to Board for approval.</p>	
17.	<p>Draft Audit Committee Annual Report to the Board of Management</p> <p>Clerk presented Paper 12, noting that the Audit Committee Report to the Board was largely collated from the preceding reports with additional information provided around key changes within the College during the year, and was intended to supply Board with confidence that Audit Committee had enacted its compliance responsibilities.</p> <p>The Draft Audit Committee Audit Annual Report 2021-22 was ENDORSED, and would be presented to Board for approval.</p> <p>Chair of Audit noted that 2021/22 represented to final External Audit to be conducted for Perth College by Ernst & Young after many years, and thanked EY on behalf of Audit Committee for their scrutiny, openness and valued input over the years. Principal echoed these thanks on behalf of the Senior Management Team</p>	

18.	<p>Date & Time of Next Meeting</p> <ul style="list-style-type: none"> • Tuesday 02 March @ 5:00pm <p>Clerk noted that this meeting would include a joint meeting with Strategic Development Committee.</p>	
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Information recorded in College minutes are subject to release under the Freedom of Information (Scotland) Act 2002 (FOI(S)A). Certain exemptions apply: financial information relating to procurement items still under tender, legal advice from College lawyers, items related to national security.

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 (Except Item 6.2)

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.

The College may also be asked for information contained in minutes about living individuals, under the terms of the Data Protection Act 2018. It is important that fact, rather than opinion, is recorded.

Do the minutes contain items which may be contentious under the terms of the Data Protection Act 2018? **Yes** **No**