

## Board of Management

Meeting	Finance and General Purposes Committee
Date and time	Thursday 28 September 2017 at 9.00 a.m.
Location	Boardroom, 1 Inverness Campus

Board Secretary  
21 September 2017

### AGENDA

#### Welcome and Apologies

#### Declarations of Interest

#### ITEMS FOR DECISION

1. **MINUTES**  
Finance and General Purposes Committee held on 12 June 2017
2. **FINANCE AND GENERAL PURPOSES COMMITTEE - TERMS OF REFERENCE**  
Covering report by Board Secretary
3. **ARMS LENGTH FOUNDATION – FORWARD PLANNING**  
Report by Director of Finance
4. **FINANCIAL REGULATIONS**  
Covering report by Quality Officer
5. **SFC FINANCIAL FORECAST RETURN (FFR) 2017**  
Report by Director of Finance

#### ITEMS FOR DISCUSSION

6. **NATIONAL BARGAINING**  
Joint Report by Directors of Organisational Development and Finance
7. **FINANCE MONITORING REPORT 2016/17**  
Report by Director of Finance
8. **UPDATE ON ACCOUNTS & EXTERNAL AUDIT PROCESS 2016/17**  
Report by Director of Finance
9. **CAPITAL EXPENDITURE PLAN REPORT 2017/18**  
Report by Director of Finance

10. **BUSINESS DEVELOPMENT/INTERNATIONAL – PLANNED INCOME & EXPENDITURE FOR 2017/18**  
Report by Director of Business Development
  11. **ESTATES REPORT (CONFIDENTIAL)**  
Report by Director of Organisational Development
  12. **STUDENT RESIDENCES**  
Verbal update by Director of Finance
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#### **ITEMS FOR NOTING**

13. **GOVERNANCE**  
**CIPFA BEST PRACTICE GUIDE – FINANCE COMMITTEE EVALUATION**
14. **AUDIT REPORT - RECOMMENDATIONS**  
New Campus – Maintenance and Unitary Charge Controls
15. **HENDERSON LOGGIE – FOLLOW UP REVIEW**  
Covering report by Secretary to the Board
16. **AOCB**
17. **DATE OF NEXT MEETING**  
Thursday 7 December 2017 at 9.00 a.m.

## Board of Management

### MINUTES of the MEETING of the FINANCE AND GENERAL PURPOSES COMMITTEE held in the Board Room, 1 Inverness Campus on Monday 12<sup>th</sup> June 2017

**PRESENT:** Brian Henderson, Andy Gray, Roddy Henry (from item 6),  
Carron McDiarmid, Helen Miller, Tom Speirs

**CHAIR:** Brian Henderson

**APOLOGIES:** Mick Longton, Gavin Ross

**ATTENDING:** Director of Organisational Development  
Director of Business Development  
Financial Services Manager  
Secretary to the Board of Management

*The Chair welcomed Tom Speirs who had just been appointed as a co-opted member on the Board*

*The Chair thanked everyone for attending this meeting which had been rescheduled from Thursday 8<sup>th</sup> June.*

*As the Acting Principal was currently en route back to Inverness to join the meeting, the Chair suggested that the order of the agenda items be amended so that the Acting Principal could input into the item on the revenue budget. This was agreed.*

*Carron McDiarmid, being an employee of Highland Council, declared an interest in items 4c and 8 on the Agenda. It was agreed that Carron would not need to leave the room during discussion of these items.*

#### 1. MINUTES

The Minutes of the Meeting of the Finance and General Purposes Committee held on 9 March 2017 were **ACCEPTED** as a correct record, were **APPROVED** and signed.

#### 2. PROPOSED FEES FOR 2017/18

Under the terms of the Further and Higher Education (Scotland) Act 1992, College Boards of Management were required to set and charge fees for education provision with some exceptions. The full time fee rates were not within the control of the College and both FE and HE full time rates remained at the same level as previous years.

A report by the Financial Services Manager outlined the proposed schedule of fees for 2016/17. The HE fees were provided for noting as these were set and approved by UHI. She explained that the significant change was in part time FE fees which would see an increase of 5%. This increase had been proposed in order to meet some of the anticipated staffing costs as a result of the ongoing National Bargaining discussions.

There was a discussion on the requirement of the Board of Management to approve some categories of fees, namely nursery and commercial fees as the legislation did not specifically require approval by the Board. The Committee were of the opinion that they would like to continue to see all proposed fees, with the exception of commercial fees as it was understood the need for flexibility in the setting of these fees throughout the year.

The Committee **RECOMMENDED** to the Board of Management approval of the proposed schedule of part time FE fees, nursery fees and other course fees for 2017/18 set out in the appendices to the report subject to the Financial Services Manager providing further justification of the increase in FE fees.

### **3. SUPPORTING STRATEGIES**

The Chair set the scene for this item, explaining that this followed on from the previous Strategic Planning Day and subsequent Chairs Meeting to discuss next steps. As a result, each committee was tasked with reviewing relevant, appropriate supporting strategies, to ensure alignment with the 2017/2020 College Strategic Plan and also to identify Key Performance Indicators specifically for the Committee and Board to concentrate on.

#### **a. Business Development**

A report by the Director of Business Development advised that the strategy included four strategic objectives which aligned to the strategic aims within the strategic plan for 2017-20

- To inform the continued development of the College's curriculum to meet the needs of business
- To be the training and education provider of choice in Inverness and the Highland region
- To grow and diversify the College's funding for training, education and research
- To maximise commercial and community engagement with the College

The Chair congratulated the Director of Business Development on the development of an excellent strategy and welcomed the proactive approach being taken.

During discussion, the Committee requested the Director of Business Development to highlight some of the linkages between the Business Development and the International Strategies. The Committee also requested that some baseline figures be provided for the KPIs.

The Committee **RECOMMENDED** the Business Development Strategy to the Board of Management for approval.

#### **b. Marketing and Communications**

A report by the Director of Business Development advised that the marketing and Communications Strategy linked to all strategic aims within the Strategic Plan, as effective internal and external communications was essential to support the delivery of the strategic objectives and ensure growth targets were met.

The five strategic objectives for Marketing and Communications are:

- To position Inverness College UHI as the provider of choice for high quality tertiary education and training
- To increase student applications and enrolments to meet recruitment targets
- To increase commercial and non-mainstream income
- To support the growth of research participation and income
- To increase the College's profile and reputation in local, regional national and key international markets

There was discussion on the actions within Strategic Objective 1 and the committee noted that there were no targets included within the list of KPIs.

The Committee **RECOMMENDED** the Marketing and Communications Strategy to the Board of Management for approval.

#### c. Estates

A report by Director of Organisational Development advised that the College Estate comprised the Main College Building and the Early Learning and Childcare Centre on the Inverness Campus site as well as the buildings at the Scottish School of Forestry. She gave some background to the strategy and explained the current position which would allow the college to move forward with the development of the estate

The strategy required an outline of the planned maintenance for those aspects of the NPD contract that the college has responsibility for including grounds maintenance, painting, window cleaning and general upkeep of the estate. It was also important to note that E block, forestry outbuildings and the Early Learning and Childcare Centre were not covered by the current NPD contract or Facilities Management Arrangements through GTFM. The Aviemore facility was leased by the college and therefore the maintenance was covered through the contract lease arrangements with MacDonald Resort.

Following discussion, the Committee requested the Director of Organisational Development to update the Strategy to include some further data, to make reference to business continuity within the section on security and to refer to the opportunities for the utilisation of space, particularly in the evening and at weekends to assist in the promotion of the building as a community hub

The Committee, subject to the amendments requested above, **RECOMMENDED** the Estates Strategy to the Board of Management for approval.

#### 4. FINANCE MONITORING REPORT

A report by the Financial Services Manager provided the results of the financial monitoring exercise for the 9 months to April 2017. The key points discussed were:-

- The year-end position showed a forecast net operational deficit of £842,000 compared with the budget level of £0. The variance in deficit

related to the adjusted values to be applied in respect of deferred capital grant income. Deferred grant had been recalculated in line with the required accounting in respect of the new campus arrangements. The original budget was set prior to agreement on the correct accounting. This has resulted in negative variance.

- The overspend in supplies and services costs and in particular the substantial figure of almost £50K for British Sign language services. Carron McDiarmid referred to a collaborative approach between Highland Council and NHS Highland and offered to provide information on this approach to the Director of Organisational Development
- The overspend in Student Support funds. The Financial Services manager advised that there was not a trend the level of student support funds over the last few years.
- The amount of debt over 90 days which was worth around £350K. The Financial Services Manager advised that almost half this figure related to a single debt.

The Committee **NOTED** the position for the 9 months to April 2017

*Roddy Henry entered the meeting during consideration of the following item.*

#### **5. CAPITAL EXPENDITURE PLAN REPORT 2016/17**

A report by the Financial Services Manager provided an update on the capital expenditure plan for 2016-17 as at April 2017. As reported to the last meeting of the Committee in March 2017, the College had received additional funding in year and SFC had agreed an extension to 31 July 2017 to enable maximisation of the funds

Overall, the Capital Expenditure Plan for 2016/17 showed a projected outturn figure of £524,048 against the budget allocation of £595,844. The College was forecasting an underspend on the budget for buildings of £93,793 due to delays associated with the refurbishment of the tractor shed at Balloch.

The Committee **NOTED** the projected underspend in the buildings element of the budget and, as agreed at the meeting of the Committee held in September 2016, the funds required for the purchase of the replacement tractor at the SSF be requested from the ALF.

#### **6. GALLIFORD TRY FACILITIES MANAGEMENT (GTFM) MONITORING REPORT**

A report by the Director of Organisational Development provided an update on the disposal of the legacy sites at Midmills and Longman and on GTFM performance.

Missives had now been concluded for Midmills and the keys had been handed to the buyer. Graham and Sibbald were progressing a survey pre and post demolition for the Longman building.

Although GTFM continued to perform below the standard stipulated in the facilities management contract, improvements were being made, mainly due to the number of defects being made good and also the presence of an on-site manager. GTFM had also bolstered their team number in recent months

to three further technical specialists. Scottish Futures Trust (SFT) were working closely with the College to ensure that the terms of the contract were adhered to and that performance improved in line with this. SFT had also been working closely with GTFM to ensure that the pay mechanism in line with the contract was adhered to.

The Committee **NOTED** the position.

#### **7. REVENUE BUDGET 2017/18**

A report by the Financial Services Manager set out the strategic context to the Revenue budget for 2017/18 and advised that the main focus for the College was to ensure that it delivered services within a break-even resource budget position.

She spoke to the report highlighting the summary budget for 2017/18, 2017/18 budget assumptions, income and expenditure, current year performance, pressures in setting a break even budget and the risk assessment which had been carried out.

The most significant budget risk for 2017/18 related to the impending pay award implementation in relation to teaching staff, and the resulting impact this would have on support staff negotiations. An up to date position would be reported to the Board of Management at its meeting on 20 June.

The Committee **AGREED** to **RECOMMEND** the 2017/8 revenue budget to the Board of Management for approval.

#### **8. BUSINESS DEVELOPMENT REPORT**

A report by the Director of Business Development provided an in-year report on Business Development activity across the three areas of business solutions, international development and CREATE.

The Director of Business Development referred to the impact of staff sickness and the impact of the recent strike action on the business development income. However, the potential outturn for business development income was in line with the budget.

In answer to a question, the Director of Business Development confirmed that the success of memorandums of understanding were reported through the business development committee.

The Committee **NOTED** the report.

#### **9. RISK REGISTER ANNUAL REVIEW**

A report by the Acting Principal provided a summary of the risks on the College's Risk register that related to the remit of the committee in order to enable the committee to review the residual risks.

There was a general discussion on the risks and the Acting Principal confirmed that the risk register would be reviewed in full to take into account the supporting strategies and KPI's following approval by the Board of Management.

The Committee **NOTED** the position.

**10. NEW FINANCE SYSTEM PROJECT**

A report by the Financial Services Manager provided an update on the status of the new finance system implementation which was 12 months behind schedule and was likely to delay further. A number of options had been discussed at the last Project Board in May 2017.

The Financial Services Manager advised that the 1<sup>st</sup> August “go live” date was not going to be achieved and Management had proposed a delay of 6 months.

The Committee discussed at length the position and **ENDORSED** the proposed delay of 6 months to the “go live” date.

*The following items were included in the agenda for noting only and therefore no discussion took place at the meeting.*

**11. STUDENTS’ ASSOCIATION BUDGET 2017/18**

A report by the Financial Services Manager presented the students’ association budget for 2017-18.

**12. INTERNATIONAL STRATEGY**

A report by the Director of Business Development provided an update on the review of the College’s International Strategy and gave an overview of current and planned international business development activity.

**13. AUDIT REPORTS - RECOMMENDATIONS**

- a) **PROCUREMENT AND CREDITORS/PURCHASING**
- b) **IT NETWORK ARRANGEMENTS**

The internal audit reports on Procurement and Creditors/Purchasing and IT Network Arrangements had been considered by the Audit Committee and were presented to this committee, together with the recommendations, for noting.

**14. DEBT WRITE-OFF REPORT**

A report by the Financial Services Manager provided information on the debts which had been written off by the Principal under delegated authority.

**15. DATE OF NEXT MEETING**

Thursday 28<sup>th</sup> September 2017 at 9.00 a.m.

**Signed by the Chair:** \_\_\_\_\_

**Date:** \_\_\_\_\_



**BOARD OF MANAGEMENT**

Subject/Title:	Finance and General Purposes Committee Terms of Reference		
Meeting and date:	Finance and General Purposes Committee –Thursday 28 September 2017		
Author:	Fiona Ambrose, Secretary to the Board		
Link to Strategic Plan:			
Cost implications:	No		
Risk assessment:	Yes <b>If yes, please specify:</b> Financial: Operational: Organisational: required for the proper Governance of the College		
Status – Confidential/Non confidential	Non Confidential		
Freedom of Information Can this paper be included in “open” business	Open		
If a paper should <b>not</b> be included within “open” business, please highlight below the reason.			
Its disclosure would substantially prejudice a programme of research (S27)		Its disclosure would substantially prejudice the effective conduct of public affairs (S30)	
Its disclosure would substantially prejudice the commercial interests of any person or organisation (S33)		Its disclosure would constitute a breach of confidence actionable in court (S36)	
Its disclosure would constitute a breach of the Data Protection Act (S38)		Other (please give further details)	
For how long must the paper be withheld? (express either as the time which needs to pass or a condition which needs to be met.)			

**Recommendation**

The Committee is asked to consider the proposed changes to the terms of reference and to recommend them to Board of Management for approval

**Purpose of report**

To present the Committee with amended terms of reference for consideration

**Background**

The Finance and General Committee terms of reference were last reviewed in June 2015. In line with best practice, it is appropriate that the committee now carry out a review to ensure that they are up to date and meet the needs of the committee.

The Secretary to the Board and the Director of Finance have suggested a number of changes. The statements within the current terms of reference are somewhat simplistic and it is suggested that the amendments better reflect the overarching responsibilities of the committee.

## Finance and General Purposes Committee - Terms of Reference

### Membership

Not less than five Members of the board of Management including the Chair and Principal who are members *ex officio*.

### Quorum

Three members of the Committee entitled to vote upon the items before the meeting.

### Frequency of Meetings

The Committee shall meet no less than four times each year.

### Remit

The Committee has overall responsibility (within the Financial Memorandum between the College and the Regional Strategic Body) for the direction and oversight of the College's financial affairs.

The Committee has responsibility for the College's existing buildings and estates.

The Finance and General Purposes Committee shall:

1. Monitor the financial ~~position control~~ of the college and report to the Board on any necessary action.
- ~~4.2. k~~Keep the College Financial Regulations under review.
- ~~2. Review and approve the establishment of any arrangements to provide the College with banking facilities. This is subject to the authorisation limits set by SFC for the drawing down of loans.~~
- ~~3. Monitor actual expenditure and income against budget and report to the Board on any necessary action.~~
- ~~4.3. Monitor capital expenditure against agreed development plans.~~
- ~~5. Consider financial benchmarking information and monitor unit costs.~~
4. To review, approve and monitor the implementation of the College's finance and estates strategies and associated plans, and to submit appropriate reports and recommendations to the Board.
- ~~6.5. Advise the Board on financial strategy.~~
6. Review the effectiveness of financial management and controls within the College.

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1. To receive and approve the annual revenue and capital budgets and final accounts for recommendation to the Board.

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2.3. Recommend to the Board the college's annual budget.

3. Consider and report on the annual financial statements.

4. Approve all key decisions taken in relation to college finance.

5. Make recommendations to the Board regarding the level of tuition fees and other charges.

6. Approve fee waivers on behalf of the Board and approve the write-off of bad debts (in accordance with the limits set in the Scheme of Delegation).

7.1. Consider and report on any other financial matters which the Board may delegate or refer from time to time.

8.7. Consider, and contribute to, the overall risk management strategy of the college.

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9.8. Ensure compliance with relevant financial statutory and regulatory requirements;

10.9. Consider and report on Shared Services in so far as they relate to the provision of such services to the college under the remit of this committee

11.10. Consider and report on issues of procurement giving consideration to value for money

12.11. Consider and recommend to the Board on all matters relating to the operation of the Arms Length Foundation

13.12. Consider and report on all matters relating to student residences

14. Consider and report on all matters relating to the operational stage of the New Campus buildings

15. Ensure that the college's existing buildings and estates are fit for purpose; and are maintained to an appropriate standard, meeting all relevant regulatory requirements

16.13. Ensure that the college's existing buildings and estates are maintained to an appropriate standard;

17. Ensure that the college's existing buildings and estates are reasonably accessible and comply with the terms of the Equality Act 2010 and

18. Provide a healthy and safe environment for the college's staff, students and visitors.

14. Consider and report on any other financial matters which the Board may delegate or refer from time to time.

15.

## Board of Management

Subject/Title:	Arms Length Foundation Update		
Meeting and date:	Finance & General Purposes Committee – Thursday 28 September 2017		
Author:	Fiona Mustarde, Director of Finance		
Link to Strategic Plan:			
Cost implications:	Yes <b>If yes, please specify:</b>		
Risk assessment:	Yes <b>If yes, please specify:</b> Financial: Operational: Organisational:		
Status – Confidential/Non confidential	Non confidential		
Freedom of Information Can this paper be included in “open” business	Yes		
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Its disclosure would constitute a breach of the Data Protection Act (S38)		Other (please give further details)	
For how long must the paper be withheld? (express either as the time which needs to pass or a condition which needs to be met.)			

### Recommendation(s)

The Committee is requested to approve in principle the proposed summary request for funding and to note the position regarding the future of the Scottish Colleges Foundation.

## Purpose of report

To provide the Finance & General Purposes Committee with an update on the position of the funds available as at 31 August 2017 and to seek approval to submit a bid for funding to the December meeting of the Foundation.

## Background

Incorporated colleges in Scotland were reclassified as being public sector bodies on 1 April 2014. To avoid having cash effectively frozen on entering government accounting requirements, colleges could transfer accumulated reserves into an Arms-Length Foundation or ALF. Inverness College UHI chose to participate in the umbrella foundation known as the Scottish Colleges Foundation. This is the only option currently available to IC UHI to supplement funds received in year as we are not permitted to build reserves as a result of being a public sector body.

## Funds Available

The funds balance is currently circa £2.637m however this includes an amount of £940,000 intended as a contribution towards the group 2 equipment costs relating to the new campus developments.

Each year all departments within IC UHI prepare operational plans for the coming year. Part of this process involves identifying additional resources or investment required in order to provide excellence to our students. The Foundation monies gives us the opportunity to ensure that we can maintain a reasonable level of investment, whether that is to support or develop new curriculum activity, enhance our investment in new technologies or make adjustments to our estate.

Our current proposal is to submit a request for funding to the December meeting of the Foundation. This request will span a number of headings and a draft summary of our proposal is as follows.

<b>Summary</b>	<b>Amount</b>
ICT equipment	£33,793
Equipment for curriculum delivery	£135,825
Other equipment	£13,900
Curriculum development	£30,554
Estates investment	£2,300
CPD – leadership/management	£20,000
<b>Total</b>	<b>£236,372</b>

This proposal will be refined over the coming weeks and may be amended. Detailed information regarding our request will be provided to committee members well in advance of the December Foundation meeting to seek approval prior to submitting the request.

A proposal was previously submitted in respect of research funding. As requirements have become clearer with the outcome of successful funding bids, more detailed information will be provided in relation to research requirements and this will also form part of our submission.

### **Future of the Foundation**

We have received a communication from the solicitors acting on behalf of the Trustees of the Scottish Colleges Foundation intimating that the Trustees will consider winding down of the Foundation on the basis that, once the Foundation's funds fall below a certain level, it may not be in the economic best interests of the Foundation or the Colleges for it to continue. The Trustees had in mind a timescale of August 2018 through to March 2019 for the orderly wind-down but would clearly adjust matters to fit with the College's requirements.

As we still have a significant level of funds held within the Foundation, we will need to give consideration to our options to ensure that these funds are applied appropriately to meet our needs. In addition, we need to consider whether there are alternative solutions if the Scottish Colleges Foundation does not continue.

## Board of Management

Subject/Title:	Financial Regulations		
Meeting and date:	Finance and General Purposes Committee – 28 September 2017		
Author:	Eilidh Turner, Accountant		
Link to Strategic Plan:			
Cost implications:	Yes / No <i>(delete as applicable)</i> <b>If yes, please specify:</b>		
Risk assessment:	Yes / No <i>(delete as applicable)</i> <b>If yes, please specify:</b> Financial: Operational: Organisational:		
Status – Confidential/Non confidential	Non-confidential		
Freedom of Information Can this paper be included in “open” business	Yes		
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Its disclosure would constitute a breach of the Data Protection Act (S38)		Other (please give further details)	
For how long must the paper be withheld? (express either as the time which needs to pass or a condition which needs to be met.)			

### Recommendation(s)

The Committee is asked to consider the updated Financial Regulations and recommend these to the Board of Management for approval.

### Purpose of report

To inform the Committee of the reasoning behind changes to the Financial Regulations.



**Background**

The Financial Regulations were discussed at Scrutiny Panel (1 August 2017) and SMT (17 August 2017) where they were approved for progression to the Finance and General Purposes Committee.

**Main body of Information**

The Financial Regulations is the main policy document, which sets out how the College operates from a financial perspective. These regulations should be reviewed on a regular basis to ensure that the Regulations remain appropriate and fit for purpose, and align with requirements from the Scottish Government and the Scottish Funding Council.

The Financial Regulations have been updated to reflect the changes required as a result of legislative requirements such as the classification of the College by the Office for National Statistics as a public sector body and the Procurement Reform Act. Other changes have been included to more accurately reflect operational requirements such as payment processes.

The document has been in draft format for some time but was delayed as a result of the changes in Finance senior management. However, operational guidance which underpins the Financial Regulations was updated and made available to staff.

The delay with the Financial Regulations has enabled us to act on constructive feedback from end users of the operational guidance, specifically in relation to the procurement section, and update this to ensure that it meets our requirements and is fit for purpose.



## FINANCIAL REGULATIONS

**REFERENCE: PL/CS/2012/001**

Policy Owner	Director of Finance
Lead Officer	Finance Manager
Review Officer	Accountant
Date first approved by BoM	10 December 2007
First Review Date	22 June 2009
Date review approved by BoM	23 November 2012
Next Review Date	June 2015
Equality impact assessment	12 September 2012
Further information (where relevant)	

Reviewer	Date	Review Action/Impact
Finance Officer	22/09/2009	Review approved by BoM
Finance Officer	07/10/2010	Review approved by F&GP Committee
Finance Officer	23/11/2012	Review approved by Audit Committee

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## INTRODUCTION AND BACKGROUND

### 1 General Provisions

- 1.1. The Further and Higher Education (Scotland) Act 1992, ('the Act') created a framework for Further Education Colleges offering both full-time and part-time education to act as free corporate bodies, with powers to employ staff and to own land and buildings. From 1 April 1993, they were funded directly from Government, through the Scottish Funding Council (SFC), and taken out of local authority/ education authority controls. In October 2010, the UK Office for National Statistics (ONS) took the decision to reclassify further education colleges throughout the UK as public bodies, with the result that they are now treated as part of central government for budgeting, reporting, and accounting purposes.
- 1.2. The Financial Memorandum with Fundable Bodies in the College Sector (Appendix A) sets out the formal relationship between the SFC and college sector fundable bodies and the requirements with which funded bodies must comply as a term and condition of SFC grant. This memorandum was issued by the Scottish Further Education Funding Council effective from 1 December 2014. The Board of Management is responsible for ensuring that the conditions of grants are met. As part of that process, the College must ensure that it has sound systems of internal financial and management controls. The Financial Regulations of the College form part of this overall system of accountability and control.
- 1.3. The Financial Regulations should be read in conjunction with publications and guidelines from the following resources:
  - Statement of Recommended Practice
  - Audit Scotland
  - Accounting Standards
  - Scottish Parliament Audit Committee
  - HE College Administrative Schemes
  - Scottish Funding Council (SFC)
  - Scottish Public Finance Manual
  - Finance Manual – Inverness College
  - Inverness College UHI Board of Management Governance Manual
  - HM Treasury Financial Reporting Manual

### 2 Status of Financial Regulations

- 2.1. This document sets out the College's Financial Regulations. It translates into practical guidance, the College's broad policies relating to financial control.
- 2.2. These Financial Regulations are subordinate to Inverness College's instruments and articles of governance and to any restrictions contained within Inverness College's Financial Memorandum.



2.3. The purpose of these Financial Regulations is to provide control over the totality of the College's resources and provide management with assurances that the resources are being properly applied for the achievement of the College's Strategic Plan and business objectives, these include:

- Financial viability
- Achieving value for money
- Fulfilling its responsibility for the provision of effective financial controls over the use of public funds
- Ensuring that the College complies with all relevant legislation
- Safeguarding the assets of the College

2.4. Compliance with these Financial Regulations is compulsory for all staff connected with the College. Any staff member who fails to comply with the financial regulations may be subject to disciplinary action under the College's Disciplinary policy. It is the responsibility of managers to ensure that staff are made aware of the existence and content of these Financial Regulations.

2.5. The Finance and General Purposes Committee is responsible for overseeing, reviewing and approving the Financial Regulations, through the Director of Finance.

2.6. In exceptional circumstances, the Principal may authorise a departure from the detailed provision herein, such departure to be reported to the Finance and General Purposes Committee at its earliest opportunity.

2.7. Inverness College's detailed Financial Procedures set out how these regulations will be implemented and are contained in the Finance Manual.

## **CORPORATE GOVERNANCE**

### **3 Responsibility of the Principal and Chief Executive**

3.1. The College Principal is responsible for the detailed administration of the College and will act as the Chief Executive and the Board's Chief Educational advisor.

3.2. The Principal is responsible for satisfying that the Board of Management meets the requirements of the Financial Memorandum (SFC) as a condition of receiving grant funding. In particular, SFC requires that the College complies with the principles of good governance set out in the Code of Good Governance for Scotland's Colleges, ensuring that:

- Public funds are used in accordance with relevant legislation, the requirements of the Financial Memorandum and only for the purpose(s) for which they were given. Strategic, capital or other grant funding must only be used for the purpose for which it is provided by SFC

- Subject to any legal requirement to observe confidentiality, the College will be open and transparent with the SFC and other stakeholders, and will give, or be prepared to give, a public justification of its decisions in relation to the use of public funds
- The College strives to achieve value-for-money and is economical, efficient and effective in its use of public funding
- There is effective planning and delivery of the College's activities in accordance with its mission and its Outcome Agreement agreed with SFC
- The College plans and manages its activities to remain sustainable and financially viable. An institution is being managed on a sustainable basis if, year on year, it generates sufficient income to cover its costs and allow for maintenance of and investment in its infrastructure (physical, human and intellectual) at a level which enables it to maintain adaptive capacity necessary to meet future demands
- The College has a sound system of internal management and control, including an audit committee, an effective internal audit service, and adequate procedures to prevent fraud or bribery
- The College has an effective policy of risk management and risk management arrangements
- The College has regular, timely, accurate and adequate information to monitor performance and account for the use of public funds. Such information will be made available to SFC on request, as necessary, for the exercise of its functions and to gain assurance
- The College is engaged actively in continuously enhancing the quality of its activities and involves students and other stakeholders in these processes

3.3. The Principal and Chief Executive shall demonstrate his or her oversight of financial matters by signing the balance sheet within the annual financial statements.

3.4. The Principal and Chief Executive is directly responsible to the Board of Management for the control of resources, for seeking economy, efficiency and effectiveness in the use of the College's resources and for ensuring that financial considerations are taken into account at all stages of decision-making.

3.5. In particular, the Principal and Chief Executive shall:

- Sign the accounts and ensure satisfactory and adequate records are retained in a form acceptable for presentation to the Scottish Parliament.
- Advise the Board of Management on the proper discharge of its financial duties.
- Be authorised to write off losses, up to a level as specified in the Scheme of Delegation contained in the Governance Manual, and to instruct special payments.
- Be involved with the SFC Chief Executive on matters relating to public funding which arise before the Public Accounts Committee / Scottish Parliament.
- To vire monies from expenditure heads within agreed budgets taking account of and complying with these Regulations.

## **4 Responsibility of the Director of Finance**

4.1. The Director of Finance is responsible for the day-to-day financial administration of the College and to the Principal and Chief Executive for:

- Preparing annual capital and revenue budgets and financial plans.
- Preparing accounts, management information, monitoring and control of income and expenditure against budgets and all financial operations.
- Preparing the College's annual accounts and other financial statements and accounts.
- Ensuring that the College maintains satisfactory financial systems.
- Provision of advice on financial policy and liaising with internal and external auditors to achieve efficient processes.
- Ensuring that the College adheres to the specific delegated financial limits and annual reporting requirements set out in Appendix G.

## **5 Responsibility of Budget Holders**

5.1. Every budget holder shall ensure that at all times they comply fully with the College's Financial Regulations and Financial Procedures, and endeavour to secure value for money on all expenditure budgets for which they are responsible. They are fully responsible for working within their budgetary limits.

5.2. Budget holders must provide the Director of Finance on request information to assist with:

- Financial planning
- Compilation of College Financial statements
- Implementation of audit, financial, project and value for money reviews and recommendations

## **6 Staff Responsibility**

6.1. All staff members should be aware and have responsibility for the security of the College's property, for avoiding loss and for due economy in the use of resources. They should ensure that they are aware of the College's financial authority limits, and College procurement guidance (see Procurement Toolkit).

6.2. Staff shall make available any relevant information to the Finance Department in connection with the implementation of the College's Financial Procedures, these Financial Regulations and the system of internal financial control.

- 6.3. Staff shall provide the Director of Finance with such financial and other information as he or she may deem necessary, from time to time, to carry out the requirements of the Board of Management.
- 6.4. All staff must immediately notify the Director of Finance whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, property or matters owned by the College.

## **7 Risk Management**

- 7.1. Risk is the threat that an action or event will adversely affect the College's ability to achieve its objectives. Risk management seeks to control the potential loss or damage to which the College is exposed.
- 7.2. The College acknowledges the risks inherent in its business, and is committed to managing those risks that may cause a threat whether this is financially or objectively. Guidance on the level of risk considered to be acceptable and unacceptable by the College is set out in the Risk policy statement. Also contained within this policy are the requirements to have a Risk Register, Risk Mitigation Plan for the College and a Business Contingency Plan. The College has a Business Continuity policy statement.
- 7.3. The Board of Management has overall responsibility for ensuring there are appropriate risk management arrangements.
- 7.4. The Audit Committee monitors risk on behalf of the Board of Management and reports annually to the Board of Management.

## **8 Public Interest Disclosure (Whistle-blowing)**

- 8.1. The College has a Public Interest Disclosure Policy, which complies with the Public Interest Disclosure Act 1998.

## **9 Code of Conduct**

- 9.1. The College is committed to the highest standards of openness, integrity and accountability. It seeks to conduct its affairs in a responsible manner, having regard to the principles established by the Committee on Standards in Public Life (formerly known as the Nolan Committee), which members of staff at all levels are expected to observe.
- 9.2. The College has a Code of Conduct for Board members and a Staff Code of Conduct.
- 9.3. The College holds registers of interests for the Board of Management and the Senior Management team, maintained by the College Secretary.

## **10 Receiving gifts or hospitality**

10.1. It is an offence under the Prevention of Corruption Act 1906 to accept corruptly any gift or consideration as an inducement or reward for doing, or refraining from doing, anything in an official capacity or showing favour or disfavour to any person in an official capacity. The guiding principles to be followed by all members of staff must be:

- The conduct of individuals should not create suspicion of any conflict between their official duty and their private interest.
- The action of individuals acting in an official capacity should not give the impression (to any member of the public, to any organisation with whom they deal or to their colleagues) that they have been (or may have been) influenced by a benefit to show favour or disfavour to any person or organisation. Staff members should seek guidance from the Director of Finance when there is an offer of gifts or hospitality. For the protection of staff, the College Secretary will maintain a register of gifts and hospitality received where the value is in excess of £20.00.
- Gifts or hospitality received must be reasonable and proportionate to the nature of the relationship and must be accepted for the primary purpose of better presenting the College or establishing cordial relationships with business partners.
- At all times staff must follow guidelines as contained within the staff Code of Conduct.

## **11 Financial Planning**

11.1. The Director of Finance is delegated responsibility by the Principal and Chief Executive for preparing annual financial plans for approval by the Board of Management, on recommendation from the Finance and General Purposes Committee, and for preparing financial forecasts for submission to the funding body. Financial plans should be consistent with the strategic plans and Estates strategy approved by the Board of Management.

## **12 Resource Allocation**

12.1. Resources are allocated annually by the College's Senior Management Team and recommended to the Board of Management through the Finance and General Purposes Committee, on the basis of the above objectives. College managers are responsible for the economic, effective and efficient use of resources allocated to them.

## **13 Budget Preparation**

13.1. The Director of Finance is responsible for preparing an annual revenue budget and capital programme for consideration by the Finance and General

Purposes Committee before submission to the Board of Management for approval.

- 13.2. The budget should include monthly cash flow forecasts for the year. The Director of Finance must ensure that detailed budgets are prepared in order to support the resource allocation process and that these are communicated to College managers following approval by the Board of Management.
- 13.3. Throughout the year, the Director of Finance is responsible for submitting revised budgets to the Finance and General Purposes Committee and the Board of Management.

## **14 Capital Expenditure Programme**

- 14.1. The capital programme includes all expenditure on land, buildings, equipment, furniture and associated costs, whether or not they are funded from capital grants, to be capitalised for inclusion in the College's financial statements. The College's capital programme is approved by the Finance and General Purposes Committee.
- 14.2. The Director of Finance will establish procedures for the inclusion of capital projects in the capital programme for approval by the Finance and General Purposes Committee. These will set out the information that is required for each proposed project as well as the financial criteria that they are required to meet. These are shown at Appendix C.
- 14.3. The Director of Finance will also establish procedures for the approval of significant variations to approved projects, to the Principal and Chief Executive, the Finance and General Purposes Committee, and if appropriate, to the funding body.
- 14.4. The Director of Finance will provide regular statements concerning capital expenditure to the Finance and General Purposes Committee for monitoring purposes.
- 14.5. Following completion of any capital project, a final report should be submitted to the Finance and General Purposes Committees including actual expenditure against budget and reconciling funding arrangements where a variance has occurred as well as other issues affecting completion of the project. Where applicable, a post-project evaluation report may also need to be sent to the relevant funding body.

## **15 Overseas Activity**

- 15.1. If planning and undertaking overseas activity, the College must have due regard to the relevant guidelines issued by the funding body.

## 16 Other Major Developments

- 16.1. Any new major aspect of business, or proposed establishment of a company or joint venture, which will require an investment in buildings, resources or staff time should be presented for approval to the Finance and General Purposes Committee. The information that is required for each proposed development as well as the financial criteria that they are required to meet are summarised at Appendix D.

## 17 Financial Control

- 17.1. The control of income and expenditure within an agreed budget is the responsibility of the designated Budget Holder (normally a Head of Department), who must ensure that day-to-day monitoring is undertaken effectively. Budget Holders are responsible for managing their budgets such that income targets are achieved and expenditure limits are not exceeded. Subject to the approval of the Senior Management Team, and conditional on other budgets being satisfactorily controlled, expenditure may include a proportion of additional income generated during the year.
- 17.2. Significant departures from agreed budgetary targets must be reported immediately to the Director of Finance by the Budget Holder concerned and, if necessary, corrective action taken.
- 17.3. The College's specific delegated financial limits are set out in Appendix G. The institution must obtain SFC's prior written approval before entering into any undertaking to incur any expenditure that falls out with these delegations.
- 17.4. Prior SFC approval must always be obtained before incurring expenditure for any purpose that is, or might be considered, novel, contentious or repercussive or which has or could have significant future cost implications. Novel is interpreted as involving proposed expenditure or financial arrangements of a sort not undertaken previously or which is not standard practice. Contentious would include proposed expenditure or financial arrangements where there was any doubt as to its regularity e.g. its compliance with relevant legislation or guidance – or its propriety – e.g. compliance with the standards expected of publicly funded bodies or their officials. Proposed expenditure or financial arrangements that might be considered to be sensitive would also be regarded as contentious.

## 18 Financial Information

- 18.1. Budget Holders are assisted in their duties by management information provided under arrangements approved by the Director of Finance. The types of management information available to the different levels of management are described in the detailed Financial Procedures, together with the timing at which they can be expected.

- 18.2. The Director of Finance is responsible for supplying budgetary reports on all aspects of the College's finances to the Finance and General Purposes Committee. The report shall outline the income and expenditure of the College for the financial year to date, and be presented to the Board of Management.

## **19 Changes to the Approved Budget**

- 19.1. Changes proposed to the approved College budget must be considered by the Finance and General Purposes Committee and if required the Board of Management.

## **20 Virement**

- 20.1. Where a budget manager is responsible for more than one budget, virement is permitted of up to £3,000 of the budget to which virement is sought, with the approval of the Director of Finance.

## **ACCOUNTING ARRANGEMENTS**

### **21 Financial Year**

- 21.1. Inverness College's financial year will run from 1 August until 31 July the following year.

### **22 Basis of Accounting**

- 22.1. The consolidated financial statements are prepared on the historical cost basis of accounting and in accordance with applicable accounting standards and the funding body's direction.

### **23 Format of the Financial Statements**

- 23.1. The financial statements are prepared in accordance with the Statement of Recommended Practice Accounting for Further and Higher Education, the Accounts Direction issued by the Scottish Funding Council; the SFC Financial Memorandum and the Financial Reporting Manual (FRoM) where applicable.

### **24 Annual Reporting Requirements**



- 24.1. The college is required to report annually to SFC on the levels of its expenditure for certain categories of expenditure above specified levels detailed in the Financial Memorandum. A summary of these requirements is detailed in Appendix G.

## **25 The Public Services Reform (Scotland) Act 2010**

- 25.1. After the end of the financial year, the college must publish a statement of any expenditure incurred during that financial year in connection with:

- Public Relations
- Overseas Travel
- Hospitality and entertainment
- External consultancy

- 25.2. A statement must be produced giving specific details of any transactions relating to any of the matters listed above made during the financial year in excess of £25,000.

## **26 Capitalisation and Depreciation**

- 26.1. New land and buildings will be recorded in the balance sheet at actual build or acquisition cost, except where they are received as gifts, where they will be recorded at depreciated replacement value. Buildings will be depreciated in equal instalments over their estimated remaining useful life. Land will not be depreciated.

- 26.2. Expenditure incurred on repairs, refurbishment or extension of existing buildings will be capitalised where it can be demonstrated that the work represents an improvement to the original specification of the building, and the resultant building value would be greater than the current book value.

- 26.3. Expenditure incurred on the acquisition of assets other than land and buildings will be recorded in the balance sheet where the acquisition cost is £5,000 or more. Grouped items (e.g. a suite of computers) with a collective total value of £5,000 or more may also be capitalised. Capitalised assets other than land and buildings will be depreciated in line with the College's accounting policies.

- 26.4. Where capital assets are funded by SFC grant, a capital grant balance will be established and will be released to income over the useful life of the asset.

- 26.5.

## **27 Accounting Records**

- 27.1. The Director of Finance is responsible for the retention of financial documents. Retained records should be kept in a form that is acceptable to the relevant authorities, and complies with the Freedom of Information (Scotland) Act 2002 and the Data Protection Act 1998.
- 27.2. The College is required by law to retain prime documents for six years (or as detailed within specific funding requirements). These include: official purchase orders, paid invoices, invoices raised, bank statements, receipts and payroll records (including expense claims).
- 27.3. The Director of Finance will make appropriate arrangements for the retention of electronic records.
- 27.4. Staff should ensure that retention arrangements comply with any specific requirements of funding organisations. Additionally, for auditing and other purposes, other financial documents should be retained for three years or as determined by the funder.

## **28 Public Access**

- 28.1. The Board of Management is required to supply any person with a copy of the College's most recent approved financial statements within twenty days of a request. The College will allow members of the public to inspect the statement of accounts during normal working hours. Published accounts will also be posted on the College website. Note that financial statements are only fully approved once they have been laid before Parliament and no publication can take place before this.

## **29 Taxation**

- 29.1. The Director of Finance is responsible for advising managers, in the light of guidance issued by the appropriate bodies and relevant legislation as it applies, on all taxation issues relating to the College.
- 29.2. The Director of Finance shall ensure compliance with statutory requirements including those concerning VAT, PAYE, national insurance, corporation tax and import duty. This will include provision for maintaining the College's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

## **AUDIT REQUIREMENTS**

## **30 General**

30.1. External auditors and internal audit staff shall have authority to:

- Access College premises at reasonable times.
- Access all assets, records, documents and correspondence relating to any financial and other transactions of the College.
- Require and receive such explanations as are necessary concerning any matter under examination.
- Require any employee of the College to account for cash, stores or any other College property under his or her control.
- Access records belonging to third parties, such as contractors, when required.

30.2. The Director of Finance is responsible for drawing up a timetable for final accounts purposes and will advise staff and the external auditors accordingly.

30.3. The financial statements will be considered by the Finance and General Purposes Committee, and reviewed by the Audit Committee. On the recommendation of these Committees, they will be submitted to the Board of Management for approval, and to the funding body, who will present them to the Scottish Parliament via the external auditors. The financial statements shall be signed by the Principal and Chief Executive and Chairman of the Board of Management.

## **31 External Audit**

31.1. Under the terms of the Public Finance and Accountability (Scotland) Act 2000, the Auditor General is responsible for the appointment of the external auditors for the College.

31.2. The primary role of external audit is to report on the College's financial statements and to carry out such examination of the statements and underlying records and control systems as are necessary to reach their opinion on the statements and to report on the appropriate use of funds. Their duties will be in accordance with advice from Audit Scotland.

## **32 Fraud and Corruption**

32.1. It is the duty of all members of staff, management and the Council to notify the Director of Finance immediately whenever any matter arises which involves, or is thought to involve, irregularity, including fraud, corruption or any other impropriety. Please also refer to the Bribery Act (2011). The Director of Finance shall immediately advise the Principal and Chief Executive who will consider the course of action to take. Any frauds that are detected must be reported to SFC as and when they occur. If the suspected fraud is thought to involve the Director of Finance and/or the Principal, the

member of staff shall notify the College Secretary; who in turn will contact the Chair of the Audit Committee directly about the irregularities.

### **33 Value for Money**

- 33.1. It is a requirement of the financial memorandum that the Board of Management of the College is responsible for delivering value for money from public funds. It should keep under review its arrangements for managing all the resources under its control, taking into account guidance on good practice issued from time to time by the funding body, Audit Scotland, the Public Accounts Committee or other relevant bodies. The College has a Value for Money Policy.
- 33.2. To fulfil this responsibility, the Board of Management will annually review spending for evidence of value for money received and will provide evidence of compliance with the funding body's requirements. It will be used to enable the Audit Committee to refer to value for money in its annual report.

### **34 Other Auditors**

The College may, from time to time, be subject to audit or investigation by external bodies such as the funding body, Audit Scotland, European Court of Auditors, HM Revenue and Customs. They have the same rights of access as external and internal auditors.

## **TREASURY MANAGEMENT**

### **35 Treasury Management**

- 35.1. The College has a Treasury Management procedure (contained in the Financial Procedures) setting out the College position on cash management, investments and borrowings. This must comply with the SFC rules regarding approval for any secured or unsecured loans that go beyond the general consent levels set out in the financial memorandum.
- 35.2. All executive decisions concerning borrowing, investment or financing (within policy parameters) shall be delegated to the Principal and Chief Executive or the Director of Finance who will prepare an appropriate reporting system. All borrowing shall be undertaken in the name of the College and shall conform to any relevant funding body requirements. Any investments of a speculative nature must not be made without the prior written approval of SFC.
- 35.3. The Director of Finance will report to the Finance and General Purposes Committee on the activities of the treasury operation and on the exercise of treasury powers delegated to him/ her.

### **36 Appointment of Bankers and Other Professional Advisors**

- 36.1. The Finance and General Purposes Committee is responsible for the appointment of the College's bankers and other professional financial advisers (such as investment managers). The appointment shall be subject to regular review, the results of which will be reported to the Finance and General Purposes Committee. Colleges are required to subscribe to the Government Banking Service from financial year 2017-18.

### **37 Banking Arrangements**

- 37.1. The College Director of Finance is responsible, on behalf of the Finance and General Purposes Committee, for liaising with the College's bankers in relation to the College's bank accounts. All payments shall be ordered on the authority of the Director of Finance, who shall make proper arrangements for their safe custody.
- 37.2. Colleges are required to subscribe to the Government Banking Services (GBS) from financial year 17-18 onwards.
- 37.3. Only the Director of Finance or nominated deputy may open or close a bank account for dealing with the College's funds. All bank accounts shall be in the name of the College or one of its subsidiary companies.
- 37.4. Cheque payments up to an agreed amount shall require one signature before release of funds. Cheque payments over £5,000 must be signed by two authorised persons. Details of authorised persons and limits shall be provided for in the College's Financial Manual. Individual payments with a value of less than £5,000 will be verified by an appropriately senior member of staff.
- 37.5. With the exception of inter-account transfers under £100,000, electronic banking payments must have separation between payment initiation and authorisation. One electronic authorisation is required and payments should then be countersigned by either the Finance Manager or the Director of Finance.
- 37.6. BACs payment runs to suppliers are countersigned by the Director of Finance after transmission. The exception to this is payroll where this is carried out prior to transmission. For details on transmission limits please see the Finance Manual.
- 37.7. The Director of Finance is responsible for ensuring that all bank accounts are subject to regular reconciliation and that large or unusual items are investigated as appropriate.

## **INCOME**

## **38 General**

- 38.1. The Director of Finance is responsible for ensuring that the College receives all income to which it is entitled. All receipt forms, invoices or other official documents in use and electronic collection systems must have the prior approval of the Director of Finance. Levels of charges for all College services provided, including contract research, services rendered, goods supplied and rents and lettings will be reviewed regularly and agreed by the Finance and General Purposes Committee at least annually. The Director of Finance is responsible for the prompt collection, security and banking of all income received.
- 38.2. The Director of Finance is responsible for ensuring that all grants notified by the funding body and other bodies are received and appropriately recorded in the College's accounts.
- 38.3. The Director of Finance is responsible for ensuring that all claims for funds, including research grants and contracts, are made by the due date.

## **39 Maximisation of Income**

- 39.1. It is the responsibility of all staff to ensure that revenue to the College is maximised, and for the identification, collection and banking of income.

## **40 Receipt of Cash, Cheques and Other Negotiable Instruments**

- 40.1. All monies received within departments from whatever source must be recorded by the department on a daily basis together with the form in which they were received, for example cash, cheques and other negotiable instruments. Receipts must be given where money is delivered in person or where specifically requested, using official receipt stationery.
- 40.2. All monies received must be banked or paid to the cashier promptly, and in accordance with a timetable prescribed by the Director of Finance and set out in the Financial Procedures. The custody and transit of all monies received must comply with the requirements of the College's insurers.
- 40.3. All sums received must be paid in and accounted for in full, and must not be used to meet miscellaneous expenses or be paid into the petty cash float.

## **41 Collection of Debts**

- 41.1. The Director of Finance is responsible for ensuring that:
- Debtors invoices are raised promptly on official invoices in respect of all income due to the College.

- Invoices are prepared with care, recorded in the ledger, show the correct amount due and are credited to the appropriate income account.
- Any credits granted are valid, properly authorised and completely recorded.
- VAT is correctly charged where appropriate, and accounted for.
- Monies received are posted to the correct debtors account promptly.
- Swift and effective action is taken in collecting overdue debts, in accordance with the protocols noted in the financial procedures.
- Outstanding debts are monitored and reports prepared for management.

41.2. Only the Principal and Chief Executive or Director of Finance can implement non-standard credit arrangements outside those approved by the Finance and General Purposes Committee. Any subsequent changes to standard credit terms must be submitted to Finance and General Purposes Committee for approval.

41.3. Recovery of debts outside the standard terms of payment may include the right to charge interest on late payments under the terms of the Late Payment of Debts (Interest) Act 1998.

41.4. Requests to write off debts must be approved in accordance with the Financial Procedures. All debts written off must be in accordance with the College Scheme of Delegation (contained in the Governance Manual) and reported to the Finance and General Purposes Committee. Any write-offs greater than £3,000 must be reported to the SFC on an annual basis (see Appendix G).

## **42 Student Fees**

42.1. The Director of Finance is responsible for ensuring that all student fees due to the College are received. HE Fees are set by UHI and Inverness College adheres to the UHI Fees Policy. Increases in FE student fees must be agreed by the Finance and General Purposes Committee.

42.2. Any student who has not paid an account for fees or any other item owing to the College will not be permitted to complete their course until all outstanding debts have been cleared. Such students shall be prevented from re-enrolling at the College and from using any of the College's facilities unless appropriate arrangements have been made and approval has been given by the Principal.

## **43 Discretionary Fund and Childcare Payments**

43.1. The College will comply with the Scottish Funding Council scheme for discretionary fund payments. Under no circumstances should payments be made other than in accordance with this approved scheme.

43.2. The Director of Finance is responsible for ensuring the adequacy of the systems in place for:

- Approving funding awards in accordance with the scheme.

- Paying awards that have been approved.
- Recovering repayable loans that have been paid.

## **GRANTS AND CONTRACTS**

### **44 General**

- 44.1. Where approaches are to be made to outside bodies for support for research projects or where contracts are to be undertaken on behalf of such bodies, it is the responsibility of the Budget Holder to ensure that the financial implications have been appraised by the Director of Finance or a nominee. This will include obtaining a set of grant terms and conditions from each organisation providing funding to enable appropriate monitoring of compliance.
- 44.2. The Director of Finance is responsible for ensuring that there is adequate provision of resources to meet all commitments. The Director of Finance should ensure that the full cost of the project or contract is established. The agreement must be in line with the Colleges Financial Procedures with regard to indirect costs and other expenses and taking account of different procedures for the pricing of projects depending on the nature of the funding body.
- 44.3. Grants and contracts must be submitted in the name of the College and authorised prior to submission. Only the Director of Finance or the Principal and Chief Executive may authorise applications on behalf of the College.
- 44.4. The Director of Finance shall ensure that all financial records relating to grants and contracts are maintained in the approved manner and that all claims for reimbursement are initiated by the due date.
- 44.5. Each grant or contract will have a named contact and will be assigned to a specific budget holder.
- 44.6. The budget holder will control pay and non-pay expenditure. The budget holder may delegate day-to-day control to a designated person, but any overspend or under-recovery of overheads is the responsibility of the budget holder with any loss being a charge on departmental funds.

### **45 Grant and Contract Conditions**

- 45.1. Many grant-awarding bodies and contracting organisations stipulate conditions under which their funding is given. In addition, there are often procedures to be followed regarding the submission of interim or final reports or the provision of other relevant information. Failure to respond to these conditions may result in the College suffering a significant financial penalty. It is the responsibility of the named supervisor or grant holder to ensure that conditions of funding are met. Any loss to the College resulting from a failure to meet conditions of funding is the responsibility of the budget holder, and will be charged against departmental funds.



## **OTHER INCOME GENERATING ACTIVITY**

### **46 Private Consultancies and Other Paid Work**

- 46.1. Unless otherwise stated in a staff member's contract, outside consultancies or other paid work may not be accepted without the consent of a member of the Senior Management Team (and in the case of a member of the Senior Management Team, the Principal).
- 46.2. Applications for permission to undertake work must be submitted for the appropriate authorisation and then be sent to the Director of Finance and will include the following information:
- The name of the member(s) of staff concerned.
  - The title of the project and a brief description of the work involved.
  - The proposed start date and duration of the work involved.
  - Full details of any College resources required (for the calculation of the full economic cost).
  - An undertaking that work will not interfere with the teaching and/ or normal College duties of the member(s) of staff concerned.

### **47 Short Courses and Services Rendered**

- 47.1. In this context, a short course is any course which does not form part of the award-bearing teaching load of the department.
- 47.2. Any staff wishing to run a short course must have the permission of their Budget Holder. The course organiser will be responsible to the Budget Holder for day-to-day management of the course.
- 47.3. The term 'services rendered' includes testing and analysis of materials, components, processes and other laboratory services or the use of existing facilities in order to gain additional information.

### **48 Profitability and Recovery of Overhead Costs**

- 48.1. All other income-generating activities must be self-financing or surplus generating unless it is intended that a new course is to be launched as a loss leader. If that is the case, the reason for it must be specified and agreed by the Director of Finance.

### **49 External business and management consultancy contracts**

- 49.1. Any external consultancy contracts with a value of more than £100,000 must be approved in advance by the SFC.

## **50 Deficits**

- 50.1. Any unplanned deficits incurred on other income-generating activities will be charged to departmental funds.

## **51 Retention of income**

- 51.1. The college can retain all commercial income, bequests or donations received. These funds will be in addition to any grant or funding the college receives from SFC. There can be no carry forward of any funds.

### **51.2. Donation of surplus funds to arms-length foundations**

The College may donate any surplus on its income and expenditure account as at 31 March each year to an arms-length foundation (ALF), subject to approval from the Finance and General Purposes Committee. The donation must take place in the financial year in which it arises, and is subject to sufficient cash and resource cover being available. For the purposes of donations to an arms-length foundation, the financial year is the Scottish Government financial year which is April to March.

## **52 Additional Contributions to Departments**

- 52.1. Distribution of profits on other income-generating activity between central funds of the College and individual departments will be in accordance with the Financial Procedures.

## **INTELLECTUAL PROPERTY RIGHTS AND PATENTS**

### **53 General**

- 53.1. Certain activities undertaken within Inverness College including research and consultancy may give rise to ideas, designs and inventions which may be patentable. These are collectively known as intellectual property.

### **54 Patents**

- 54.1. The Principal is responsible for establishing a policy as required to deal with any patents accruing to Inverness College from inventions and discoveries made by staff in the course of their work.

## **55 Intellectual Property Rights**

- 55.1. In the event of the College deciding to become involved in the commercial exploitation of inventions and research, the matter should then proceed in accordance with Intellectual Property policy. These would be developed as required following legal advice and be approved by the Finance and General Purposes Committee.

## **EXPENDITURE**

### **56 General**

- 56.1. The Director of Finance is responsible for making payments to suppliers of goods and services to the College.

### **57 Delegation to Budget Holders**

- 57.1. The budget holder is responsible for purchases within their department. Budget holders are required to observe the College's Financial Procedures and adhere to guidelines in the Procurement Toolkit. Purchasing authority may be delegated to named individuals within the department.
- 57.2. The Director of Finance shall maintain a register of authorised signatories and budget holders must supply them with specimen signatures of those authorised to commit the College to goods or services or to certify documents for payment.
- 57.3. Central control by the Director of Finance shall be exercised over the creation of requisitioners and authorisers and their respective financial limits within any electronic requisitioning system.
- 57.4. The Director of Finance must be notified immediately of any changes to the authorities to commit expenditure.
- 57.5. Budget holders are not authorised to commit the College to expenditure without first ensuring that sufficient funds are available in an approved budget to meet the cost.

### **58 Procurement**

58.1. Inverness College requires all budget holders, irrespective of the source of funds, to obtain supplies, equipment and services at the lowest possible cost consistent with quality, delivery requirements and sustainability, and in accordance with sound business practice.

58.2. The Director of Finance is responsible for:

- Ensuring that procurement is undertaken by appropriately trained and authorised staff and treated as a key component of achieving the institution's objectives consistent with the principles of Best Value, the highest professional standards and any legal requirement.
- Ensuring that all procurement activity is in compliance with:
  - The Procurement Reform (Scotland) Act 2014
  - The Public Contracts (Scotland) Regulations 2015
  - The Procurement (Scotland) Regulations 2016
  - EU Procurement Directives 2014
  - Local Governance (Inverness College Financial Regulations)
- The drafting and negotiation of all Tender notices undertaken by Inverness College, in collaboration with the budget holder and on legal advice, where required, ensuring that Inverness College complies with relevant regulations on public purchasing policy.
- Ensuring that Inverness College's Procurement arrangements are known and observed by all involved in purchasing for Inverness College which is detailed in Appendix F – Procurement Thresholds.
- Advising on matters of College purchasing and practice
- Advising and assisting staff where required on specific departmental purchases.
- Developing appropriate standing supply arrangements on behalf of Inverness College to assist budget holders in meeting their value for money obligations.
- Ensuring all orders are authorised before they leave Inverness College, no verbal or email instructions to proceed are to be issued to suppliers.
- By exception, ensuring that any accepted conditions of contract for the purchase of goods do not expose the College to unacceptable risk. The Inverness College Terms and Conditions are to be used unless agreed in advance by the Director of Finance.

## 59 Tender Management (Tenders and Quotations)

59.1. Budget Holders and delegated budget holders must comply with the Financial Procedures. The procurement thresholds are as follows:

<b>Route 1 &lt; £3000</b>	<b>By</b>	<b>4 year spend to be checked and verified. Local / National Framework</b>
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		<b>Agreements to be checked</b>
<b>&lt;£500</b>	All Staff	1 quote or catalogue/internet print is required that meets with the Inverness College Value for Money Policy and approved by Budget Holder No Single Source Form required
<b>&gt;£500 &lt;£1000</b>	By Technicians / Delegates	2 quotes or catalogue/internet print is required that meets with the Inverness College Value for Money Policy and approved by Budget Holder Single Source Form is required for single supplier
<b>&gt;£1000 &lt; £3000</b>	By Budget Holder or Delegate	Evidence of market research is to be provided - includes catalogue, internet print outs and 2 formal written quotes are required that meets with the Inverness College Value for Money Policy. Single Source Form required for single supplier
<b>Route 2 &gt;£3,000 &amp; &lt;£9,999</b>	<b>By</b>	<b>4 year spend to be checked and verified. Local / National Framework Agreements to be checked</b>
	By Budget Holder or Delegate	3 formal written quotes are required that meets with the IC Value for Money Policy. Single Source Form is required for single supplier.
<b>Route 3 &gt;£10,000 &amp; &lt;£49,999</b>	<b>By</b>	<b>4 year spend to be checked and verified. Local / National Framework Agreements to be checked</b>
	College Procurement Team	Competitive tendering on PCS using Quick Quote
<b>Route 4A &gt; £50,000 &amp; Below OJEU</b>	<b>By</b>	<b>4 year spend to be checked and verified. Local / National Framework Agreements to be checked</b>
<b>Below OJEU Threshold</b>	APUC / College Procurement Team	Competitive quotes on PCS-Tender
<b>Route 4B OJEU Compliance</b>	<b>By</b>	<b>4 year spend to be checked and verified for PCS-T &amp; OJEU compliance. Local / National Framework Agreements to be checked</b>
<b>Supply, Services and Design Contracts &gt;£164,176</b>	APUC / College Procurement Team	To be in compliance with the Scottish Government Procurement Regulations for the Public Sector and also the Procurement Reform (Scotland) Act 2014 Public Contracts (Scotland) Regulations 2015, Procurement (Scotland) Regulations 2016 and the statutory guidance.
<b>Works</b>	APUC / College	To be in compliance with the Scottish

<b>Contracts &gt;£4,104,394</b>	Procurement Team	Government Procurement Regulations for the Public Sector and also the Procurement Reform (Scotland) Act 2014 Public Contracts (Scotland) Regulations 2015, Procurement (Scotland) Regulations 2016 and the statutory guidance.
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**Notes:**

These thresholds will apply to all Enquiries or Contracts processed locally or through the Public Contracts Scotland Portal (PCS) and all purchase orders processed regardless of the system used e.g. PECOS, SUN, Credit Card transactions.

The use of any relevant Local and National Framework Agreements are also to be considered.

As per government regulations, the 4 year cumulative spend has to be reviewed to ensure it does not exceed £50K within a 4 year window - (4 x £12.5K) unless a National Framework Agreement exists.

It is important that the total lifecycle costing and impact mapping is considered.

Working towards cost savings and cost avoidance is paramount with greater focus towards improved efficiencies, contract management and budget/cost management will be monitored.

- 59.2. Requisitions **must not be split** into smaller order quantities in order to avoid the correct procurement route.
- 59.3. When considering the correct procurement amount to apply, where spend is recurring, this should be calculated over a 4-year period. This has to take into account the whole commodity range and the expenditure across the College (excluding VAT).
- 59.4. Exceptions to using Procurement Routes 1, 2, 3 and 4 is where by there is a suitable National Framework Agreement in place or where there is evidence and justification for using only one supplier.
- 59.5. Suppliers/contractors **must be made** aware of Inverness College's Terms and Conditions and these must be accepted in full. If there are deviations from these, this must be highlighted and reviewed by the College Procurement Team.
- 59.6. For further information on these subjects, please see the Finance Manual and if further advice is required please contact the College Procurement Team.

**60 Contracts**

- 60.1. The College Procurement Team who will also be involved in the evaluation of bids and formal contracts award must only undertake the issue and receipt of tenders.
- 60.2. The achievement of value for money will be an objective in the letting of all contracts. No contract will be awarded for a period beyond which a budget has been approved unless specifically approved in writing by the Director of Finance.

## 61 Purchase Orders

- 61.1. The ordering of goods and services shall be in accordance with the College's Financial Procedures and Procurement Toolkit. Where possible orders must be placed using the current e-procurement system.
- 61.2. For any circumstances that we are unable to process purchase orders via the current e-procurement system then a Purchase Order Requisition must be completed in advance and passed to the Finance Department to raise the official College purchase order. Purchase orders must be in place for the purchase of all goods and/or services rendered unless the goods or services are specified in the Finance Manual as excepted items.
- 61.3. No verbal or email instructions are to be issued to suppliers in advance of requisitions and purchase orders being approved by the respective approvers in our current e-procurement system or our own Financial System.
- 61.4. The College will not accept responsibility for meeting or reimbursing the cost of goods or services purchased in any other circumstances.
- 61.5. All purchase order requisitions/orders must be placed using the purchase order template and be approved by a designated budget holder in accordance with the scheme of delegated authority.
- 61.6. It is the responsibility of the Director of Finance to ensure that all purchase orders refer to the College's terms and conditions of contract.

## 62 Receipt of Goods

- 62.1. All goods and services shall be received at designated receipt and distribution points. They shall be checked for quantity and/or weight and inspected for quality and specification.
- 62.2. If the goods received are deemed to be unsatisfactory, the supplier should be notified immediately, so that they can be collected for return as soon as possible. Where goods are short on delivery, again the supplier should be notified immediately.

- 62.3. Where possible, all persons receiving goods on behalf of the College should be independent of those who negotiated prices and terms and placed the official order.

### **63 Payment of Invoices**

- 63.1. All payments shall be in a form specified by the Director of Finance.
- 63.2. The Director of Finance is responsible for deciding the most appropriate method of payment for categories of invoice. Payments to UK suppliers will normally be made by BACS transfer.
- 63.3. Budget Holders are responsible for ensuring that expenditure within their departments does not exceed an approved budget.
- 63.4. Suppliers should be instructed by the purchase order to submit invoices for goods or services to the Finance Department. Care must be taken by the delegated budget holder to ensure that discounts receivable are obtained.
- 63.5. Payments will only be made by the Finance Department against invoices that have been approved for payment. Payment in advance of the receipt of goods or services shall not be made except with the prior approval of the Director of Finance.
- 63.6. Approval of an invoice for payment will ensure that:
- The goods have been received, examined and approved with regard to quality and quantity, or that services rendered or work done is satisfactory.
  - Where appropriate, the invoice is matched to the order.
  - Invoice details (quantity, price discount) are correct.
  - The invoice is arithmetically correct.
  - The invoice has not previously been passed for payment.
  - Where appropriate, an entry has been made on a stores record or departmental inventory.
- 63.7. The College shall ensure that all invoices are paid within thirty (30) days. To assist with this all invoices should be approved timeously.

### **64 Reporting of Expenditure**



- 64.1. Appendix G sets out the levels for certain categories of expenditure above which the College should report annually to SFC. The report should describe the number of instances and total cost, by category.

## **65 Petty Cash**

- 65.1. Petty Cash may be obtained to pay for small items of equipment (up to £35.00) required urgently. There may also be an allowance to hold petty cash amounts in certain College locations, further detail is contained in the Finance Manual.

## **66 Other Payments**

- 66.1. Payments for maintenance and other items to students on behalf of sponsoring organisations shall be made on the authority of the Director of Finance, supported by detailed claims approved by the budget holder.
- 66.2. Any other non-trade payments should be requested in a form prescribed by the Director of Finance and be authorised by the appropriate budget holder.

## **67 Late Payment Rules**

- 67.1. The Late Payment of Debts (Interest) Act 1998 was introduced to give businesses the right to charge interest on late payments from large organisations and public authorities. In view of the penalties in this Act, invoices must be authorised for payment as soon as they are received, unless there is valid reason to withhold approval, and paid within the supplier's terms.

## **68 Leasing**

- 68.1. Lease agreements for buildings must be approved and signed by the Director of Finance.
- 68.2. Equipment may be acquired under an operating lease or a finance lease. Finance leases must be accounted for in the balance sheet in the normal manner. Operating leases must be signed by the Director of Finance. Details of all lease agreements will be kept within the Finance Office and monitored by the Contracts and Procurement Co-ordinator in relation to expiry and renewals.

## **PAY EXPENDITURE**

## **69 Remuneration**

- 69.1. All College staff will be appointed in accordance with the appropriate conditions of service. All letters of appointment must be issued by the Human Resources department.
- 69.2. Remuneration and other benefits must fall within budget limits approved by the Board of Management.

## **70 Appointment of Staff**

- 70.1. All contracts of service shall be concluded in accordance with the College's human resources practices and procedures and all offers of employment with the College shall be made in writing by the Director of Organisational Development. Budget holders must ensure that the Director of Finance and the Director of Organisational Development are provided promptly with all information they may require in connection with the appointment, resignation or dismissal of employees.

## **71 Salaries and Wages**

- 71.1. The Director of Finance is responsible for the payment of salaries and wages to all staff including payments for overtime or other additional services rendered. All timesheets and other pay documents, including those relating to fees payable to external examiners, visiting lecturers or researchers, will be in a form prescribed or approved by the Director of Finance.
- 71.2. The Director of Organisational Development will be responsible for keeping the Director of Finance informed of all matters relating to personnel for payroll purposes. In particular, these include the human resources policies approved for application in the College together with the following in relation to individual staff:
- Appointments, resignations, dismissals, supervisions, secondments and transfers.
  - Changes in remuneration including normal increments and pay awards.
  - Information necessary to maintain records of service for superannuation, income tax and national insurance.
- 71.3. The Director of Finance is responsible for payments to non-employees and for informing the appropriate authorities of such payments. All casual and part-time employees will be included on the payroll.
- 71.4. The Director of Finance shall be responsible for keeping all records relating to payroll including those of a statutory nature.
- 71.5. All payments must be made in accordance with the College Financial Procedures and comply with HMRC regulations.

## **72 Superannuation Schemes**

- 72.1. The Board of Management is the employer in relation to appropriate pension arrangements for employees.
- 72.2. The Director of Finance is responsible for day-to-day superannuation matters, including:
- Paying contributions to various authorised superannuation schemes.
  - Preparing the annual return to various superannuation schemes.
- 72.3. The Director of Organisational Development is responsible for administering eligibility for pension arrangements and for informing when deductions should begin or cease for staff.

## **73 Travel, Subsistence and Other Allowances**

- 73.1. All claims for payment of subsistence allowances, travelling and incidental expenses shall be completed in a form approved by the Director of Finance and will be in accordance with the Financial Manual.
- 73.2. Claims by members of staff must be authorised by the budget holder. The certification by the budget holder shall be taken to mean that:
- Journeys were authorised.
  - The expenses were properly and necessarily incurred.
  - The allowances are properly payable by the College.
  - Consideration has been given to value for money in choosing the mode of transport.
- 73.3. Claims for expenses by the Principal and Chief Executive shall be approved by the Chair of the Board of Management, and expenses for the Board of Management shall be approved by the College Secretary.

## **74 Giving Gifts and Hospitality**

- 74.1. Staff entertaining guests from outside bodies should use the College catering facilities where possible, and within budget. Where this is not the case, claims for reimbursement should state clearly that they relate to hospitality and includes the necessary receipts and details required by the Financial Procedures
- 74.2. Gifts and hospitality must be reasonable and proportionate, both in frequency and scale, to the nature of the relationship and must not exceed normal business courtesy. They must be offered or accepted for the primary purpose of better presenting Inverness College UHI or establishing cordial relationships with business partners.

74.3. The offer of gifts and corporate hospitality should have a demonstrable link to the work of the College and represent good value for money.

74.4. A corporate gift is a tangible item or service given to another on behalf of an organisation. Common gifts include pens, diaries, calendars and other business stationery, keyrings, souvenirs, books, flowers, bouquets and promotional items.

## **75 Overseas Travel**

75.1. All arrangements for overseas travel must be in accordance with the Financial Manual. Any approvals required must be obtained in advance of committing the college to those arrangements or confirmation of any travel bookings. All overseas travel must be notified to the Financial Manager for insurance purposes.

## **76 Expenses for members of the Board of Management**

76.1. Claims for members of the Board of Management will be approved by the College Secretary as budget holder.

## **77 Severance and Other Non-Recurring Payments**

77.1. Severance payments shall only be made in accordance with the relevant guidelines and legislation. In particular, the college must follow the requirements of the Scottish Public Finance Manual (SPFM) in determining settlement agreements, severance, early retirement and redundancy arrangements and payments. Any such scheme or payment must be approved by the SFC.

77.2. The college must have regard to the principles of good practice contained in Audit Scotland's May 2013 report: 'Managing early departures from the Scottish public sector'.

77.3. All payments must be authorised by the Principal and Chief Executive. Approval of early retirement packages, enhanced pension arrangements or financial packages in excess of statutory provision is reserved by the Board of Management after prior approval by the SFC. Any special severance payment out with a severance scheme approved by SFC in excess of £1,000 must be approved by SFC (see Appendix G).

77.4. All matters referred to an employment tribunal shall be notified to the Director of Finance at the earliest opportunity in order that budget provision may be made.

## **ASSETS**

## **78 Land, Buildings, Fixed Plant and Machinery**

- 78.1. The purchase, lease or rent of land, buildings or fixed plant can only be undertaken with authority from the Board of Management and with reference to funding body requirements where exchequer-funded assets or exchequer funds are involved.

## **79 Fixed Asset Register**

- 79.1. The Director of Finance is responsible for maintaining the College's register of capital assets. Budget holders will provide the Director of Finance with any information he or she may need to maintain the register.

## **80 Property Register**

- 80.1. The Director of Finance is responsible for maintaining a full register of properties owned or occupied by the College.
- 80.2. When transferring equipment between departments, the transfer must be recorded, a copy of the record sent to the Director of Finance and the inventories amended accordingly.

## **81 Stocks and Stores**

- 81.1. Budget holders are responsible for establishing adequate arrangements for the custody and control of stocks and stores within their departments. The systems used for stores accounting in departments must have the approval of the Director of Finance.
- 81.2. Budget holders are responsible for ensuring that regular inspections and stock checks are carried out. Stocks and stores of a hazardous nature will be subject to appropriate security checks. Advice should be obtained from the College's Health and Safety Officer.
- 81.3. Budget holders whose stocks require valuation in the balance sheet must ensure that appropriate stocktaking procedures are in place and have the approval of the Director of Finance.

## **82 Safeguarding Assets**

- 82.1. Budget holders are responsible for the care, custody and security of the buildings, stock, stores, furniture, cash, etc. under their control. They should contact the senior manager with responsibility for Estates in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

- 82.2. Assets owned by the College shall, so far as is practical, be effectively marked to identify them as College property.

### **83 Personal Use**

- 83.1. Assets owned or leased by the College shall not be subject to personal use except by approval by the Director of Finance.

### **84 Asset Disposal**

- 84.1. Disposal of equipment and furniture, whether by sale or otherwise, requires the prior written authorisation of the Director of Finance and must be in accordance with the Finance Manual.
- 84.2. Disposal of land and buildings must only take place with the authorisation of the Board of Management. Funding body consent may also be required if exchequer funds were involved in the acquisition of the asset.

## **FUNDS ON TRUST**

### **85 Gifts, Benefactions and Donations**

- 85.1. The Director of Finance is responsible for maintaining financial records in respect of gifts, benefactions and donations made to the College and initiating claims for recovery of tax where appropriate.

### **86 Student Support Funds**

- 86.1. The Director of Finance will prescribe the format for recording the use of student funds. Records of support funds will be maintained according to funding body requirements.

### **87 Trust Funds**

- 87.1. The Director of Finance is responsible for maintaining a record of the requirements for each trust fund and for advising the Finance and General Purposes Committee on the control and investment of fund balances.
- 87.2.

### **88 Voluntary Funds**

- 88.1. The Director of Finance shall be informed of any fund that is not an official fund of the College, which is controlled wholly or in part by a member of staff in relation to their function in the college. The accounts of any such

fund shall be audited by an independent person and shall be submitted with a certificate of audit to the appropriate body. The Director of Finance shall be entitled to verify that this has been done.

## OTHER

### 89 Insurance

- 89.1. The Director of Finance is responsible for the College's insurance arrangements, including the provision of advice on the types of cover available. As part of the overall risk management arrangements, all risks will have been considered and those most effectively dealt with by insurance cover will have been identified. This is likely to include important potential liabilities and should provide sufficient cover to meet any potential risk to all assets. This portfolio of insurances will be reviewed annually.
- 89.2. It has been agreed by Scottish Ministers that colleges can extend their current commercial insurance arrangements until 31 July 2018.
- 89.3. The Estates function is responsible for keeping suitable records of plant which is subject to inspection by an insurance company and for ensuring that inspection is carried out in the periods prescribed.
- 89.4. All staff using their own vehicles on behalf of the College shall maintain appropriate insurance cover for business use at their own cost.

### 90 Companies, Partnerships, Joint Ventures and Other Charitable Vehicles

- 90.1. In certain circumstances it may be advantageous to establish a company, joint venture or other appropriate legal entity to undertake services on behalf of the College. Any member of staff considering the use of such an entity should first seek the advice of the Director of Finance, who should have due regard to guidance issued by the funding body.
- 90.2. The Board of Management is responsible for approving the establishment of all companies or other legal entities. This will have regard to any guidance provided by the funding body.
- 90.3. It is the responsibility of the Board of Management to establish the shareholding arrangements and appoint directors of companies wholly or partly owned by the College.
- 90.4. The directors of companies where the College is the majority shareholder must prepare an annual report. They will also submit business plans or budgets as requested to enable the Finance and General Purposes Committee to assess the risk to the College. The College's internal and external auditors shall also be appointed to such companies.

- 90.5. Where the College is the majority shareholder in a company, that company's financial year shall be consistent with that of the College.

## **91 Security**

- 91.1. Keys to safes or other similar containers are to be kept securely at all times. The loss of such keys must be reported to the Director of Finance immediately.

- 91.2. The ICT Manager shall be responsible for maintaining proper security and privacy of information held on the College's computer network. Appropriate levels of security will be provided, such as passwords for networked PCs together with restricted physical access for network servers. Information relating to individuals held on computer will be subject to the provisions of the Data Protection Act 1998. The Data Controller shall be nominated to ensure compliance with the Act and the safety of documents.

- 91.3. The Director of Finance is responsible for the safekeeping of certain official and legal documents relating to the College. Signed copies of deeds, leases, agreements and contracts must, therefore, be forwarded to the Director of Finance. All such documents shall be held in an appropriately secure, fireproof location.

## **92 Provision of Indemnities or Guarantees**

- 92.1. Any request for indemnity or guarantee can only be given by the Director of Finance or the Principal.



## **APPENDIX A - Financial Memorandum**

### **Insert new SFC Financial Memorandum here**

To Access the Financial Memorandum please click on the following link:

[http://www.sfc.ac.uk/web/FILES/Guidance\\_Governance/Financial\\_Memorandum\\_within\\_the\\_College\\_Sector\\_-\\_1\\_December\\_2014.pdf](http://www.sfc.ac.uk/web/FILES/Guidance_Governance/Financial_Memorandum_within_the_College_Sector_-_1_December_2014.pdf)

It can also be viewed in: P:\Staff\Quality\Staff Toolkits\Policy & Procedure Files\Finance

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## APPENDIX B - Key Contacts in Finance

The Finance Department is located in G1 of the ground floor of the Beechwood Campus. There is also a cash office located on the ground floor to the left of the main reception desk at Beechwood. The cash office is normally open between 9.00 and 15.00 (Monday to Friday).

In order to obtain maximum benefit from the Finance Department, it is important to observe any published deadlines. These deadlines have been established and agreed in order to guarantee the delivery of particular services which might not otherwise be achievable.

The main services offered by the Finance Department are noted below:

- Creditor payments
- Collection of income
- Payroll
- Travel service
- Insurance
- Financial accounting
- Capital projects
- Budget monitoring
- Budget planning
- Internal audit
- Policy and procedures
- Purchasing
- Contract development and maintenance
- Tendering management
- Operational issues re. vendors, purchases etc.
- Administration and payment of student support funds.
- Value for Money control

Director of Finance	01463 273260
Finance Manager	01463 273408

## APPENDIX C - Capital Expenditure Appraisal

**Purpose: to ensure that all capital expenditure proposals are suitably evaluated and properly authorised.**

Outline capital expenditure proposals must be consistent with the aims and objectives of the College Strategic and Operational Plans, and also, where appropriate, other strategies and policies, including the Estates and ICT. Specific reference should be made in any proposal to the objective within the Strategic Plan that the proposal links to.

**Any capital expenditure proposal should also include the following:**

- The specification of the needs and objectives of the proposal within the context of the organisation's strategic plans.
- The identification of all available options.
- The valuation of the costs, benefits, timing and risks involved. The costs of the project must include any professional fees associated and also VAT.
- The identification of any available funding.
- The analysis of the results and assessment of affordability.
- The recommendation for the option selected.
- The extent and scope of the appraisal process will vary depending on the scale of the expenditure and the nature of the project. The extent of the appraisal will be determined by the Senior Management Team and will normally be carried out during the planning process cycle.

**Capital Expenditure procedures must comply with the financial memorandum issued by the SFC (see Appendix 1), and for major projects, observe any specific procedural notes issued by the SFC. Proposals for all major projects will require to be supported by a full business plan.**

Projects will be ranked by the Senior Management Team (SMT) in terms of priority to facilitate the decision making process and impose strict budgetary control. Available grant funding and the criteria and timing constraints imposed by grant providers will influence the evaluation process and the ranking of projects.

SMT will advise relevant College managers when approval has been given for capital expenditure. Finance will incorporate the expenditure into the annual capital expenditure plan.

If an organisation invests in a project, it expects a return, and deciding on a project involves making a long-term decision. One of the things organisations consider is the time value of money – if I have £5 now, how much is it worth in 4 years time? This is where we use the Net Present Value (NPV) method to appraise an investment opportunity. The other two main ways are the Internal Rate of Return (IRR) and the Payback method. The three methods are described below and assistance in their calculation can be sought from Finance.

## **The Principles of Discounted Cash Flow**

The basic principle of discounting is that if we wish to have £x in so many years time, we need to invest y at an interest rate of z in order to get that sum of money.

Present value just means the amount of money which must be invested now to make a certain amount of money in so many years time.

### **Capital Investment Appraisal – Net Present Value (NPV) method**

Discounted cash flow methods can be used to appraise capital investment projects. The two main methods are NPV and IRR, but there is also the payback method.

Net present value method - calculates the present values of all items of income & expenditure related to a project at a given rate of return & calculates a net total. If it is positive, then it is ok to invest in that project, but if it is negative, it is not a good investment.

### **Capital Investment Appraisal – Internal Rate of Return (IRR) method**

The IRR method determines the rate of interest (the internal rate of return) at which the NPV is zero. The internal rate of return is therefore the rate of return on an investment.

The IRR method will indicate if a project is viable if the IRR exceeds the minimum acceptable rate of return.

### **Capital Investment Appraisal – Payback method**

The payback period is the time that is required for the inflows to equal the outflows. Before it can be calculated, you must know the initial cash outflow & the estimate of future earnings/ savings.

There are two ways to use the payback period:

- a) Accept project with the shortest payback period.
- b) Have a payback period limit, where only projects which are less than the period limit will be accepted.

The Payback method is often used as a first step in project appraisal but it should not be used alone for decisions. If it passes the payback test, NPV or IRR should then be used.

Click on the links below for examples:

- [NPV Example](#)
- [Payback Example](#)

## **APPENDIX D - Summary of Protocols for Proposed Major Developments**

Any proposal for major developments should be supported by a business plan for at least three years which sets out:

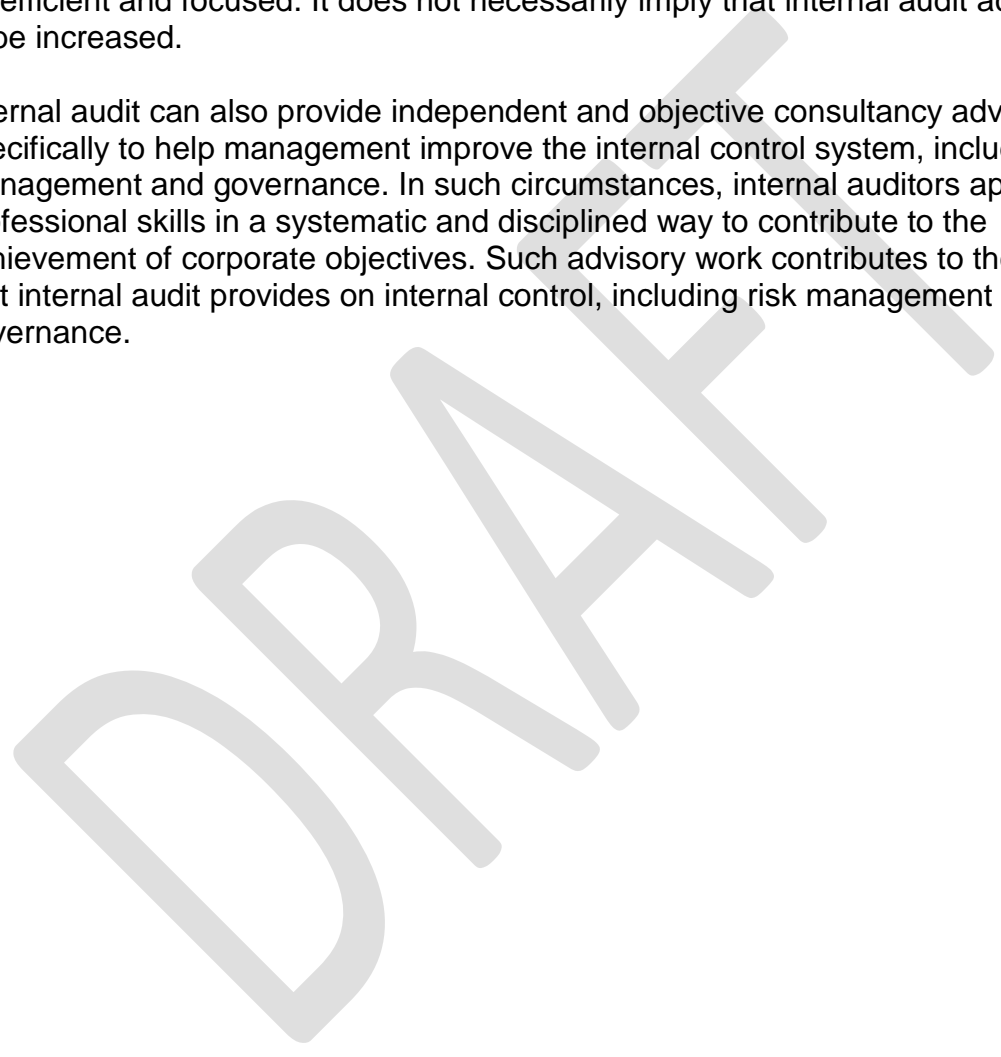
- a demonstration of the proposal's consistency with the strategic plans approved by the governing body and with the College's powers under current legislation;
- details of the market need and the assumptions (based on reference data) of the level of business available;
- details of the business and what product or service will be delivered;
- an outline plan for promoting the business to the identified market and achieving planned levels of business;
- details of the staff required to deliver, promote and manage the business, together with any re-skilling or recruitment issues;
- details of any premises and other resources required;
- a financial evaluation of the proposal together with its impact on revenue and surplus, plus advice on the impact of possible alternative plans and sensitivity analyses in respect of key assumptions;
- contingency plans for managing adverse sensitivities;
- consideration of taxation and other legislative or regulatory issues; and,
- At least a three-year financial forecast for the proposal including a cash flow forecast and details of the impact on the College cash flow forecast for the financial years in question.

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## **APPENDIX E - Internal Audit Responsibilities**

The primary responsibility of the internal audit service is to provide the funding body, the Board of Management and managers of the College with assurance on the adequacy and effectiveness of the internal control system, including risk management and governance. Responsibility for internal control remains with management, who should recognise that internal audit can only provide 'reasonable assurance' and cannot provide any guarantee against material errors, loss or fraud. Internal audit also plays a valuable role in helping management to improve systems of internal control and so to reduce the potential effects of any significant risks faced by the College. Risk management provides the opportunity for internal audit work to be efficient and focused. It does not necessarily imply that internal audit activity has to be increased.

Internal audit can also provide independent and objective consultancy advice specifically to help management improve the internal control system, including risk management and governance. In such circumstances, internal auditors apply their professional skills in a systematic and disciplined way to contribute to the achievement of corporate objectives. Such advisory work contributes to the opinion that internal audit provides on internal control, including risk management and governance.



## APPENDIX F – Procurement Thresholds

Inverness College UHI work with [Advanced Procurement for Universities and Colleges](#), to support the development of advanced procurement across the further and high education sector in Scotland.

The college has also signed up to the [Scottish Government's Suppliers' Charter](#) as part of our commitment to working together with other Public Sector buying organisations and Scottish businesses in order to improve public sector procurement processes and dialogue. When calculating the contract value, for a one-off purchase, the total cost of the good(s) or service(s) will provide the contract value. If the purchase is a recurring spend, the College will calculate the value over 4 years to establish the total contract value.

A national framework or local contract that meets the requirements must be used in the first instance for all tendering activity.

Inverness College is committed to carrying out procurement activities in an environmentally, socially, ethically and economically responsible manner and to entering into agreements and contracts with suppliers that share and adhere to its vision. Inverness College demonstrate this through its promotion of the APUC Supply Chain of Conduct. A copy of the APUC Supply Chain of Conduct is located in the Finance Manual.

### **For Goods and Services**

For Goods and Services greater than £50,000 and less than the OJEU thresholds – the College Procurement Team must undertake a formal tendering process and must advertise on the national advertising website Public Contracts Scotland. Additionally the Board of Management must provide approval.

Over EU Threshold – For Goods, Services and Works Projects must undertake a full formal tendering process and advertise the contract in the Official Journal of the European Union, as well as on Public Contracts Scotland ([www.ojec.com/thresholds](http://www.ojec.com/thresholds)). This will be carried out by the College Procurement Team. Additionally the Board of Management must provide approval.

### **For Works Projects**

£2m – 4.1m – this must undertake a formal tendering process and must advertise on the national advertising website Public Contracts Scotland. This will be carried out by the College Procurement Team. Additionally Board of Management must provide approval.

>£4.1m – a full formal tendering process must be undertaking and advertise the contract in the Official Journal of the European Union, as well as on Public Contracts Scotland. [www.ojec.com/thresholds](http://www.ojec.com/thresholds). This will be carried out by the College Procurement Team with additional approval by the Board of Management.

### **Sustainable Procurement Duty**

For Procurement exercises (>£50k Goods & Services / Works £2m) Inverness College is committed to the sustainable Procurement Duty and promises to:

Improve the economic, social, and environmental wellbeing of the authority's area, Facilitate the involvement of small and medium enterprises, third sector bodies; supported businesses in the process; and promote innovation.

<b>Route 1 &lt; £3000</b>	<b>By</b>	<b>4 year spend to be checked and verified. Local / National Framework Agreements to be checked</b>
<b>&lt;£500</b>	All Staff	1 quote or catalogue/internet print is required that meets with the Inverness College Value for Money Policy and approved by Budget Holder No Single Source Form required
<b>&gt;£500 &lt;£1000</b>	By Technicians / Delegates	2 quotes or catalogue/internet print is required that meets with the Inverness College Value for Money Policy and approved by Budget Holder Single Source Form is required for single supplier
<b>&gt;£1000 &lt; £3000</b>	By Budget Holder or Delegate	Evidence of market research is to be provided - includes catalogue, internet print outs and 2 formal written quotes are required that meets with the Inverness College Value for Money Policy. Single Source Form required for single supplier
<b>Route 2 &gt;£3,000 &amp; &lt;£9,999</b>	<b>By</b>	<b>4 year spend to be checked and verified. Local / National Framework Agreements to be checked</b>
	By Budget Holder or Delegate	3 formal written quotes are required that meets with the IC Value for Money Policy. Single Source Form is required for single supplier.
<b>Route 3 &gt;£10,000 &amp; &lt;£49,999</b>	<b>By</b>	<b>4 year spend to be checked and verified. Local / National Framework Agreements to be checked</b>
	College Procurement Team	Competitive tendering on PCS using Quick Quote
<b>Route 4A &gt; £50,000 &amp; Below OJEU</b>	<b>By</b>	<b>4 year spend to be checked and verified. Local / National Framework Agreements to be checked</b>
<b>Below OJEU Threshold</b>	APUC / College Procurement Team	Competitive quotes on PCS-Tender
<b>Route 4B OJEU</b>	<b>By</b>	<b>4 year spend to be checked and verified for PCS-T &amp; OJEU</b>



Compliance		compliance. Local / National Framework Agreements to be checked
<b>Supply, Services and Design Contracts &gt;£164,176</b>	APUC / College Procurement Team	To be in compliance with the Scottish Government Procurement Regulations for the Public Sector and also the Procurement Reform (Scotland) Act 2014 Public Contracts (Scotland) Regulations 2015, Procurement (Scotland) Regulations 2016 and the statutory guidance.
<b>Works Contracts &gt;£4,104,394</b>	APUC / College Procurement Team	To be in compliance with the Scottish Government Procurement Regulations for the Public Sector and also the Procurement Reform (Scotland) Act 2014 Public Contracts (Scotland) Regulations 2015, Procurement (Scotland) Regulations 2016 and the statutory guidance.

**Notes:**

These thresholds will apply to all Enquiries or Contracts processed locally or through the Public Contracts Scotland Portal (PCS) and all purchase orders processed regardless of the system used e.g. PECOS, SUN, Credit Card transactions.

The use of any relevant Local and National Framework Agreements are also to be considered.

As per government regulations, the 4 year cumulative spend has to be reviewed to ensure it does not exceed £50K within a 4 year window - (4 x £12.5K) unless a National Framework Agreement exists.

It is important that the total lifecycle costing and impact mapping is considered.

Working towards cost savings and cost avoidance is paramount with greater focus towards improved efficiencies, contract management and budget/cost management will be monitored.

Requisitions must **not** be split into smaller order quantities in order to avoid the correct procurement route.

For Major Works projects over £4m Community Benefit Clauses will be considered and documented.

**APPENDIX G – Delegated Financial Limits and Annual Reporting Requirements****Delegated financial limits and annual reporting requirements for Regional Colleges and Regional Boards****Delegated financial limits**

External Business and management consultancies	£100,000
Special severance payments	£1,000
Operating leases-non property	£250,000
Procurement non-competitive action	£25,000

**Annual reporting requirements**

Extra contractual payments	£5,000
Compensation payments	£5,000
Ex-gratia payments	£1,000
Claims waived or abandoned	£3,000
Write-off of bad debt	£3,000
Losses	£3,000
Overseas student irrecoverable loss	£6,000
Fraud loss	£5,000

## Board of Management

Subject/Title:	Financial Forecast Return (FFR) 2017		
Meeting and date:	Finance and General Purposes Committee 28 September 2017		
Author:	Fiona Mustarde, Director of Finance		
Link to Strategic Plan:			
Cost implications:	Yes <b>If yes, please specify:</b> Indicative financial position for the next five years		
Risk assessment:	Yes <b>If yes, please specify:</b> Financial: Please see report Operational: Organisational:		
Status – Confidential/Non confidential	Non confidential		
Freedom of Information Can this paper be included in “open” business	Yes		
If a paper should <b>not</b> be included within “open” business, please highlight below the reason.			
Its disclosure would substantially prejudice a programme of research (S27)		Its disclosure would substantially prejudice the effective conduct of public affairs (S30)	
Its disclosure would substantially prejudice the commercial interests of any person or organisation (S33)		Its disclosure would constitute a breach of confidence actionable in court (S36)	
Its disclosure would constitute a breach of the Data Protection Act (S38)		Other (please give further details)	
For how long must the paper be withheld? (express either as the time which needs to pass or a condition which needs to be met.)			

### Recommendation(s)

The committee is requested to approve the report and the FFR 2017.

## **Purpose of report**

To provide the committee with the Financial Forecast Return (FFR) 2017 for approval. In line with SFC guidance, the FFR 2017 has already been provided during August 2017 to UHI as the RSB responsible for collation and submission.

## **Background**

Each year colleges are requested to complete a Financial Forecast Return (FFR) by the SFC. This forms part of the SFC's financial health monitoring framework. In previous years, this return has covered a three year period plus the current year just ending (the call for information comes out towards the end of the academic year). For the FFR 2017, the format has changed considerably. The SFC now require information in respect of the current year plus the following five years. This is to meet the recommendations from Audit Scotland that colleges produce five year plans. There are also a number of additional information sheets that now form part of the FFR which were not required last year.

## **Main body of information**

SFC published the call for information at the end of June 2017. Attached to this was an annex with further information on assumptions to be made in completion of the return. However, some elements of the guidance given were contradictory and there was little clarity regarding some of the new sheets.

Both the FFR 2017 and the accompanying commentary have been attached.

One of the new tables for completion takes the surplus/(deficit) figures reported as per the accounts (in the form of the Statement of Comprehensive Income) and adjusts these to reflect the underlying position. The categories of adjustment here have been agreed with the sector to ensure consistency of approach in presentation of financial information.

The biggest financial challenge facing not just IC UHI but the sector as a whole is the impact of National Pay Bargaining. Currently, only the costs of the uplift in salary scales for unpromoted and promoted lecturers have been reflected in the FFR. This does not take into account any financial impact that may result from changes to terms and conditions. It also does not reflect the financial impact resulting from job evaluation for support staff or the impact of these changes in relation to senior management. There is no certainty yet around the level of these costs and given the recent experience with regard to funding for the unpromoted and promoted lecturers, we would be wary of calculating the costs without full information.

With regards to the pay uplift, as per SFC guidance we have assumed that in 18/19 and 19/20 the uplift costs will be fully funded, however thereafter the funding reduces over the next two years. This is reflected in the increasing deficit position. By the time we get to 22/23, there will be no funding for these additional costs.

Earlier this month, the SFC requested further detail from the sector in relation to the figures included in staff costs resulting from national bargaining.

The challenge for the sector is huge. Without SFC funding to pay for the increased staff costs, the current model is not affordable. As we are required to produce a balanced budget each year, we need to plan now for how we address this funding gap and what can we do differently.

## **Statement of Comprehensive Income and Expenditure (SOCIE)**

2017/18 approved budget used as the baseline throughout.

### **Income**

- Tuition fees, research and other income assume 1.5% increases each year from 2018/19.
- SFC grant assumptions:
  - flat cash 2018/19 and 2019/20 then 2% uplift 2020/21 and 2021/22
  - unpromoted and promoted lecturer additional costs funded in full until 2020/21
  - 2020/21 additional pay funding drops to 67% (£1.337m)
  - 2021/22 additional pay funding drops to 33% (£659k)

### **Expenditure**

- Staff costs include the estimated impact of national bargaining for the pay uplift only in respect of unpromoted and promoted lecturers. Anticipated additional cost of £295k in 2017/18, £637k in 2018/19, £1,063k in 2019/20. Figures for 2019/20 reflect the additional annual cost over the existing staff cost thereafter.
- Does not include any estimates of costs resulting from changes to terms and conditions for teaching staff.
- Does not include any estimates relating to job evaluation for support staff or changes to senior management pay levels.
- Includes an assumed amount of £450k each year for FRS102 pension costs.
- Other operating expenses reflect anticipated efficiencies and 1.5% increase from 2018/19
- Interest charges relate to the new campus contract and pension interest.

## **Underlying Operating Result**

The purpose of this sheet is an attempt to strip out the non-cash elements to arrive at a clearer picture of the financial position of each college in a consistent manner. The items on this sheet are those where there is less opportunity for colleges to influence the values, or items that are separately ring-fenced in government accounting terms.

## **Balance Sheet**

The significant movement in fixed assets from 2015/16 to 2016/17 reflects the disposal of former campus sites at Midmills, Burnett Road (Longman campus) and the student car park from the Longman campus.

**Sensitivity Analysis**

This sheet has not been completed due to a lack of clarity regarding the requirement. Discussion with the Director of Corporate Resources at UHI EO identified that there had been differing approaches across the colleges within the region. Rather than compounding the issue, it was left for completion at a later date once further information became available. There has been no further clarity provided as yet.

**Capital Expenditure**

Assumed static SFC grant income levels at 2017/18 budget amount. Plans are not yet drawn up for future years but on the basis that HE capital can only be spent on land and buildings we have kept the expenditure split static also.

**ALF Funding**

At the time of preparing the FFR, we did not have any specific future plans for utilising ALF funding beyond 2017/18. Requests to the Foundation for funding are largely driven by needs identified through the annual operational planning process. However, recent communication from the solicitor acting on behalf of the Trustees has indicated that we will need to carefully consider our future plans as they do not believe that the Foundation will continue in the longer term.

**FFR Commentary**

The call for information requests a commentary to be provided along with the spreadsheets to provide further detail behind the figures and the assumptions used.

The commentary has identified two key financial risks which are the impact of national pay bargaining and achieving our student activity targets. Whilst we plan and closely monitor activity to ensure it remains on track, there is limited scope for dealing with the financial impact of national bargaining. Looking ahead to 2020/21 when the funding will be reduced, the scale of impact becomes apparent.

**Financial Forecast Return 2017**

Institution

Contact

Telephone

Email:

<b>DECLARATION:</b>	The attached worksheets represent the financial forecasts for the Institution. They reflect a financial statement of our academic and physical plans from 2016-17 to 2021-22. Adequate explanations have been provided where requested on the return. The worksheets and their underpinning assumptions have been reviewed and approved by the Board of Management in accordance with their agreed practices. In preparing this financial forecast the Institution has fully considered the financial implications of all aspects of its strategy and has properly reflected these in the forecast.
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Signed:

Principal/Chief Executive Officer

Date:

Inverness College UHI

	Actual 2015-16	Forecast 2016-17	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	2015-16 - 2016-17	2016-17 - 2017-18	2017-18 - 2018-19	2018-19 - 2019-20	2019-20 - 2020-21	2020-21 - 2021-22	Explanation for variance
Statement of Comprehensive income and expenditure (Consolidated)	£000	£000	£000	£000	£000	£000	£000	%	%	%	%	%	%	
INCOME														
Tuition fees and education contracts	3,288	3,732	3,771	3,827	3,885	3,943	4,002	13.5%	1.0%	1.5%	1.5%	1.5%	1.5%	
Funding council grants	18,480	18,652	18,651	19,288	20,352	20,046	19,728	0.9%	0.0%	3.4%	5.5%	-1.5%	-1.6%	
Research grants and contracts	206	354	350	355	361	366	371	71.8%	-1.1%	1.4%	1.7%	1.4%	1.4%	
Revenue grants from Arms Length Foundation	178	0	0	0	0	0	0	-100.0%						
Capital grants from Arms Length Foundation	325	0	0	0	0	0	0	-100.0%						
Other non-government capital grants	0	0	0	0	0	0	0							
Other income	2,176	2,022	1,821	1,848	1,875	1,902	1,929	-7.1%	-9.9%	1.5%	1.5%	1.4%	1.4%	
Investment income	7	0	0	0	0	0	0	-100.0%						
Total income before donations and endowments	24,660	24,760	24,593	25,318	26,473	26,257	26,030	0.4%	-0.7%	2.9%	4.6%	-0.8%	-0.9%	
Donations and endowments	0	0	0	0	0	0	0							
Total income	24,660	24,760	24,593	25,318	26,473	26,257	26,030	0.4%	-0.7%	2.9%	4.6%	-0.8%	-0.9%	
EXPENDITURE														
Staff costs	13,573	14,426	14,878	15,624	16,748	16,892	17,038	6.3%	3.1%	5.0%	7.2%	0.9%	0.9%	
Staff costs - exceptional restructuring costs	0	0	0	0	0	0	0							
Fundamental restructuring costs - non-staff	0	0	0	0	0	0	0							
Other operating expenses	6,860	6,651	6,657	6,787	6,972	7,165	7,364	-3.0%	0.1%	2.0%	2.7%	2.8%	2.8%	
Donation to Arms Length Foundation	0	0	0	0	0	0	0							
Depreciation	2,220	1,673	1,679	1,486	1,463	1,458	1,458	-24.6%	0.4%	-11.5%	-1.5%	-0.3%	0.0%	
Interest and other finance costs	3,503	3,461	3,422	3,380	3,334	3,282	3,225	-1.2%	-1.1%	-1.2%	-1.4%	-1.6%	-1.7%	
Total expenditure	26,156	26,211	26,636	27,277	28,517	28,797	29,085	0.2%	1.6%	2.4%	4.5%	1.0%	1.0%	
Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates	(1,496)	(1,451)	(2,043)	(1,959)	(2,044)	(2,540)	(3,055)	-3.0%	40.8%	-4.1%	4.3%	24.3%	20.3%	
Gain/(loss) on disposal of fixed assets	0	0	0	0	0	0	0							
Gain/(loss) on investments	0	0	0	0	0	0	0							
Share of operating surplus/(deficit) in joint venture(s)	0	0	0	0	0	0	0							
Share of operating surplus/(deficit) in associate(s)	0	0	0	0	0	0	0							
Surplus/(deficit) before tax	(1,496)	(1,451)	(2,043)	(1,959)	(2,044)	(2,540)	(3,055)	-3.0%	40.8%	-4.1%	4.3%	24.3%	20.3%	
Other taxation	0	0	0	0	0	0	0							
Surplus/(deficit) for the year	(1,496)	(1,451)	(2,043)	(1,959)	(2,044)	(2,540)	(3,055)	-3.0%	40.8%	-4.1%	4.3%	24.3%	20.3%	
Unrealised surplus on revaluation of land and buildings	0	0	0	0	0	0	0							
Actuarial (loss)/gain in respect of pension schemes	(1,494)	0	0	0	0	0	0	-100.0%						
Other comprehensive income	0	0	0	0	0	0	0							
Total comprehensive income for the year	(2,990)	(1,451)	(2,043)	(1,959)	(2,044)	(2,540)	(3,055)	-51.5%	40.8%	-4.1%	4.3%	24.3%	20.3%	



Inverness College UHI

	Actual 2015-16 £000	Forecast 2016-17 £000	Forecast 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	2015-16 - 2016-17 %	2016-17 - 18 %	2017- 2018- 19 %	2017-18 - 2018- 20 %	2018-19 - 2019- 21 %	2019-20 - 2020- 21 %	2020-21 - 2021- 22 %
UNDERLYING OPERATING RESULT														
Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates	(1,496)	(1,451)	(2,043)	(1,959)	(2,044)	(2,540)	(3,055)							
Add:														
Depreciation net of deferred capital grant release <i>(incorporated colleges only)</i>	652	719	1,212	1,019	996	991	991	10.3%	68.6%	-15.9%	-2.3%	-0.5%		0.0%
Exceptional non-restructuring items (e.g. impairment costs)	436	0	0	0	0	0	0	-100.0%						
Non-cash pension adjustments	721	730	730	730	730	730	730	1.2%	0.0%	0.0%	0.0%	0.0%		0.0%
Donation to Arms Length Foundation <i>(incorporated colleges only)</i>	0	0	0	0	0	0	0							
Deduct:														
Non-Government capital grants	0	0	0	0	0	0	0							
Exceptional income	0	0	0	0	0	0	0							
Revenue funding allocated to loan repayments and other capital items <i>(incorporated colleges only)</i>	0	0	0	0	0	0	0							
Underlying operating result	313	(2)	(101)	(210)	(318)	(819)	(1,334)	-100.6%	4950.0%	107.9%	51.4%	157.5%		62.9%
Cash budget for priorities <i>(incorporated colleges)</i> :														
Student support funding	0	0	0	0	0	0	0							
2015-16 pay award	182	182	182	182	182	182	182							
Loan repayments	0	0	0	0	0	0	0							
Other - please describe	0	0	0	0	0	0	0							
Other - please describe	0	0	0	0	0	0	0							
Other - please describe	0	0	0	0	0	0	0							
	182	182	182	182	182	182	182							

Inverness College UHI

	Actual 2015-16 £000	Forecast 2016-17 £000	Forecast 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	2015-16 - 2016-17 %	2016-17 - 2017-18 %	2017-18 - 2018-19 %	2018-19 - 2019-20 %	2019-20 - 2020-21 %	2020-21 - 2021-22 %
Staff costs													
Salaries	10,679	11,213	11,602	12,202	12,957	13,071	13,187	5.0%	3.5%	5.2%	6.2%	0.9%	0.9%
Social Security costs	829	1,015	1,032	1,085	1,222	1,233	1,244	22.4%	1.7%	5.1%	12.6%	0.9%	0.9%
Other pension costs	1,631	1,748	1,794	1,887	2,119	2,138	2,157	7.2%	2.6%	5.2%	12.3%	0.9%	0.9%
FRS 102 pensions adjustments	434	450	450	450	450	450	450	3.7%	0.0%	0.0%	0.0%	0.0%	0.0%
Severance payments	0	0	0	0	0	0	0						
Total	13,573	14,426	14,878	15,624	16,748	16,892	17,038						

Inverness College UHI														
		Actual 2015-16	Forecast 2016-17	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	2015-16 - 2016-17	2016-17 - 2017-18	2017-18 - 2018-19	2018-19 - 2019-20	2019-20 - 2020-21	2020-21 - 2021-22
Balance Sheet		£000	£000	£000	£000	£000	£000	£000	%	%	%	%	%	%
1 Non-current assets	a) Intangible assets	0	0	0	0	0	0	0						
	b) Goodwill	0	0	0	0	0	0	0						
	c) Negative goodwill	0	0	0	0	0	0	0						
	d) Fixed assets	55,842	52,761	51,369	50,170	48,994	47,823	46,652	-5.5%	-2.6%	-2.3%	-2.3%	-2.4%	-2.4%
	e) Heritage assets	0	0	0	0	0	0	0						
	f) Investments	0	0	0	0	0	0	0						
	g) Investment in joint venture(s)	0	0	0	0	0	0	0						
	h) Investment in associate(s)	0	0	0	0	0	0	0						
Total non-current assets		55,842	52,761	51,369	50,170	48,994	47,823	46,652	-5.5%	-2.6%	-2.3%	-2.3%	-2.4%	-2.4%
2 Current assets	a) Stock	0	0	0	0	0	0	0						
	b) Debtors	410	466	467	467	467	467	467	13.7%	0.2%	0.0%	0.0%	0.0%	0.0%
	c) Investments	0	0	0	0	0	0	0						
	d) Cash and cash equivalents	3,344	3,733	3,583	3,583	3,583	3,583	3,583	11.6%	-4.0%	0.0%	0.0%	0.0%	0.0%
	e) Other (e.g. assets for resale)	0	0	0	0	0	0	0						
Total current assets		3,754	4,199	4,050	4,050	4,050	4,050	4,050	11.9%	-3.5%	0.0%	0.0%	0.0%	0.0%
3 Creditors: amounts falling due within one year	a) Bank loans and external borrowing	0	0	0	0	0	0	0						
	b) Bank overdrafts	0	0	0	0	0	0	0						
	c) Lennartz creditor	0	0	0	0	0	0	0						
	d) Obligations under finance leases and service concessions	0	0	0	0	0	0	0						
	e) Payments received in advance	690	954	467	467	467	467	467	38.3%	-51.0%	0.0%	0.0%	0.0%	0.0%
	f) Amounts owed to Funding Council	0	0	0	0	0	0	0						
	g) Obligations under PFI/NPD	463	511	564	621	684	751	824	10.4%	10.4%	10.1%	10.1%	9.8%	9.7%
	h) Other creditors and accruals	6,484	6,243	6,243	6,243	6,243	6,243	6,243	-3.7%	0.0%	0.0%	0.0%	0.0%	0.0%
Total creditors < 1 year		7,637	7,708	7,274	7,331	7,394	7,461	7,534	0.9%	-5.6%	0.8%	0.9%	0.9%	1.0%
Share of net assets/(liabilities) in associate		0	0	0	0	0	0	0						
NET CURRENT ASSETS/LIABILITIES		(3,883)	(3,509)	(3,224)	(3,281)	(3,344)	(3,411)	(3,484)	-9.6%	-8.1%	1.8%	1.9%	2.0%	2.1%
TOTAL ASSETS LESS CURRENT LIABILITIES		51,959	49,252	48,145	46,889	45,650	44,412	43,168	-5.2%	-2.2%	-2.6%	-2.6%	-2.7%	-2.8%
4 Creditors: amounts falling due after more than one year	a) Local authority loans	0	0	0	0	0	0	0						
	b) Bank loans and external borrowing	0	0	0	0	0	0	0						
	c) Lennartz creditor	0	0	0	0	0	0	0						
	d) Finance leases and service concessions	0	0	0	0	0	0	0						
	e) Obligations under PFI/NPD	38,009	37,498	36,934	36,313	35,628	34,878	34,054	-1.3%	-1.5%	-1.7%	-1.9%	-2.1%	-2.4%
	f) Amounts repayable to Funding Council	0	0	0	0	0	0	0						
	g) Other creditors	10,587	10,747	10,567	10,387	10,207	10,026	9,846	1.5%	-1.7%	-1.7%	-1.7%	-1.8%	-1.8%
	Total creditors >1 year	48,596	48,245	47,501	46,700	45,835	44,904	43,900	-0.7%	-1.5%	-1.7%	-1.9%	-2.0%	-2.2%
5 Provisions	a) Pension provisions	9,232	9,232	9,232	9,232	9,232	9,232	9,232	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	b) Other	2,672	2,672	2,672	2,672	2,672	2,672	2,672	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total provisions		11,904	11,904	11,904	11,904	11,904	11,904	11,904	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL NET ASSETS		(8,541)	(10,897)	(11,260)	(11,715)	(12,089)	(12,396)	(12,636)	27.6%	3.3%	4.0%	3.2%	2.5%	1.9%
9 Restricted Reserves	a) Endowment Reserve	0	0	0	0	0	0	0						
	b) Restricted Reserve	0	0	0	0	0	0	0						
10 Unrestricted reserves	a) Income and Expenditure Reserve	-8,541	-10,897	-11,260	-11,715	-12,089	-12,396	-12,636	27.6%	3.3%	4.0%	3.2%	2.5%	1.9%
	b) Revaluation reserve	0	0	0	0	0	0	0						
11 Non-controlling interest		0	0	0	0	0	0	0						
TOTAL RESERVES		(8,541)	(10,897)	(11,260)	(11,715)	(12,089)	(12,396)	(12,636)	27.6%	3.3%	4.0%	3.2%	2.5%	1.9%

## Inverness College UHI

### SENSITIVITY ANALYSIS

Forecast 2016-17 £000	Forecast 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000
-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------

**Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates**

(1,451)	(2,043)	(1,959)	(2,044)	(2,540)	(3,055)
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#### Income:

SFC activity funding +/- 2.5%

	0	0	0	0	0
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Non-SFC income +/- 2.5%

0	0	0	0	0	0
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#### Expenditure:

Non-staff costs +/- 2.5%

0	0	0	0	0	0
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#### **Staff costs:**

Total staff costs +/- 2.5%

0	0	0	0	0	0
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Total staff costs +/- 5%

0	0	0	0	0	0
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Inverness College UHI

Capital Expenditure Projects and Forecast Methods of Financing

Expenditure:

Land & Buildings

Equipment & Others

Financed by:

Cash reserves

Arms Length Foundation

Leasing

SFC grant

Re-investment of proceeds from disposal of assets

Non-SFC grants

PFI/NPD

Other - please specify if material

Actual 2015-16 £000	Forecast 2016-17 £000	Forecast 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	2015-16 - 2016-17 %	2016-17 - 2017-18 %	2017-18 - 2018-19 %	2018-19 - 2019-20 %	2019-20 - 2020-21 %	2020-21 - 2021-22 %
377	157	160	160	160	160	160	-58.4%	1.9%	0.0%	0.0%	0.0%	0.0%
4116	236	127	127	127	127	127	-94.3%	-46.2%	0.0%	0.0%	0.0%	0.0%
4,493	393	287	287	287	287	287	-91.3%	-27.0%	0.0%	0.0%	0.0%	0.0%
0	0	0	0	0	0	0						
325	0	0	0	0	0	0	-100.0%					
0	0	0	0	0	0	0						
223	393	287	287	287	287	287	76.2%	-27.0%	0.0%	0.0%	0.0%	0.0%
0	0	0	0	0	0	0						
151	0	0	0	0	0	0	-100.0%					
0	0	0	0	0	0	0						
0	0	0	0	0	0	0						
699	393	287	287	287	287	287	-43.8%	-27.0%	0.0%	0.0%	0.0%	0.0%

# Inverness College UHI

## ALF Funding

	Actual 2015-16 £000	Forecast 2016-17 £000	Forecast 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000
Estimated balance of cash in ALF as at 1 August	3,121	2,693	2,693	0	0	0	0
Donation to Arms Length Foundation	0	0	0	0	0	0	0
Grant from Arms Length Foundation - capital	(325)	0	(943)	0	0	0	0
Grant from Arms Length Foundation - revenue	(103)	0	0	0	0	0	0
<b>Estimated balance of cash in ALF as at 31 July</b>	<b>2,693</b>	<b>2,693</b>	<b>1,750</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Note:

For most foundations, the most recent accounts available are for periods ending in 2016. Colleges' forecast movements will not include governance costs, donations from third parties, payments to third parties or investment income.

### Grant from Arms Length Foundation - capital:

ICT Equipment	325	0	0	0	0	0	0
Group 2 equipment for NPD new campus	0	0	943	0	0	0	0
Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
<b>Total</b>	<b>325</b>	<b>0</b>	<b>943</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Grant from Arms Length Foundation - revenue

Curriculum Development/Leadership & Mgt Training	103	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
<b>Total</b>	<b>103</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Inverness College UHI**  
**FINANCIAL SUMMARY**

Actual 2015-16	Forecast 2016-17	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
£000	£000	£000	£000	£000	£000	£000

Income ratios							
Total Income	24,660	24,760	24,593	25,318	26,473	26,257	26,030
Total Funding Council Grant as % of Total Income	75%	75%	76%	76%	77%	76%	76%
Total non-Funding Council Grant as % of Total Income	25%	25%	24%	24%	23%	24%	24%
Total Education Contracts and Tuition Fees as % of Total Income	13%	15%	15%	15%	15%	15%	15%
Total Research Grants and Contracts as % of Total Income	1%	1%	1%	1%	1%	1%	1%
Total Other Income as % of Total Income	9%	8%	7%	7%	7%	7%	7%

Expenditure ratios							
Total Expenditure	26,156	26,211	26,636	27,277	28,517	28,797	29,085
Salaries as % of Total Expenditure	52%	55%	56%	57%	59%	59%	59%
Other operating costs as % of Total Expenditure	26%	25%	25%	25%	24%	25%	25%
Depreciation/amortisation as % of Total Expenditure	8%	6%	6%	5%	5%	5%	5%

Operating position							
Operating Surplus/(deficit)	-1,496	-1,451	-2,043	-1,959	-2,044	-2,540	-3,055
Operating Surplus/(deficit) as % of Total Income	-6%	-6%	-8%	-8%	-8%	-10%	-12%
Underlying operating surplus/(deficit)	313	-2	-101	-210	-318	-819	-1,334
Underlying operating surplus/(deficit) as % of Total Income	1.3%	0.0%	-0.4%	-0.8%	-1.2%	-3.1%	-5.1%

Cash Position							
Cash and Current Asset Investments	3,344	3,733	3,583	3,583	3,583	3,583	3,583
Overdrafts	0	0	0	0	0	0	0
Days Ratio of Cash to Total Expenditure	51	56	52	51	48	48	47

Balance Sheet strength							
Unrestricted reserves	(8,541)	(10,897)	(11,260)	(11,715)	(12,089)	(12,396)	(12,636)
Current Ratio	0.49	0.54	0.56	0.55	0.55	0.54	0.54
Unrestricted reserves as % of Total Income	-35%	-44%	-46%	-46%	-46%	-47%	-49%
Total borrowing (Overdrafts, Loans, Finance Leases, PFI/NPD)	38,472	38,009	37,498	36,934	36,312	35,629	34,878
Interest cover	0.57	0.58	0.40	0.42	0.39	0.23	0.05

## **COMMENTARY FOR FFR 2017 – INVERNESS COLLEGE UHI**

### **1. INTRODUCTION**

- In May 2016 Education Scotland published a review on behalf of the SFC which concluded Inverness College UHI has in place 'effective arrangements to maintain and enhance the quality of its provision and outcomes for learners and other stakeholders'. The current strategic plan covers the period 2017-2020 with a recurring theme of opportunity and growth across all six strategic aims. The College has been working through the process of renewing existing strategies and formulating new strategies to underpin the overall strategic plan. The College is going through a period of significant change at senior management level. The former Principal moved on to UHI Executive Office in early June 2017 and the new Principal comes into post on 1 September 2017. There has been a number of new Board members appointed within the last six months. The vacant Director of Finance post has only recently been filled.
- **NPD** - The new buildings at our Main Campus and Scottish School of Forestry opened to students at the start of 2015/16. The College pays a monthly unitary charge under the NPD contract for these buildings. The majority of this cost is met by SFC grant funding with the College responsible for a proportion related to hard facilities maintenance and lifecycle costs. There remain outstanding issues and the final account has not yet been put forward by the contractor although the anticipated costs in respect of group 2 equipment i.e. the equipment purchased by the contractor on behalf of the College, was accounted for in the 2015/16 financial statements.
- **HE student numbers** – in 2016/17, the College had a target of 1,622 FTEs, an increase on our HE student numbers by 172 FTEs (11.9%) from 1,450 FTEs in 2015/16. This was an ambitious target and the final outturn is expected to be lower at 1,545 FTEs. The 2016/17 target followed two consecutive years of strong growth however the actual growth in 2016/17 was lower. The curriculum plan for 2017/18 is in place and with a target of 1,594 FTEs.
- **FE student numbers** - in 2016/17 the College had a target of 29,647 credits which included ESIF funded credits and we are currently forecasting to achieve 30,934 credits against this. The core credit target for the College for 16/17 was 28,569. The core credit target for 2017/18 is an increase of 500 credits to 29,069.



- **On-going financial sustainability** - in 2016/17, the college is forecasting an underlying operating deficit position of £2,000. For future years' forecasts, the college is working hard to ensure that changes are captured in the forward forecasts, and opportunities are created to engender a positive impact on the College's ability to provide a high quality learning experience to our students. The College will consider how best to meet the needs of our learners in the challenging financial climate.
- **Customer service excellence and IIP Gold**– as well as transforming the physical buildings that make up Inverness College UHI, we also committed to transforming the organisational culture. We are therefore committed to a comprehensive development plan for the College that recognises the essential contribution made by every member of College staff to achieving excellence in the service we provide. The two awards of IIP Gold and Customer Service Excellence provide the framework required to achieve this transformational change and involve all staff in the development process. In 2015/16 we achieved Customer Service Excellence and IIP. In 2016/17 we achieved IIP Gold.

## 2. REVIEW OF FINANCIAL PERFORMANCE – 2016/17

- The projected outturn for the financial year 2016/17 is a deficit of **£1,451,000**, compared to the budgeted break even position. The variance against budget is largely down to the accounting for the NPD campus which changed after the budget for 2016/17 had been set and **FRS102 pension costs**. The underlying position is a deficit of £2,000.
- For SFC FE grant, the college is projecting to be above its target of 29,647 credits (including ESIF), the current estimate being 30,934 credits. For HE activity, the college is projecting to be below its undergraduate target of 1,622 FTEs, with the current estimate being 1,545 FTEs, 77 FTEs below target.
- Tuition fees and education contracts are projected to be £3.732 million for the year, compared to the budget figure of £3.543 million and last year's actual figure of £3.288 million, which is an increase of 5.3% compared to the budget and an increase of 13.5% compared to the previous year. This is mainly due to additional activity in the year and the associated fees, as well as some increase in commercial courses.
- Staff costs are projected to increase compared to the budget, the projected total being £14.088 million, compared to the budget of £14.039 million, an increase of 0.4% (**exclusive of FRS102 employers cost**). This is due to an increase in staff costs resulting from the lecturer pay uplift through national bargaining. Without the impact from national

bargaining the College would have had a positive variance against budget in staff costs.

- Other operating expenses have decreased as we have settled into our new campus buildings with reductions in utilities costs.
- In the balance sheet, the overall figure for net assets are forecast to increase from negative £3.8 million to negative £3.5 million.
- Fixed Assets include our Main Campus (including the Early Learning and Childcare Centre) and the Scottish School of Forestry. The reduction from 2015/16 to 2016/17 reflects the impact of the former campus disposals completed by 31 July 2017.
- Detailed cashflow forecasts remain to be completed for the period covered by the FFR.

### **3. SFC/ UHI RECURRENT GRANT**

- The College's anticipated FE allocation of SFC funding for 2017/18 is based on a target of 29,069 credits (excludes ESIF), an increase on 2016/17 of 500 credits. The main recurrent Grant for 2017/18 of £7,823,543 is based on college's 2016/17 final allocation of £7,662,361. These figures do not include any allocations in respect of national bargaining. In 2016/17, the College received £79,648 in respect of the additional cost for the period 1 April to 31 July 2017.
- For 2017/18 the HE allocation has been budgeted at £4,657,930 compared to £4,792,470 for 2016/17, a decrease of £134,540. This grant figure is based on the college achieving an activity target of 1,595 FTE in 2017/18, compared to our target figure of 1,622 FTE in 2016/17, a decrease of 27 FTE.

### **4. CHANGES IN TUITION FEE INCOME & OTHER INCOME**

- For 2016/17, an increase of £0.230 million in fees to £3.732 million compared to the budget for 2016/17 of £3.588 million is forecast. The budget for 2017/18 set at £3,133,554 reflects a slight decrease on 2016/17 which reflects the anticipated HE activity levels.
- For other income including research income, the anticipated outturn for 2016/17 is £2.376million compared with a budget of £2.404million. The budget for 2017/18 has been set at £2.171million which reflects the drop in anticipated ESIF income.

## **5. CHANGES IN STAFF COSTS & NON-STAFF COSTS**

- In 2016/17 we have seen the start of the impact of implementing national pay bargaining in respect of unpromoted teaching staff. The new pay levels became effective on 1 April 2017 and the initial four months cost estimated at £79,648 has been funded in 2016/17. The additional cost for Inverness College for 2017/18 has been estimated at £217,372 for unpromoted staff and £23,676 for promoted staff. The total cost to the College of implementing national bargaining for pay costs has been estimated at £2.086million across the implementation period. We have followed the assumptions stated in the circular reflecting the 2018/19 and 2019/20 costs being funded by SFC. These cost assumptions do not yet reflect the impact of changes to terms and conditions, nor do they reflect the impact resulting from job evaluation for support staff. They do however include a 1% uplift as per para 27.
- Other operating expenses is where the College is seeking efficiency savings. For 2018/19 and beyond, non-staff costs are assumed to increase by 1.5%.

## **6. RISK MANAGEMENT**

- The key risks that have been identified when preparing the 2017/18 forecast have been presented to the Finance & General Purposes Committee and the Board of Management. The main risk relates to the costs associated with national bargaining and the funding of this. The other key risk is achieving both the FE & HE activity targets.
- In terms of mitigating the above risks, the College will work with the regional strategic body and aligned colleges to assess delivery of courses. The quality of the student activity data has improved and so the forecasting for both FE & HE activity is now significantly more robust. Also, further work has been carried out on college admissions processes to ensure that all students are dealt with in an effective manner.

## **7. OTHER ISSUES**

- The college is currently working with the SFT to progress the disposal of the remaining Longman campus, having already sold both the Midmills campus and two elements of the Longman campus.

- The effect of the accounting treatment for the NPD buildings has meant that there is a significant interest charge in the early years which adversely impacts on the SOCIE. This will diminish over the length of the contract and the capital element of the repayments will increase. The contract started with an interest value of £3,215,624 in 2016 which will reduce to £295,633 in the final year. The contract is for a 25 year period.
- The FFR for 2017 has been approved and signed off by the Acting Principal of the College but has yet to go to the Board. This will be presented to the next Finance and General Purposes Committee which takes place on 28 September 2017.

Fiona Mustarde  
Director of Finance  
Inverness College UHI

August 2017

## Board of Management

Subject/Title:	National Bargaining		
Meeting and date:	Human Resources Committee – 21 September 2017		
Author:	Lindsay Ferries, Director of Organisational Development		
Link to Strategic Plan:			
Cost implications:			
Risk assessment:	Yes <b>If yes, please specify:</b>		
Status – Confidential/Non confidential	Non confidential		
Freedom of Information Can this paper be included in “open” business			
If a paper should <b>not</b> be included within “open” business, please highlight below the reason.			
Its disclosure would substantially prejudice a programme of research (S27)		Its disclosure would substantially prejudice the effective conduct of public affairs (S30)	
Its disclosure would substantially prejudice the commercial interests of any person or organisation (S33)		Its disclosure would constitute a breach of confidence actionable in court (S36)	
Its disclosure would constitute a breach of the Data Protection Act (S38)		Other (please give further details)	
For how long must the paper be withheld? (express either as the time which needs to pass or a condition which needs to be met.)			

### Purpose of report / Summary

This report provides an update on national bargaining.

### Lecturers

In light of the industrial action that had been taken and the intervention of Scottish Government, an agreement was reached to implement the transition towards a national pay scale.

The transition for lecturers at Inverness College UHI is as follows:

FTE Salary at 31 March 2017	FTE Salary on 1 April 2017 will be:	FTE Salary on 1 April 2018 will be:	FTE Salary on 1 April 2019 will be:
£ 31,561	£ 32,674	£ 33,788	£ 36,014
£ 32,743	£ 34,564	£ 36,385	£ 40,026
£ 34,165	£ 35,630	£ 37,096	£ 40,026
£ 36,337	£ 37,259	£ 38,182	£ 40,026

The costs associated with the first transition payment were calculated and produced for Scottish Government Scrutiny. The Funding Council thereafter notified colleges that:

1. Part of the funding had already been provided through the 16/17 allocation.
2. That the funding would not include increments that would have been paid

Furthermore management side confirmed that progression to the new pay scale would not be dependent on reaching milestones for example completion of induction, completion of teaching qualifications etc.

Part one implementation of the transition was paid to staff in July 2017 salaries (backdated to 1 April 2017).

### **Promoted Lectures (Programme Development Managers)**

Three posts with the following spot pay points have been agreed to be fully implemented with effect from 1 April 2019 alongside a similar transition arrangement as implemented for lecturers.

Level 1 - £43,850

Level 2 - £46,925

Level 3 - £50,000

The matching process to one of the pay points is to be progressed at a college level, following a set of 11 pre-determined criteria. The mechanism for doing so to include local EIS FELA officers and to be completed, including appeals by Christmas.

### **Support Staff**

A pay agreement has been reached for 17/18.

1. Flat cash settlement of £425 (pro rata for part time)
2. Minimum salary point no less than the Living Wage as at 1 April 2017 i.e. £8.45 per hour
3. 44 days annual leave with effect from 1 April 2017.
4. Effective date of implementation of Job Evaluation outcomes 1 September 2018.

## Meeting the costs of National Bargaining

A meeting with Scotland's Colleges regarding the disproportionate financial impact on UHI colleges was scheduled on Wednesday 16 August 2017. The gap in the calculation of the funding put to government for the lecturer and promoted lecturer is in the region of £660,000 on the figure already presented. This was accepted by Scotland's Colleges.

Furthermore the SFC issued the circular CI/03/2017 – '*Financial forecast return (FFR) for further education colleges 2016-17 to 2021-22 and information on financial planning assumptions*'.

This document provides the first indications of the funding that may be available to the sector to cover the costs of National Bargaining through to 2021/22.

While funding for up to 2021/22 is yet to be confirmed (and will be subject to further consideration as part of the annual spending review) a number of indications are made through the circular:

1. The grant for the next three years will cover the cash costs for National Bargaining, not any costs associated with terms and conditions and no inflation increase.
2. In year 4 and year 5, an increase of 2% per year will be made available, however the additional National Bargaining grant will be phased out (67% in year 4 and 33% in year 5).
3. Effectively the sector will receive flat cash for the next 3 years.
4. Over the 5-year period funding will only increase by 4% to cover all costs including the increased cost from National Bargaining.

Clearly these may be subject to change as the sector progresses through the Annual Spending Review, however, the current financial reality from this circular is that insufficient additional funds will be made available to support the National Bargaining process.

## Conclusions and Risk Analysis

- Impact on ongoing pay bill and funding pressures. SFC partial provision for year one transition costs no guarantee of further support for transition costs to new pay model.
- National calculations presented to Scottish ministers do not take account of local variances or of the UHI distribution of funding.
- National costs of implementation of job evaluation under-estimated at 6%

- The college pay model is based on an objective job evaluation system and single table bargaining for all staff groups, this is now undermined by the national pay scales for lecturers and promoted lecturers and flat cash settlements.
- Considerable pressure from academic unions to revert back to a 'Blue Book' approach which is not in keeping with the way colleges now operate and does not reflect the UHI dimension.
- Pay scales for lecturers no longer reflect the professional progression of a lecturer and the CPD and support required to develop their capacity and capabilities with no scope of introducing a probationary lecturer post and scale.
- Pace of national negotiations has been largely driven by the trade unions, this doesn't allow for full consideration of the relative costs and full impact assessment of the agreements entered into on our behalf often at very short notice.
- The introduction of national pay bargaining and the National Joint Negotiating Committee (NJNC) was politically instigated and is now reflected in formal governance arrangements. Individual Boards have minimal influence on proceedings.
- Impact of review of the public sector pay policy and expectation on public bodies to find savings to meet increases in inflationary pay rises.

The Committee is also asked to refer to the Presentation which Fiona Mustarde, Director of Finance made to the meeting of the Further Education Regional Board and which was sent to Board members by the Secretary to the Board on Monday 18<sup>th</sup> September



## Board of Management

Subject/Title:	Finance Monitoring Report – to end July 2017		
Meeting and date:	Finance and General Purposes Committee 28 September 2017		
Author:	Fiona Mustarde, Director of Finance		
Link to Strategic Plan:			
Cost implications:	Yes <b>If yes, please specify:</b> Budget monitoring report for the period to July 17		
Risk assessment:	Yes <b>If yes, please specify:</b> Financial: Please see report Operational: Organisational:		
Status – Confidential/Non confidential			
Freedom of Information Can this paper be included in “open” business			
If a paper should <b>not</b> be included within “open” business, please highlight below the reason.			
Its disclosure would substantially prejudice a programme of research (S27)		Its disclosure would substantially prejudice the effective conduct of public affairs (S30)	
Its disclosure would substantially prejudice the commercial interests of any person or organisation (S33)		Its disclosure would constitute a breach of confidence actionable in court (S36)	
Its disclosure would constitute a breach of the Data Protection Act (S38)		Other (please give further details)	
For how long must the paper be withheld? (express either as the time which needs to pass or a condition which needs to be met.)			

### Recommendation(s)

The Committee is asked to discuss the report.

### Purpose of report / Summary

To report to the Committee the results of the finance monitoring for the 12 months to end July 2017.

## Income and Expenditure Monitoring

1. The results of the financial monitoring exercise for the 12 months to July 2017 are summarised in the table below.

**Table 1: 2016/17 Income and Expenditure Monitoring – July 2017**

<b>MONTH</b>	<b>Actual Jul 17 £000</b>	<b>Phased Budget Jul 17 £000</b>	<b>Variance £000</b>	<b>Last Month Forecast £000</b>	<b>Variance £000</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Income	2,100	2,318	(218)	2,569	(469)
Expenditure	2,165	2,152	(13)	2,280	115
Net Operational Surplus (Deficit)	(65)	166	(231)	289	(354)

<b>YEAR TO DATE</b>	<b>Actual Jul 17 £000</b>	<b>Phased Budget Jul 17 £000</b>	<b>Variance £000</b>
Income	26,640	27,594	(954)
Expenditure	27,412	27,594	182
Net Operational Surplus (Deficit)	(772)	0	(772)

2. The year to date position, for the 12 months to July 2017, shows the net operational position is £772,000 below the budget level. Income, at £954,000 below the budget level and expenditure at £182,000 below budget level, contribute to the variation at the end of the period and further information is given below.
3. The year to date is also the forecast year-end position and shows a forecast net operational deficit of £772,000 compared with the budget level of £0. The variance in deficit relates to the adjusted values to be applied in respect of deferred capital grant income as per note 11.
4. The monitoring results are shown in the appendices. The list of pages is shown below:
  - Page 1 – Income & Expenditure Report – month, year to date (YTD) and year end. **Plus, previous year actual outturn in final column.**

- Page 2 - Income & Expenditure Report – showing actual & forecast for the year.
- Page 3 – Cash Flow Analysis - month, year to date (YTD) and year end.
- Page 4 – Monthly & cumulative cash position, in graphical form.
- Page 5 - Cash flow Forecast – showing actual & forecast for year.
- Page 6 – Debtors Report – showing business & student debt split, in graphical form.
- Page 7 – Creditors Report – showing creditor payment days in graphical form.
- Page 8 – Summary Income & Expenditure and cash flow information from July 2016 for comparison purposes, which show budget, forecast and variance.

## Income

5. The grant income related to student activity on the FE side is budgeted at £7,695,730 for 2016/17. Our budget target is 28,698 credits. At present, the college is projecting to exceed the credit target figure.

In HE, the college target is to achieve 1,665 FTE's and the projected activity is 1,589 FTE's.

6. The budget for the year for SFC unitary charge funding is £4,635,000 and at April 2017, there is a positive variance of £60,000. The positive variance is due to additional funding to cover the insurance costs recharged by GTEIL as required in the contract.
7. The budget for the year for tuition fees is £3,143,448 and at July 2017, there is a positive variance of £198,000 against budget. This is due to the inclusion of funding in respect of foundation and graduate apprenticeships.
8. SDS Training Contracts income mainly consists of modern apprenticeship funding. Current income at July 2017 is £391,000 against a budget of £400,000. The funds are released on the basis of claims submitted to SDS who operate an April to March financial year.
9. Other income for the 12 months to July 2017 is £2,379,000, £25,000 below the budget of £2,404,000. Catering and hospitality income accounts for £859,242 to July, a positive variance of £47,122 against budget.
10. Deferred grant has been recalculated in line with the required accounting in respect of the new campus arrangements. The original budget was set prior to agreement on the correct accounting. This has resulted in negative variance. For the 12 months to July 2017, the actual deferred grant is £963,000 against a budget of £2,119,000, a negative variance of £1,157,000. Work currently underway on preparation of the annual accounts has identified that a further release of £1,395,000 deferred grant may be necessary in relation to the disposal of former campus sites.

## Expenditure

11. Actual expenditure on staffing costs for the 12 months to July 2017 is above the phased budget by £28,000. Other staff costs are under target by £43,000. Overall there is an underspend of £15,000 on total staffing costs. The outturn includes the cost of implementing the first phase of national bargaining in respect of unpromoted lecturers only, at a cost in excess of £76,000. The negative impact of this has been masked by savings through vacant posts.
12. Other expenditure variations for the 12 months to July 2017 include an overspend of £169,000 in supplies and services costs. Of this, £72,882 relates to British Sign Language interpreting services in respect of two students, £75,002 relates to Phd student payments largely supported by project funding, £26,509 for equipment maintenance supported from research project funding, £57,863 for hospitality which includes costs relating to commercial course delivery, costs for honorary lecturers and events such as staff conference, graduation and prize-giving.

### **Cash Flow**

13. The opening cash balance for the year was £3,326,000.
14. Anticipated cash flow over the course of the current financial year was developed in June 2016 from budget estimates agreed at that time. A positive cash balance of £3,968,000 was achieved at the end of the year, 31 July 2017. This compares with the year-end cash balance of £2,462,000 shown in the original projection prepared in June 2016.
15. Details of the cash flow against budget for the month of July 2017 and the year-end position, is shown in the appendices on page 3. Graphs showing the monthly cash movements and the cumulative position are shown on page 4 of the appendices and the actual for the year is shown on page 5 of the appendices.

### **Creditor Payments**

16. Analysis of creditor payment runs indicates an average invoice payment period of 28 days over the 12 month period to July 2017, compared with the figure of 33 days in the 12 months to July 2016. A chart setting out the monthly results over the past year of the creditor payment analysis is appended, on page 7.

### **Debtors Summary**

17. Analysis of debtor's information shows that for July 2017, the total invoiced debt for the College increased from £766,640 in June 2017 to £869,905, an increase of £103,265. Charts showing the above are appended to this report, on page 6 of the appendices. Within this, invoices raised in the business category during July 2017 amounted to £458,319. There is a negative balance against student debt during the current period due to students making payment in advance of enrolment.

**Comparable Monitoring Information from July 2016**

18. There are 2 sets of figures included for comparison purposes. The first table is the income and expenditure figures from July 2016, which shows the forecast, budget and the variance. The second table shows the cash flow figures from July 2016, which again shows the forecast, budget and variance figures.

**Risk Assessment/ Conclusion**

19. The updated Risk Assessment, shown in appendix 1 of this report, shows the key risk areas within the finance monitoring report. All the risks identified are non-cash items however these will impact on the financial statements through the Statement of Comprehensive Income. The overall downside risk at this time is £1,676,000 and relates to the adjustments required to reflect the LGPS pension scheme liability and the loss on disposal of Midmills.
20. It should be noted that there was no cash loss in respect of the sale of the Midmills campus. However, due to the fact that the proceeds (less costs) were returned to the SFC, the accounting entries required to reflect the removal of this asset from our balance sheet create a negative impact on our income and expenditure statement. As there was only £201,000 of deferred grant that was specified as relating to Midmills, the balance is therefore shown as a loss.
21. The outturn currently reported is an operating deficit of £772,000 against a budgeted breakeven position of £0 and these adjustments are not reflected in this position. The deficit outturn position currently reported reflects the deficit created due to the negative balance resulting from the offset of a lower level of deferred grant against the calculated depreciation charge.

**REVENUE BUDGET 2016/17 – UPDATED RISK ASSESSMENT – 31 JULY 2017**  
**OUTTURN**

**MAIN RISKS**

<b>KEY RISK AREAS</b>	<b>DOWNSIDE £</b>	<b>PROVISIONS INCLUDED IN OUTTURN FIGURE £</b>
SFC FE Recurrent Grant	0	0
UHI HE Recurrent Grant	0	0
Fees – FE (Income)	0	0
Fees – HE (Income)	0	0
Bad debts (Expenditure)	0	0
FRS102 employer pension costs	680,000	0
FRS102 Pension interest	233,000	0
Pensions – Actuarial loss	164,000	0
Loss on asset disposal	599,000	0
	<b>UPSIDE</b>	
	£	
Staff Costs		0
<b>Net overall downside</b>	<b>£1,676,000</b>	

# Inverness College

## Income and Expenditure Report

£000

Year 2016/17

Month July

		YTD			Year End		
Report Para.		Actual	Budget	Variance	Forecast	Budget	Variance
Income							
Grants	8	12,537	12,669	(132)	12,537	12,669	(132)
Unitary Charge		4,695	4,635	60	4,695	4,635	60
Student Support Funds		2,337	2,224	113	2,337	2,224	113
Fees	9	3,341	3,143	198	3,341	3,143	198
SDS Training Contracts	10	391	400	(9)	391	400	(9)
Other Income	11	2,379	2,404	(25)	2,379	2,404	(25)
Deferred Grant		962	2,119	(1,157)	962	2,119	(1,157)
		26,642	27,594	(952)	26,642	27,594	(952)
Expenditure							
Staff	12	13,785	13,757	(28)	13,785	13,757	(28)
Other Staff	12	239	282	43	239	282	43
Property	13	1,006	1,175	169	1,006	1,175	169
Unitary Charge		4,098	4,114	16	4,098	4,114	16
Transport		89	83	(6)	89	83	(6)
Supplies and Services	13	3,949	3,780	(169)	3,949	3,780	(169)
Student Support Funds		2,421	2,224	(197)	2,421	2,224	(197)
Depreciation		1,827	2,179	352	1,827	2,179	352
		27,414	27,594	180	27,414	27,594	180
Net Operational Surplus (Deficit)		(772)	0	(772)	(772)	0	(772)



Inverness College

Income and Expenditure Report

Year 2016/17  
Month July

£000

		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual				Movement	
Report Para.		<u>AUGUST</u>	<u>SEPT</u>	<u>OCT</u>	<u>NOV.</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MARCH</u>	<u>APRIL</u>	<u>MAY</u>	<u>JUNE</u>	<u>JULY</u>	<u>TOTAL</u>	<u>Budget</u>	<u>Variance</u>	since LM
<b>Income</b>																	
Grants	8	940	1,091	1,087	1,140	1,118	906	1,005	857	1,082	1,023	1,263	1,025	12,537	12,669	(132)	0
Unitary Charge Funding		439	385	387	384	386	386	385	385	385	386	386	401	4,695	4,635	60	14
Student Support Funds		198	230	60	439	145	297	98	120	309	300	63	78	2,337	2,224	113	(101)
Fees	9	25	214	365	221	269	303	463	108	233	530	428	182	3,341	3,143	198	(157)
SDS Training Contracts	10	0	48	37	87	18	17	5	30	35	53	13	48	391	400	(9)	8
Other Income	11	160	181	163	210	163	185	306	228	142	292	46	303	2,379	2,404	(25)	(32)
Deferred Grant		64	64	64	64	63	63	64	63	63	63	63	264	962	2,119	(1,157)	0
		1,826	2,213	2,163	2,545	2,162	2,157	2,326	1,791	2,249	2,647	2,262	2,301	26,642	27,594	(952)	(268)
<b>Expenditure</b>																	
Staff	12	1,049	1,097	1,123	1,126	1,177	1,213	1,142	1,179	1,208	1,086	1,174	1,211	13,785	13,757	(28)	73
Other Staff	12	5	16	23	26	19	16	9	25	12	47	10	31	239	282	43	(6)
Property	13	74	125	78	57	49	75	82	112	67	87	101	99	1,006	1,175	169	51
Unitary Charge		365	330	339	360	338	335	337	341	340	338	341	334	4,098	4,114	16	11
Transport		3	6	6	9	7	7	6	13	11	9	6	6	89	83	(6)	7
Supplies and Services	13	196	434	397	349	301	290	358	406	332	337	231	318	3,949	3,780	(169)	(18)
Student Support Funds		0	205	274	244	373	270	295	234	186	226	100	14	2,421	2,224	(197)	(4)
Depreciation		152	152	152	152	153	153	153	152	152	152	152	152	1,827	2,179	352	1
		1,844	2,365	2,392	2,323	2,417	2,359	2,382	2,462	2,308	2,282	2,115	2,165	27,414	27,594	180	115
<b>Net Operational Surplus (Deficit)</b>																	
		(18)	(152)	(229)	222	(255)	(202)	(56)	(671)	(59)	365	147	136	(772)	0	(772)	(153)

Net effect of deferred grant and depn adjustments

# Inverness College

## Cash Flow Analysis

£000

Year 2016/17

Month July

Report Para.

### Income

	YTD			Year End		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Forecast</u>	<u>Budget</u>	<u>Variance</u>
Recurrent Grant In Aid	7,742	7,446	296	7,742	7,446	296
Other Grants	425	328	97	425	328	97
Unitary Charge Grant	4,679	4,626	53	4,679	4,626	53
UHI HE Grants	4,516	5,174	(658)	4,516	5,174	(658)
Fees & Charges	3,343	3,071	272	3,343	3,071	272
Student Support Funds	2,385	2,224	161	2,385	2,224	161
LEC Contracts	500	400	100	500	400	100
ESF Funds	188	-	188	188	-	188
Other Income	5,228	2,120	3,108	5,228	2,120	3,108
	29,006	25,389	3,617	29,006	25,389	3,617

### Expenditure

Staff	13,568	13,880	312	13,568	13,880	312
Pension Costs	96	96	-	96	96	-
Creditors	4,902	4,858	(44)	4,902	4,858	(44)
Unitary Charge payments	4,925	4,974	49	4,925	4,974	49
Student Support Funds	2,140	2,260	120	2,140	2,260	120
Inter Account Transfers	-	-	-	-	-	-
Other	3,003	185	(2,818)	3,003	185	(2,818)
Bank Interest	-	-	-	-	-	-
	28,634	26,253	(2,381)	28,634	26,253	(2,381)

### Net Income (Expenditure)

	372	(864)	1,236	372	(864)	1,236
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### Opening Bank Balance

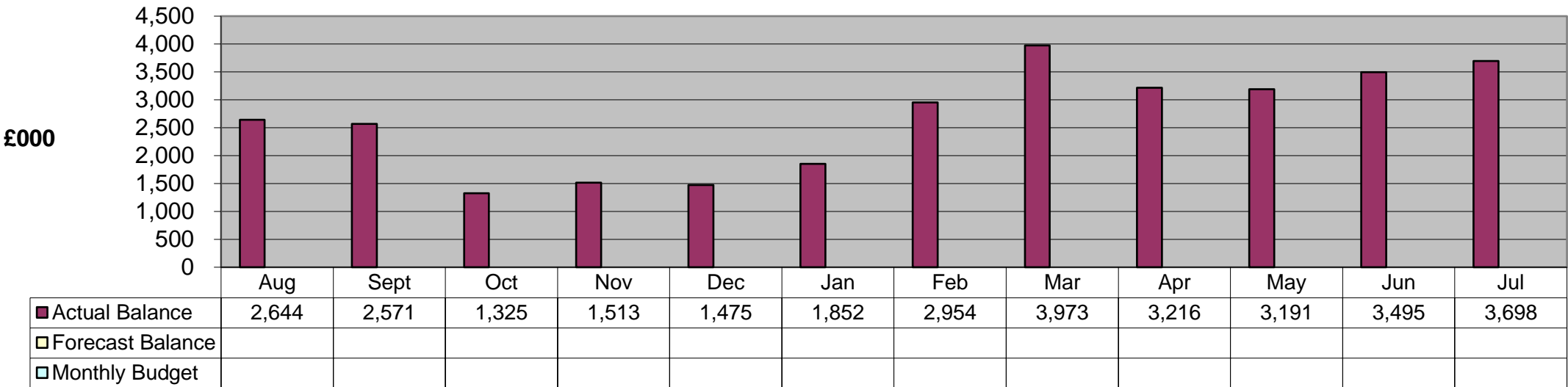
	3,326	3,326	-	3,326	3,326	-
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### Closing Bank Balance

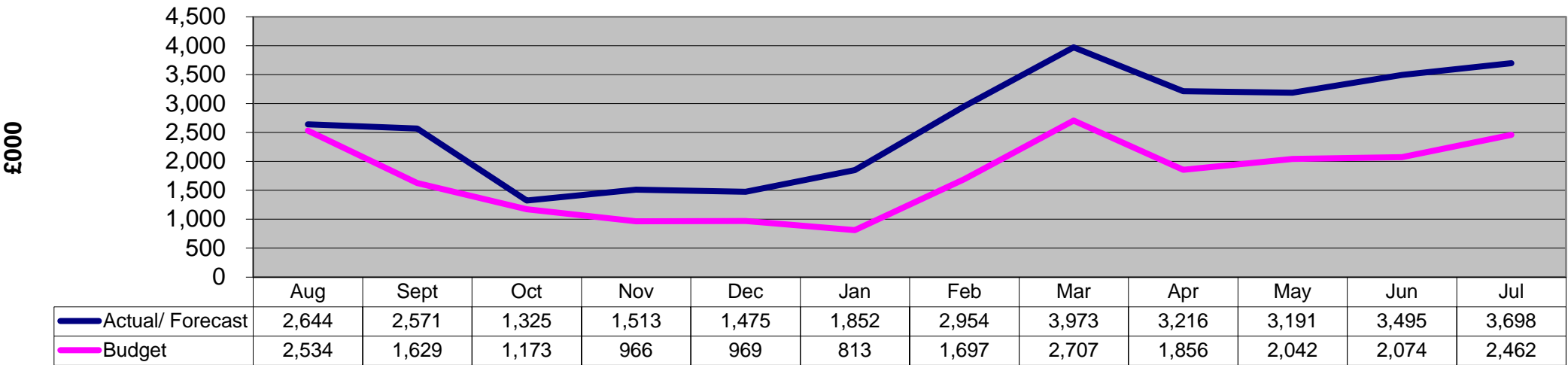
	3,698	2,462	1,236	3,698	2,462	1,236
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Year 2016/17  
Month July

Monthly Cash Balances



Monthly Cash Balances



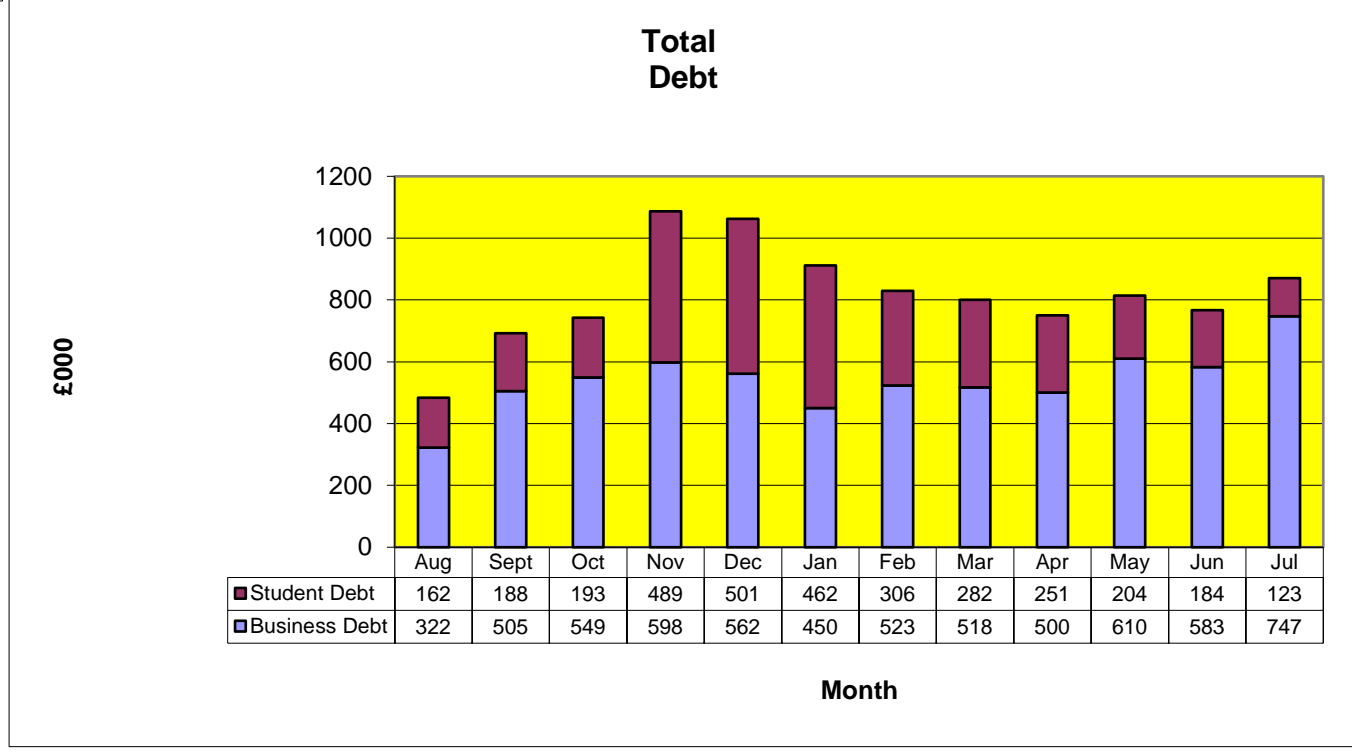
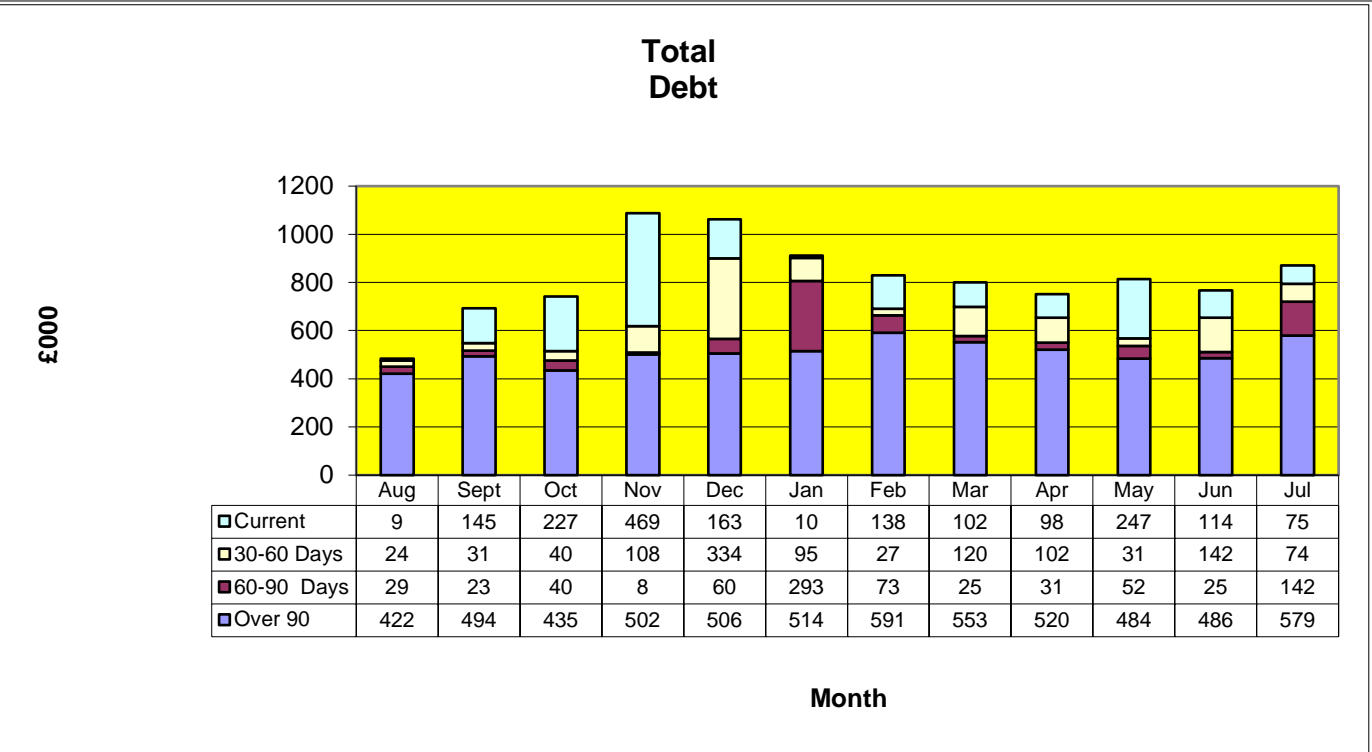
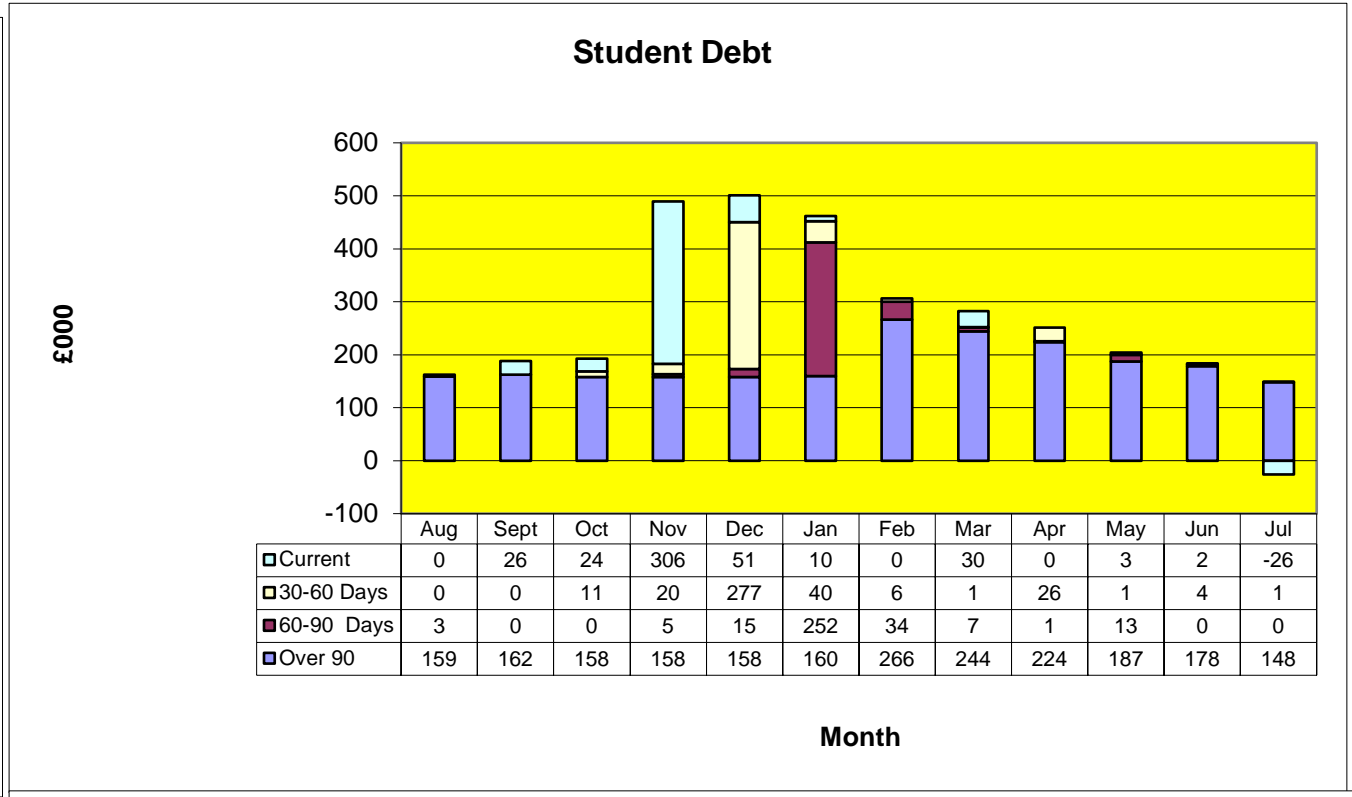
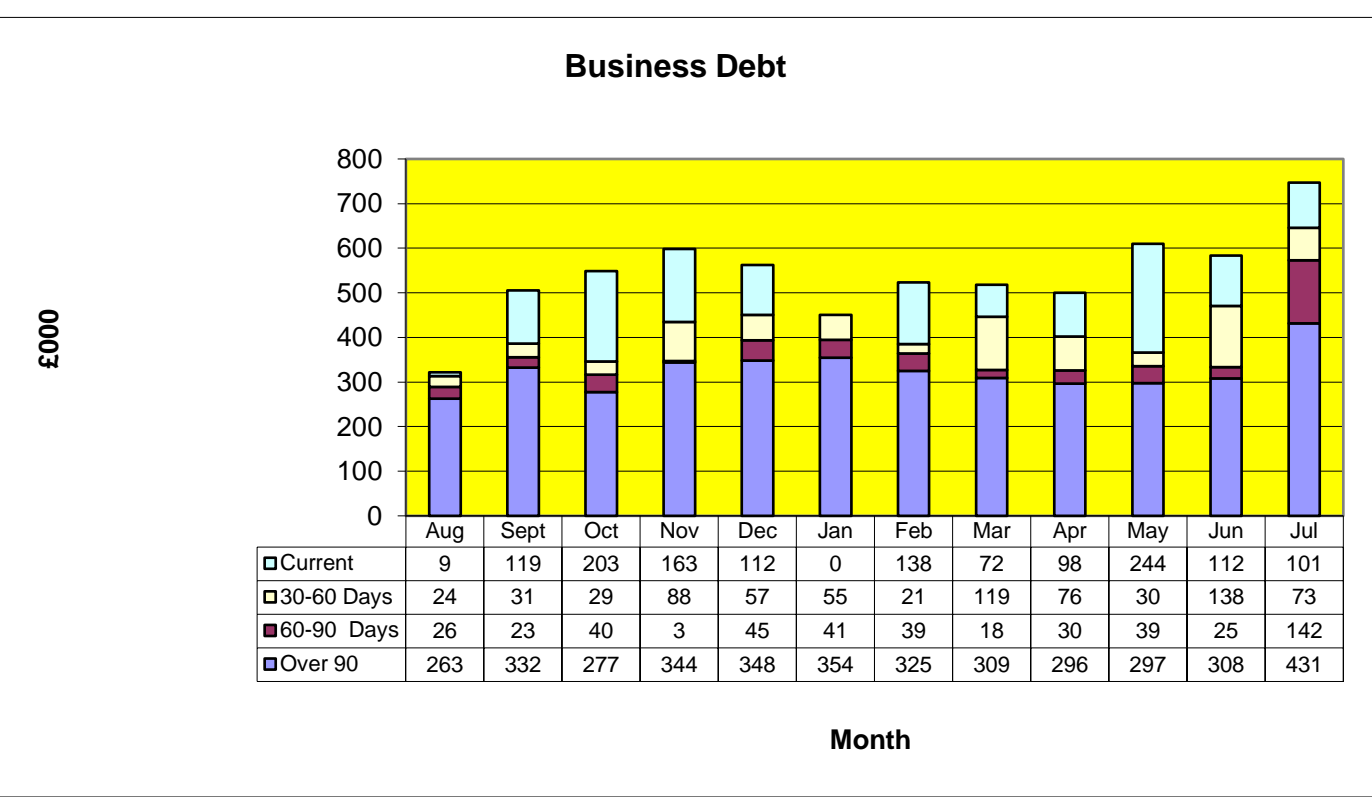
**INVERNESS COLLEGE**

### **FORECAST CASH FLOW - 12 MONTHS - AUGUST 2016 TO JULY 2017**

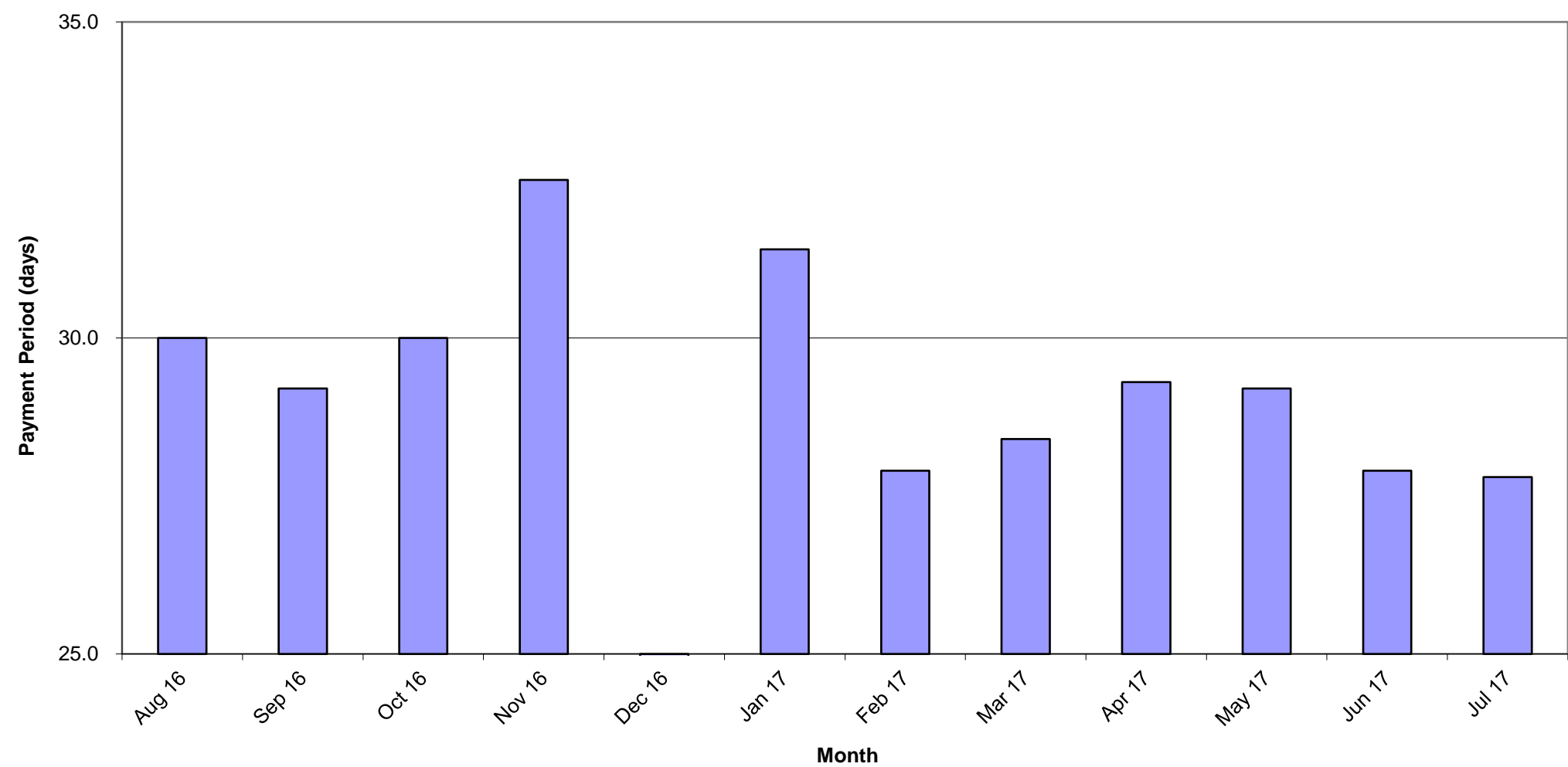
		Report Para.	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual				Movement	
			AUGUST	SEPT	OCT	NOV.	DEC	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	TOTAL	Budget	Variance	since LM
<u>OPENING BALANCE</u>	Current	14	3,326	2,644	2,571	1,325	1,513	1,475	1,852	2,954	3,973	3,216	3,191	3,495	3,326	3,326	0	0
	Deposit		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total		3,326	2,644	2,571	1,325	1,513	1,475	1,852	2,954	3,973	3,216	3,191	3,495	3,326	3,326	0	0
<u>INCOME</u>																		
			-	-	500	900	900	900	-	1,643	-	500	1,000	1,399	7,742	7,446	296	79
			-	74	20	40	20	41	90	107	33	-	-	-	425	328	97	0
			385	385	385	385	440	385	385	385	385	385	387	387	4,679	4,626	53	0
			363	363	401	415	399	415	415	401	364	497	483	-	4,516	5,174	(658)	(20)
			63	141	41	65	94	284	2,061	74	79	285	30	126	3,343	3,071	272	(15)
			198	265	230	234	244	258	38	33	170	300	300	115	2,385	2,224	161	8
			19	28	45	85	58	11	34	51	31	48	13	77	500	400	100	37
			-	-	-	-	-	-	-	-	114	74	-	-	188	-	188	0
			201	925	191	333	262	207	278	1,960	167	287	245	172	5,228	2,120	3,108	52
<u>TOTAL INCOME</u>			1,229	2,181	1,813	2,457	2,417	2,501	3,301	4,654	1,343	2,376	2,458	2,276	29,006	25,389	3,617	141
Transfers to and (from) deposit Account			0	0	0					0			0	0	0	0	0	0
<u>EXPENDITURE</u>																		
			1,048	1,053	1,086	1,101	1,176	1,191	1,167	1,148	1,179	1,134	1,116	1,169	13,568	13,880	312	11
			8	8	8	8	8	8	8	8	8	8	8	8	96	96	0	0
			364	477	501	380	393	295	324	465	297	559	397	450	4,902	4,858	(44)	(115)
			440	431	404	398	414	401	404	410	407	406	409	401	4,925	4,974	49	15
			-	178	272	236	404	206	222	194	148	193	86	1	2,140	2,260	120	9
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0
			51	107	788	146	60	23	74	1,410	61	101	138	44	3,003	185	(2,818)	281
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0
<u>TOTAL EXPENDITURE</u>			1,911	2,254	3,059	2,269	2,455	2,124	2,199	3,635	2,100	2,401	2,154	2,073	28,634	26,253	(2,381)	201
Actual Monthly Movement			(682)	(73)	(1,246)	188	(38)	377	1,102	1,019	(757)	(25)	304	203	372	(864)	1,236	342
Budget Monthly Movement																		
<u>CLOSING BALANCE</u>	Current	17	2,644	2,571	1,325	1,513	1,475	1,852	2,954	3,973	3,216	3,191	3,495	3,698	3,698	2,462	1,236	342
	Deposit		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total		2,644	2,571	1,325	1,513	1,475	1,852	2,954	3,973	3,216	3,191	3,495	3,698	3,698	2,462	1,236	342
Cumulative Budget position																		

Debtors

Year 2016/17  
Month July



Creditor Payment Periods (based on sampling monthly payment runs)



## Inverness College

Year 2015/16  
Month July 2016

### Income and Expenditure Report

		Year End		
		Forecast	Budget	Variance
<b>Income</b>				
Grants	12,135	12,066	69	
Unitary Charge	4,595	4,532	63	
Fees	3,358	2,871	487	
Project Funding	362	487	(125)	
Other Income	2,434	1,593	841	
Deferred Grant	2,119	2,119	0	
	25,003	23,668	1,335	
<b>Expenditure</b>				
Staff	13,071	12,545	(526)	
Other Staff	216	282	66	
Property	1,225	1,203	(22)	
Unitary Charge	3,903	4,056	153	
Transport	96	83	(13)	
Supplies	4,072	3,320	(752)	
Depreciation	2,179	2,179	0	
	24,762	23,668	(1,094)	
<b>Net Operational Surplus (Deficit)</b>		241	-	241

### Cash Flow Analysis

		Year End		
		Forecast	Budget	Variance
<b>Income</b>				
Recurrent Grant In Aid	7,482	7,420	62	
Other Grants	4,849	4,779	70	
UHI HE Grants	4,519	4,602	(83)	
Fees & Charges	2,762	2,871	(109)	
Student Support Funds	2,463	2,260	203	
LEC Contracts	446	487	(41)	
ESF Funds	-	-	0	
Other Income	3,491	1,593	1,898	
	26,012	24,012	2,000	
<b>Expenditure</b>				
Staff	12,764	12,465	(299)	
Pension Costs	96	96	0	
Creditors	5,994	4,488	(1,506)	
Student Support Funds	2,303	2,260	(43)	
Inter Account Transfers	-	-	0	
Other	6,324	6,914	590	
Bank Interest	-	-	0	
	27,481	26,223	(1,258)	
<b>Net Income (Expenditure)</b>		(1,469)	(2,211)	742
<b>Opening Bank Balance</b>		4,795	4,795	0
<b>Closing Bank Balance</b>		3,326	2,584	742

## Board of Management

Subject/Title:	Update on Accounts and External Audit Process 2016/17		
Meeting and date:	Finance and General Purposes Committee 28 September 2017		
Author:	Fiona Mustarde, Director of Finance		
Link to Strategic Plan:			
Cost implications:	Yes <b>If yes, please specify:</b> Indicative financial position for the next five years		
Risk assessment:	Yes <b>If yes, please specify:</b> Financial: Please see report Operational: Organisational:		
Status – Confidential/Non confidential			
Freedom of Information Can this paper be included in “open” business			
If a paper should <b>not</b> be included within “open” business, please highlight below the reason.			
Its disclosure would substantially prejudice a programme of research (S27)		Its disclosure would substantially prejudice the effective conduct of public affairs (S30)	
Its disclosure would substantially prejudice the commercial interests of any person or organisation (S33)		Its disclosure would constitute a breach of confidence actionable in court (S36)	
Its disclosure would constitute a breach of the Data Protection Act (S38)		Other (please give further details)	
For how long must the paper be withheld? (express either as the time which needs to pass or a condition which needs to be met.)			

### Recommendation(s)

The committee is asked to discuss the report.



**Purpose of report**

To provide the committee with an update on the final accounts and external audit process for 2016/17.

**Background**

The College financial year runs from 1 August to 31 July. Each year the Scottish Funding Council (SFC) provide guidance on completion of the annual accounts which also stipulates the date by which the signed report and accounts must be returned, normally 31 December. Colleges are required to ensure that processes are in place to ensure that the final report and accounts are fully audited and approved by College Boards of Management in time to meet this deadline.

Colleges and universities must apply all requirements under FRS102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland', relevant legislation and accounts direction from Funding Bodies applicable to the institution.

As per the SFC direction, colleges must comply with the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education in preparing their annual report and accounts.

Incorporated colleges are also required to comply with the Financial Reporting Manual (FReM). There are additional disclosures required in the financial statements required by the FReM. In cases where there is conflict between the FReM & the SORP, the latter will take precedence. Some of the key disclosures colleges must include in their annual report and accounts are noted below:

- Strategic report
- Performance report
- Remuneration and staff report
- Corporate governance report

**Timescales**

Colleges are required to provide to the SFC a copy of their financial statements, associated audit reports and statement on governance body development activity by 31 December 2017. Incorporated colleges must also send two copies to the Auditor General for Scotland by this date.

These documents will be tabled at a joint Audit/Finance and General Purposes Committee meeting on Thursday 7 December 2017 for review and recommendation to the Board of Management. The Board will consider and approve the report on 19 December 2017 for signing by the Principal and Chair.

**External Audit Work**

Our previous external auditors, Scott Moncrieff, came to the end of their five year contract with the 2015/16 audit. The College has new external auditors appointed by Audit Scotland for 2016/17. Audit Scotland have appointed Ernst & Young as external auditors for all five of the incorporated colleges within UHL. Preliminary systems walk through testing took place during mid June 2017. The external audit team are due on site to carry out their main field work during the week commencing 2 October 2017 for one week.

Once the initial field work is complete we will then have a subsequent follow-up meeting with the manager in charge from Ernst & Young, John Boyd. This should take place shortly after their on-site visit to ensure that the deadline for submitting the final accounts to the joint Audit and Finance & General Purposes committee meeting on 7 December 2017 is met.

Work is progressing well with a view to a draft set of accounts being available for the auditors on 2 October 2017.

**Credits and Student Support Funds**

Data in respect of FE student activity and the use of student support funding follows a different timeframe but also requires to be audited. The deadline for these audited returns has been brought forward for 2016/17 to 30 September 2017. This has presented a significant challenge to the teams involved to ensure that the audit process can run as smoothly as possible.

The College has new internal auditors, BDO, who are due on-site on 26 September to undertake the audit of both the credits and student support funds (commonly referred to as the FES audit). Whilst the delay in the internal auditors commencing the audit poses a risk in ensuring that the return deadline is achieved, our staff will work closely with the team on site to meet this deadline.

## Board of Management

Subject/Title:	Capital Expenditure Plan 2017/18		
Meeting and date:	Finance and General Purposes Committee – Thursday 28 September 2017		
Author:	Fiona Mustarde, Director of Finance		
Link to Strategic Plan:			
Cost implications:	Yes <b>If yes, please specify:</b> Loss of income		
Risk assessment:	Yes / No <i>(delete as applicable)</i> <b>If yes, please specify:</b> Financial: Operational: Organisational:		
Status – Confidential/Non confidential	Non confidential		
Freedom of Information Can this paper be included in “open” business	Yes		
If a paper should <b>not</b> be included within “open” business, please highlight below the reason.			
Its disclosure would substantially prejudice a programme of research (S27)		Its disclosure would substantially prejudice the effective conduct of public affairs (S30)	
Its disclosure would substantially prejudice the commercial interests of any person or organisation (S33)		Its disclosure would constitute a breach of confidence actionable in court (S36)	
Its disclosure would constitute a breach of the Data Protection Act (S38)		Other (please give further details)	
For how long must the paper be withheld? (express either as the time which needs to pass or a condition which needs to be met.)			

### Recommendation(s)

The Committee is requested to discuss the capital expenditure plan for 2017/18.

### Purpose of report

To update the committee on the capital expenditure plan for 2017/18 and advise on the approach to ensure that funds are fully utilised.

## Capital Grant Allocations 2017/18

The capital grant allocations for 2017/18 are shown in the table below.

Grant Funding	2017/18 Allocation
	£
FE Capital and Maintenance Grant	126,846
HE Capital Grant	160,462
<b>Total Capital Grant</b>	<b>287,308</b>

Expenditure – Proposed June 2017	
ICT Equipment	60,000
General Equipment	66,846
Buildings	160,462
<b>Total Planned Expenditure</b>	<b>287,308</b>

The FE capital and maintenance grant funding total allocation to Inverness College UHI is £276,846 for 2017/18. We have allocated this as £150,000 for revenue maintenance and £126,846 for capital expenditure. The FE grant can be used for any items of capital expenditure.

The HE capital allocation of £160,462 includes £14,431 of SFC/BIS<sup>1</sup> capital funding which relates to research areas. The HE capital allocation can only be utilised for buildings infrastructure and is not available for spend on ICT or equipment.

For both FE and HE capital grant, the expectation is that all of the 2017/18 funding must be utilised by 31 March 2018.

## Categories of Capital Expenditure

The budget for ICT equipment is £60,000 and will enable refresh of various items of hardware and new requirements identified through the operational planning process.

The budget for general equipment is £66,846. This was intended to fund some equipment requirements identified through the operational planning process where these meet the requirement to be classed as capital expenditure. However, it may be possible to meet these requirements through a bid to the Scottish Colleges Foundation which would then enable this funding to be redirected towards buildings infrastructure.

The current budget for buildings is £160,462 and relates to all building capital expenditure including any necessary adjustments to the new campus buildings. Due to difficulties

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<sup>1</sup> Department of Business Innovation and Skills. Now merged with the Department of Energy and Climate Change (DECC) to form the Department for Business, Energy and Industrial Strategy (BEIS) which is how it is referred to in the SFC Outcome Agreement.

encountered in meeting the extended timescale of 31 July 2017 for two critical building requirements, it was agreed that these projects would be the first call on funding from the 17/18 allocations (wood chip store and tractor shed refurbishment). In addition to this, increased costs associated with some of the projects and further delay on projects that were anticipated to be completed by 31 July 2017 impact the 17/18 allocation.

Having discussed with the Director of Organisation Development, it is our view that we progress the tractor shed refurbishment now. The anticipated cost of this development is £161,000 (including VAT) and it would be prudent to assume a contingency of £20,000 in relation to associated costs not currently included in the indicative cost of £161,000. This is based on our recent experience of the projects commenced in 2016/17 and project management costs that will be incurred.

The tractor shed refurbishment is a sizable project and is likely to span a number of months. The allocation for 17/18 must be utilised by 31 March 2018 and failure to progress this will leave us at risk of not spending our allocation in full. Our proposal is to commence the tractor shed project now on the understanding that this project may partially fall into 18/19.

This approach, combined with the plan identified in the Estates Update for preparation of further identified projects, will enable us to act more effectively if additional allocations of funding are made available in year.

## Board of Management

Subject/Title:	Business Development		
Meeting and date:	Finance and General Purposes Committee - 28 September 2017		
Author:	Georgina Parker, Director of Business Development.		
Link to Strategic Plan:	Opportunity and Growth in Curriculum Opportunity and Growth in Sustainability.		
Cost implications:	None arising directly from this report.		
Risk assessment:	Yes <b>If yes, please specify:</b>		
Status – Confidential/Non confidential	Non-confidential.		
Freedom of Information Can this paper be included in “open” business	Yes.		
If a paper should <b>not</b> be included within “open” business, please highlight below the reason.			
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Its disclosure would constitute a breach of the Data Protection Act (S38)		Other (please give further details)	
For how long must the paper be withheld? (express either as the time which needs to pass or a condition which needs to be met.)			

### Recommendation(s)

The Finance and General Purposes Committee is asked to note this report.

### Purpose of report

To provide the Committee with an in-year report on Business Development activity.

### Background

The main purpose of the Business Development function is to engage with individuals, business, the community and external agencies to maximise all available income streams and impact positively upon curriculum development and the student experience. There are

currently no budget reports available for 2017/18. Estimates and contract values are provided where possible.

## **Business Solutions**

### Modern Apprenticeships

- The 2017/8 contract for Modern Apprenticeships (MAs) was confirmed in April as £416K. Representing an 18% increase on the previous year's contract.
- To end August, there have been 14 MA starts against a profile of 11 (+27%). A further 54 starts have been signed up in September to date, of which 47 are in Engineering.
- SDS has refused to increase our contract to accommodate 24 new Hospitality MAs and 4 new Customer Service MAs. It has also refused to allow us to move starts from sector frameworks, which are in low demand, to those in high demand. We have been told by SDS to pass the employers to alternative training providers.
- We are part of a Short Life Working Group, chaired by Diane Rawlinson in her role as VP Further Education. This group is working towards securing a regional contract for Modern Apprenticeships, with a shared delivery model for UHI brand MAs.

### Flexible Workforce Development Fund

- UHI has been awarded £890K under the new Flexible Workforce Development fund. FWDF provides up to £10K to provide bespoke training for Apprenticeship Levy paying organisations (those with >£3 million payroll).
- Applications for funding are expected to be drawn up as part of an organisational needs analysis.
- Academic Partners, including ICUHI, are working with employers to establish and deliver training to meet skills gaps.

### Short Courses

- The programme of short courses has decreased in 2017 due to staffing shortages in Electrical. Additional courses, in areas such as a construction related H&S course (BHOS), have been added to our schedule to ameliorate the impact on income and Prince 2 will launch in semester two.

## **International Development**

- A bespoke 'Scottish Experience' commercial short course has been developed for Henan University of Commercial Construction, China, to be delivered in October 2017.
- Three 'Scottish Experience' commercial short courses are planned for May to July 2018.
- There are 2 international fee paying students and 36 Erasmus students for semester one of 2017/18.
- ICUHI has applied for grant funding to support facilitated workshops to develop a new International Development Strategy.

## Create

### Commercial Development

- The Highland Council – Business Support Services Framework – a launch event for the Highland Council's leadership workshops is being designed and delivered on 8<sup>th</sup> November in at least 4 locations around the Highlands (linked to NC500) – approx. £7774
- Educator Development – West College Scotland – CREATE has been approached regarding developing/delivering a bespoke 4-day enterprise CPD programme for staff in WCS. WCS have applied for £10k to cover the value of our input. WES are awaiting feedback regarding their proposal to their funding source.
- Forestry Entrepreneurship – CREATE included (to value £37k) in the submitted proposal in association with forestry research colleagues. This proposal is now approved and the project runs for 3 years.
- Social Enterprise – CREATE ICUHI included as the academic partner (to offer enterprise support services) in an initial STAGE 1 proposal in association with Cantrybridge College to seek ESIF Funding (supported by the Scottish Government) to 'grow the social economy' through a range of mechanisms.
- Scotland's Enterprising Schools – Following the completion of 3 modules for this government funded organisation in 2016, CREATE has been asked to develop an additional module on Enterprise leadership and has been in discussions with the General Teaching Council around endorsement/accreditation of the strategic alliance/programme.



Subject/Title:	Good Governance
Meeting and date:	Audit Committee – 14 September 2017
Extract from Minutes of the Meeting of the Chairs Committee held on 17 August 2017	

## **GOOD GOVERNANCE**

A covering report by the Board Secretary referred to a model reporting format for Audit Committee annual reports to the Board of Management which had been suggested by UHI and to two CIPHA best practice guides on Audit and Finance committee self-evaluation.

The Committee **AGREED** that

1. the model reporting format for the Audit Committee annual report be adopted and that it be submitted to the Audit Committee for noting and
2. the two CIPHA best practice guides should be adopted for Audit and Finance Committee evaluations, that they be circulated to both Committees for noting, and that the first evaluations would take place at the end of this academic year.

## CIPHA - A Good Practice Self-Evaluation Tool for the Finance Committee

### Introduction

The governing body has clear responsibility for an institution's finances, but often delegates specific powers to committees. Monitoring and planning for the institution's financial position and financial control systems is normally undertaken by a finance committee (or a finance and general purposes, an employment and finance or a resources committee). In 2015, CIPFA's Academies, Colleges and Universities Panel published *Guide for Finance Committee Members in Academies, Colleges and Universities* to provide advice on establishing and promoting good financial governance. The guide describes finance committee members' roles and responsibilities in detail and provides the context in which such committees operate.

A *Good Practice Self-Evaluation Tool for Finance Committee Members* builds further on the Panel's work by providing a practical way for finance committee members to review periodically their effectiveness and identify areas for future development. It provides a simple way for the executive officer with lead responsibility for financial matters to test the design and organisation of the interface between financial management and financial governance. It is also a mechanism for clerks to finance committees to satisfy themselves that the arrangements for the annual cycle of committee business enables and supports the achievement of good practice.

Users of this tool are recommended to read the key financial documents in use in their own institutions, such as the funding agreement or financial memorandum and audit code of practice. Relevant documents are listed on page three of this briefing.

In some academies the role of the finance committee is combined with that of the audit committee. Similarly, some small institutions do not have a finance committee and the governing body undertakes this role. In such instances, there may be members of the finance committee present when issues associated with the audit committee role are being discussed. In both such cases, the potential for conflicts of interest need to be very carefully thought through and addressed appropriately.

### The self-evaluation tool

The *Guide for Finance Committee Members in Academies, Colleges and Universities* considers in detail the establishment and operation of the finance committee and its responsibilities in an institution for the following:

- Financial strategy
- Annual budget
- Budget monitoring
- Financial management
- Fees and charges
- Third party transactions
- Financial results.

The guide includes questions for committee members to ask to assist them in their role in relation to the above areas and to guide improvements in the future in their institution.

The self evaluation tool is a questionnaire that looks at the following themes that underpin the effectiveness of finance committee members in the areas outlined above:

- The **role of finance committee members**
- Their **skills and expertise**
- **Behavioural and operational aspects** of the committee
- The **information and support** provided to finance committee members

- The **activities and functions** undertaken by finance committee members
- The **review** of the committee's effectiveness.

Each question included in the evaluation tool provides an opportunity to reflect on a particular aspect of the finance committee's operation and on the institution's practice and performance, resulting in an assessment of areas for development. In general, negative assessment against the question posed should result in some consideration of the impact of the assessment on the system of financial governance. It may lead to appropriate action for further developing this aspect of the institution's arrangements.

The judgement can be expressed as a score from 1 – 3 based on the response to the question where:

1. No, not at all
2. Yes, partly
3. Yes, strongly.

### **Using the self-evaluation tool in practice**

The tool can be used in a number of ways, by:

- finance committee members singularly or jointly to assess their own performance
- chief financial officers to assess the adequacy of the institutions arrangements
- clerks to the finance committee to assess the adequacy of the institutions arrangements
- internal auditors.

The tool poses various questions which in formulating assessments require both subjective and objective responses, the degree of subjectivity or 'opinion' varies between questions – so the tool could be completed by the groups above and give varying responses for the same institution. This itself is a strength of the tool as it allows those with different responsibilities to reflect their judgement in an assessment.

Where committee members are using the tool, it is important that the chair of the finance committee agrees the arrangements for its use and that the forum is one that allows them to feel free to express their views. It therefore may be appropriate for members to meet without officers of the institution to review the questionnaire and then feed back the issues they have identified for future development to the clerk and chief financial officer.

If agreed with the chair of the committee, it may be appropriate for the clerk or chief financial officer to pre complete some aspects of the questionnaire with some of the factual aspects of the institution's arrangements (eg review of financial regulations and training arrangements for new committee members) but ensuring that drawing conclusions on the effectiveness should be left to committee members.

### **Frequency of use**

It is recommended that the tool is used as part of a cycle of governance effectiveness review and ideally should be considered on at least a three year cycle.

In addition, the tool can be used when establishing new or revised arrangements by clerks and chief financial officers to evaluate models prior to their implementation and may prove useful for internal auditors as part of reviews of financial management arrangements.

## A GOOD PRACTICE SELF-EVALUATION TOOL FOR THE FINANCE COMMITTEE

Ref	Good practice	Evaluation level 1 to 3	Further action required?  Y/N	Evidence for assessment and improvement actions
1	<b>Role of committee members</b>  Has the governing body set the tone for the institution indicating that finance matters?			
2	Does the finance committee have written terms of reference (TOR)?			
3	Are the TOR adopted by the governing body and reviewed periodically?			
4	Is the role and purpose of the finance committee understood and accepted across the institution?			
5	Is the finance committee's role clear in respect of other committees with responsibility for financial matters within the institution?			
6	Are the finance committee's authorities properly constituted and specified in the institution's financial regulations?			
7	Are the members clear about the outcomes			

	the institution is aiming to achieve?			
8	Do the finance committee members clearly understand their roles and responsibilities? Do they understand the part they play individually ?			
9	Do the finance committee members clearly understand the interface between the committees with financial responsibilities including the audit committee and the finance committee, and with the governing body and how they relate to each other?			
	<b>Skills and expertise</b>			
10	Do the finance committee members have the right skills and expertise to enable them to challenge effectively?			
11	Are there any qualified accountants amongst the members?			
12	Does the finance committee have an appropriate mix of knowledge and skills among the membership from the specific sector, the public services and the private sector?			
13	Does the chair of the committee have appropriate knowledge and skills?			
14	Do the finance committee members demonstrate appropriate commitment?			
15	Do the finance committee members understand the financial regime in which the institution operates?			

16	Do the finance committee members have an understanding of the accounting policies in use in the institution			
17	Are the finance committee members familiar with, and do they understand, their institution's financial memorandum or agreement and articles of government?			
18	Do the finance committee members understand the key financial risks currently facing the institution?			
19	Do committee members have an understanding of the key challenges and risks facing the institution over the medium to long term and the institution's environment and strategy ?			
20	Do the finance committee members understand the health of the institution relative to the sector including performance trends, productivity, benchmarks and assurance that value for money is being achieved ?			
21	Do the finance committee members understand the financial health and sustainability of the institution as perceived by funding bodies and financial institutions?			
	<b>Behavioural and operational aspects</b>			
22	Does the finance committee meet on a regular basis, at least three times in each financial year?			

23	Are meetings scheduled in good time in respect of important decisions and financial deadlines?			
24	Are members attending meetings on a regular basis and if not is appropriate action taken			
25	Is the timing of finance committee's meetings discussed with all the parties involved?			
26	Has each member declared his or her business interests?			
27	Is the register of interests checked on a regular basis? Is the register easily accessible ?			
28	Are committee members independent of the management team and other committees?			
29	Are all the committee members fully engaged and participative in discussions at the meetings?			
30	Do the committee members ask 'tough questions'?			
31	Do the finance committee members scrutinise decisions effectively and offer constructive challenge?			
32	Do co-option arrangements include the involvement of the governing body's search or nominations committee?			

33	Are arrangements in place to rotate governing body membership?			
34	Do the committee members draw and reflect on their experiences of other organisations in discussions?			
35	Do the committee members have confidence in the financial management of the institution			
36	Are arrangements in place to enable the approval of urgent items of business?			
37	Do the committee members have confidence in the leadership of the finance department			
38	Do the members and in particular the chair of the committee have a respectful and constructive relationship with the chief financial officer?			
39	Do the committee members have access to the chief financial officer and vice versa			
40	Does the chief financial officer attend meetings of the finance committee?			
41	Is the chief financial officer a member of the senior decision making team?			
42	Is the chief financial officer involved in strategic level debates about the institution's aims and priorities?			
	<b>Information and support</b>			



43	Are there appropriate training and induction procedures for the committee members?			
44	Does the finance committee have an independent clerk/secretary?			
45	<p>Do the clerking arrangements for the committee ensure that members' time is used effectively? eg :</p> <ul style="list-style-type: none"> <li>• is there a good reason for each item being on the agenda ?</li> <li>• Are all papers circulated sufficiently in advance ( and none tabled ?) and distributed in sufficient time for members to give them due consideration</li> <li>• Do the reports prepared for the members make it clear what they are being asked to do/agree?</li> </ul>			
46	Do committee members have a mechanism to keep them aware of topical legal and regulatory issues and institutional developments, for example, by receiving circulars, training or briefing papers? Are they briefed on significant changes?			
47	Do the finance committee members receive reports that are concise and tailored to their needs			
48	Is the information they receive robust and objective?			
	<b>Activities and functions</b>			

	<i>Financial strategy</i>			
49	Do the finance committee members feel that they know and understand the challenges facing the institution in the next five to ten years, the aims of the institution, the priority areas for action to achieve those aims in the context of the challenges, the resource constraints on taking action and how those resource constraints will be tackled?			
	<i>Annual budget and budget monitoring</i>			
50	Do the finance committee members have the opportunity to review and challenge the budget ?			
51	Does the budget report supplied to finance committee members identify major risks and financial consequences?			
52	Do the finance committee members understand the institution's management accounts?			
53	Are the members able to challenge aspects of the management accounts report that give them cause for concern in a timely manner?			
54	Does the information supplied to finance committee members include financial reports on balance sheet items and clearly distinguish between capital and revenue ?			

	<i>Financial management</i>			
55	Do the finance committee members receive costing information to support decision making?			
56	Do the finance committee members understand the real financial position of the institution and prospects for sustainability?			
57	Do the finance committee members understand the priority areas in order to achieve the institution's agreed outcomes and the resources required?			
58	Do the finance committee members have an appreciation of how the finance function operates?			
59	Does the committee consider and approve the financial regulations of the institution, paying particular attention to the authority delegation levels that are set out within them?			
60	Is the finance committee aware of the responsibilities of the governing body in relation to value for money and how it impacts upon the decisions made by the finance committee?			
61	Is the committee aware of the audit committee's views on the institution's arrangements for securing value for money?			
62	Do the finance committee members			

	<p>reflect on how financial management operates in the institution compared with their experience in other organisations?</p> <p><i>Financial results</i></p>			
63	<p>Is the role of the finance committee with regard to the financial statements compatible/clear/ consistent with that of the audit committee?</p>			
64	<p>Does the finance committee obtain an early view of the draft financial statements in advance of them being signed?</p>			
65	<p>Does the finance committee ask the simple and obvious questions about the financial information which they, as a committee, do not understand ? (Such questions are also likely to be the questions raised by the users of accounts)</p> <p><b>Review</b></p>			
66	<p>Do the committee members assess their collective performance on a regular basis ?</p>			
67	<p>Do they assess how they could carry out their business more effectively ? eg improved meeting time table</p>			
68	<p>Are there KPIs in place against which the committee members can assess their performance?</p>			

69	Has the committee evaluated whether and how it is adding value to the organisation?			
70	Does the committee have an action plan to improve any areas of weakness?			
71	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			

**Inverness College UHI**

**New Campus – Maintenance and Unitary Charge Controls**

**Internal Audit Report No: 2017/09**

**Draft Issued: 4 September 2017**

**2<sup>nd</sup> Draft Issued: 12 September 2017**

**Final Issued: 12 September 2017**

**LEVEL OF ASSURANCE**

**Satisfactory**

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### Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

<b>Good</b>	System meets control objectives.
<b>Satisfactory</b>	System meets control objectives with some weaknesses present.
<b>Requires improvement</b>	System has weaknesses that could prevent it achieving control objectives.
<b>Unacceptable</b>	System cannot meet control objectives.

### Action Grades

<b>Priority 1</b>	Issue subjecting the College to material risk and which requires to be brought to the attention of management and the Audit Committee.
<b>Priority 2</b>	Issue subjecting the College to significant risk and which should be addressed by management.
<b>Priority 3</b>	Matters subjecting the College to minor risk or which, if addressed, will enhance efficiency and effectiveness.

## 1. Overall Level of Assurance

### Satisfactory

System meets control objectives with some weaknesses present.

## 2. Risk Assessment

This review focused on the controls in place to mitigate the following risks on the College's Risk Register:

- College estate not fit for purpose (risk rating: medium); and
- Poor student experience (risk rating: low).

## 3. Background

As part of the Internal Audit programme at Inverness College UHI ('the College') for 2016/17 we carried out a review of the College's New Campus maintenance and unitary charge arrangements. Our Audit Needs Assessment, completed in September 2015, identified this as an area where risk can arise and where internal audit can assist in providing assurances to the Board of Management and the Principal that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

The College's New Campus was funded through a Non-Profit Distributing (NPD) arrangement, whereby a private consortium, GT Equitix, built the Campus and operates certain parts of it over a 25-year period. The College makes unitary charge payments to the consortium over this period.

Under the contract GT Equitix is responsible for Hard Facilities Management (FM) services such as building and fabric maintenance (both planned and reactive) and the College is responsible for Soft FM such as cleaning and grounds maintenance.

## 4. Scope, Objectives and Overall Findings

This audit reviewed the arrangements in place to monitor the performance of GT Equitix against the terms of the contract.

The table below notes each separate objective for this review and records the results:



## 4. Scope, Objectives and Overall Findings (Continued)

Objective	Findings				Actions already in progress
		1	2	3	
<b>The overall objective of the audit was to determine whether:</b>		<b>No. of Agreed Actions</b>			
1. Appropriate controls have been put in place to ensure that the College receives value for money from the unitary charge payments made to GT Equitix.	<b>Satisfactory</b>	0	1	1	✓
<b>Overall Level of Assurance</b>	<b>Satisfactory</b>	0	1	1	
		System meets control objectives with some weaknesses present			

## 5. Audit Approach

We reviewed the terms of the contract with GT Equitix to identify what its responsibilities are. Through discussion with the Director of Organisational Development, Director of Finance and Estates & Campus Services Manager, and review of documentation, we established what systems and controls have been put in place to ensure that these responsibilities are met. These arrangements were also discussed with the GT Equitix appointed Contract Manager. We have reported on any areas where expected controls were found to be absent or where controls could be further strengthened.

Compliance testing was carried out where necessary to ensure that the controls in place are operating effectively.

## 6. Summary of Main Findings

### Strengths

- The responsibilities of the College and Gifford Try Facilities Management (GTFM) regarding facilities management are clearly set out in the Project Agreement, including identification of performance, availability and service quality standards.
- The College continues to receive support and advice from the Scottish Futures Trust who were responsible for developing the Project Agreement.
- The Concept system is used to record and track maintenance to be undertaken, and this is used to allocate jobs GTFM staff to rectify. The job details are sent directly to handheld Personal Digital Assistants (PDAs) used by GTFM operatives who are based on the College campus.
- Monthly reports are obtained from Concept which show the number of maintenance jobs that have been logged and actioned and these reports are monitored by the College Contract Administrator.

## 6. Summary of Main Findings (Continued)

- The PayMech module in Concept contains all the performance and availability standards which are included in the Project Agreement. This provides the capability for both GTFM and the College to monitor jobs and ensure that performance standards are being adhered to.
- GTFM issues monthly deductions reports from the PayMech module, which are subject to scrutiny by the College. Some issues were encountered with the reliability of the PayMech deductions reporting, for the period to January 2017, which are described in more detail in the Weaknesses below.
- A detailed report is produced monthly by the College, which allows clarification to be sought from GTFM and sets out any identified breaches of the terms of the Project Agreement and highlights those areas where a deduction should apply.
- There are regular meetings between the College, GTFM and the GT Equitix Contract Manager and contract performance issues are regularly reported to the GT Equitix board.
- College staff have demonstrated a suitable level of understanding of the Project Agreement and have been successful in applying the existing performance and availability standards to achieve recurring monthly deductions.

### Weaknesses

- Although Monthly Service Reports are produced in accordance with the Project Agreement, which are discussed at the monthly operational meetings of the GT Equitix Board, we noted that a summary of progress made by GTFM on all 69 performance standards was previously reported to the College but that these were not reported beyond November 2016. Due to an error in the mapping of the inter-dependent relationships of the performance and availability standards contained in PayMech the module did not operate as intended from August 2015 to January 2017, which resulted in inaccurate identification and calculation of deductions. GTFM rectified the systems issue in February 2017 and re-ran the deductions reports based on the data held in the PayMech module which calculated that further deductions totalling £202,666 were to be applied for the period August 2015 to January 2017. At the same time, the College also identified that the amended PayMech reports failed to include additional deductions totalling £28,783.
- The GTFM Facilities Manager post has been vacant since May 2017 and as an interim measure GTFM have reallocated the role internally in order to provide cover until a permanent replacement can be recruited. Our review found evidence that GTFM's performance standards and supervision of GTFM staff has been affected during this period.
- During our review, it was brought to our attention that as part of the monthly monitoring the College Contract Administrator had identified several instances where GTFM staff had manually amended data entries in the Concept system in contravention of the agreed procedure. These instances have been raised with GTFM by the College to prevent any incorrect reduction in potential deductions arising from the amendment of the data held in Concept and PayMech by GTFM staff.
- Under the terms of the Project Agreement the College is entitled to apply deductions to the unitary charge where performance standards have not been met. However, from the outset the College has taken a conscious decision not to apply deductions in respect of incomplete standards on the collective understanding that would provide GTFM with time to focus on rectifying underlying issues with the PayMech module. However, the PayMech deduction reporting issues were resolved in February 2017 and the College is now able to reconsider the application of deductions where GTFM standards have not been met, as stipulated in the Project Agreement.

## 6. Acknowledgements

We would like to take this opportunity to thank the College staff who helped us during the course of our audit.

## 7. Findings and Action Plan

**Objective 1: Appropriate controls have been put in place to ensure that the College receives value for money from the unitary charge payments made to GT Equitix.**

### **Background and High Level Overview of Processes**

GT Equitix undertakes the facilities management contract with the College through its subsidiary Gifford Try Facilities Management (GTFM). GTFM use an asset management system, Concept, to log and track all of the required maintenance under the contract.

There is a standard Project Agreement between the College and GTFM, which sets out the responsibilities of both the College and GTFM regarding building and systems maintenance. The Project Agreement is based on the Non-Profit Distributing (NPD) model for the design, build and maintenance of the campus and was developed by the Scottish Futures Trust (SFT). The Project Agreement includes 69 Performance Standards which detail how various aspects of the contract are to be measured and monitored. The contract also includes a further nine availability standards which outline the response and rectification periods for the different classification of maintenance issue covered by the contract. As part of the Project Agreement there is also a schedule of service quality standards for buildings, systems and external elements which identify the items that need to be maintained and to what standard. The College has received advice from the SFT on how the College should monitor the key aspects of the Project Agreement. GTFM have created an operational manual which documents for assets in the College a range of information, such as technical information and maintenance requirements (e.g. maintenance frequency and maintenance standards to be applied).

Under the Project Agreement Performance Standards GTFM are required to produce a monthly and an annual service report, which detail the minimum set of information to be reported as outlined in the Project Agreement.

GTFM's presence at the College includes two operatives who are based on site and are supervised by a Facilities Manager who oversees several GTFM projects. The GTFM Facilities Manager identifies the maintenance tasks to be undertaken from the Concept system, allocates jobs to operatives based on priority and issues the job to the GTFM operative's handheld PDA when this is assigned to them. The GTFM operative has a prescribed timescale for responding and rectifying jobs as outlined in the Project Agreement. Once the job is finished the GTFM operative closes this off on their PDA and then this updates Concept on a real-time basis. The GTFM Facilities Manager is responsible for ensuring that the quality of work performed by GTFM is maintained. Quality of the GTFM work is also monitored by the College Estates team by way of service user feedback and review of maintenance issues logged in Concept.

The Concept system includes a PayMech module which contains all of the performance and availability standards detailed in the Project Agreement. PayMech is used to identify where maintenance jobs recorded in Concept have passed or failed the related standard and to calculate any deductions that are to be applied to the monthly unitary charge. A monthly report from PayMech is then provided by GTFM to the College.

**Objective 1: Appropriate controls have been put in place to ensure that the College receives value for money from the unitary charge payments made to GT Equitix (continued).**

The College's Contract Administrator runs monthly reports from Concept and populates an Excel spreadsheet which is utilised to monitor the actions taken by GTFM against each job, including response and rectification periods. This information is then used by the College as a check to confirm the accuracy of the monthly PayMech reports received from GTFM, including confirming that the description of the work is accurate, response and rectification periods are correct and, where applicable, that deductions have been applied and that the basis for the deductions calculation is correct. Where there are queries or insufficient detail is available then this information is sent to GTFM who are asked to provide explanations.

We confirmed that there were regular internal College meetings, and also meetings between the College, GTFM and representatives from the GT Equitix appointed Contract Manager where performance issues could be raised and deductions calculations discussed.

The Contract Administrator advised that a number of areas for improvement regarding adherence to performance standards and other areas had been highlighted by the College and that these had been brought to the attention of GTFM and the GT Equitix Contract Manager to allow them the opportunity to rectify these issues. A letter was issued by the Director of Organisational Development to GT Equitix in April 2017 in an effort to highlight areas of non-compliance with the NPD Contract and to move towards resolution. Examples of the areas identified for improvement are outlined in more detail below. The letter to GT Equitix made it clear that going forward the College expected the contractor to comply with the NPD contract and in particular schedule part 12 Section 1 – Service Level Specification which sets out Performance Standards; Availability Standards; Monthly Service Report; Annual Service Report and Appendix B Service Quality Standards.

**Control and Process Weaknesses Noted**

*Monthly / Annual Reporting*

The letter of April 2017 highlights a number of issues which impact on monthly reporting. These include: missing completion notes; evidence of tasks being recorded as closed in advance of the task being resolved; tasks allocated as routine which are not in line with the contract specifications; criteria applied for availability/unavailability was not consistent or in line with the contract and some events were missing from the monthly reports. In addition, no Annual Service Reports have been produced by GTFM since the Project Agreement commenced.

**Objective 1: Appropriate controls have been put in place to ensure that the College receives value for money from the unitary charge payments made to GT Equitix (continued).**

*Deductions*

The Project Agreement allows for eligible deductions to be applied to the unitary charge, subject to a complex mix of performance and availability standards not being met. Due to an error in the mapping of the inter-dependent relationships of the performance and availability standards contained in PayMech the module did not operate as intended from August 2015 to January 2017. This resulted in inaccurate identification and calculation of deductions during that period and accordingly the deductions included on the monthly unitary charge bills raised during this period were categorised as 'Draft'. GTFM rectified the systems issue in February 2017 and re-ran the deductions reports based on the data held in the PayMech module, which calculated that further deductions totalling £202,666 were to be applied for the period August 2015 to January 2017. At the same time the College also identified that the amended PayMech reports failed to include additional deductions totalling £28,783 relating to high ticket items which had been logged in Concept but had not appeared on the PayMech reports. At the time of our review a total of £231,449 in potential deductions had still to be applied to the contract. GTFM and the College have agreed the value of additional deductions and this has been communicated to the Board of GT Equitix who have yet to make a decision on how to proceed. From discussion with College management we understand that the College will seek reimbursement of the deductions from the amounts paid during this period.

*GTFM Facilities Manager*

The GTFM Facilities Manager post has been vacant since May 2017 and as an interim measure GTFM have reallocated the role internally in order to provide cover until a permanent replacement can be recruited. Our review found evidence that GTFM's performance standards and the supervision of GTFM staff has been adversely affected during this period. The College has raised this matter with GTFM and the GT Equitix Contract Manager and at the time of our review GTFM was taking steps to appoint a permanent Facilities Manager.

*Concept Data*

During our review, it was brought to our attention that the College had identified several instances where GTFM staff had manually amended data entries in the Concept system, which in turn had impacted the result of performance standards and the potential calculation of deductions. For example, the amount of time allowed for GTFM to respond to and rectify maintenance issues are outlined in the Project Agreement. The College's own checking procedures identified that rectification dates had been amended on the Concept system by GTFM. In each instance, we understand that these amendments resulted in the calculated deductions being reduced or removed. The College's concerns regarding these issues have been raised with GTFM and the GT Equitix Contract Manager by the College to prevent any incorrect reduction in potential deductions arising from the amendment of the data held in Concept and PayMech by GTFM staff. Through discussion with the GT Equitix Contract Manager we noted that GTFM have advised that the amendment of data in Concept and PayMech is a result of GTFM staff not using the system in accordance with the agreed procedure and that this is an area where further training on the system could be provided to GTFM staff. We also noted that amendments to the data in Concept were made during the period when a permanent Facilities Manager was not in post.

**Objective 1: Appropriate controls have been put in place to ensure that the College receives value for money from the unitary charge payments made to GT Equitix (continued).**

Observation	Risk	Recommendation	Management Response
<p><b>Areas for Improvement Relating to GTFM Areas of Responsibility</b></p> <p>A number of the weaknesses noted above relate to operational areas where GTFM is responsible for processes and controls. Although we recognise that the College is not directly responsible for these issues, and has already taken steps to draw areas of non-compliance with the NPD contract to the attention of GTFM and GT Equifix, we have raised a recommendation to ensure that the issues identified during the course of our fieldwork are not lost and that members of the Audit Committee gain assurance (through the formal internal audit Follow-Up process) that the issues identified have been followed-up appropriately with GTFM to ensure that action is taken to resolve the issues highlighted.</p>	<p>GTFM may not be in a position to demonstrate to the College that the performance standards contained in the Project Agreement are being adequately satisfied and that work is carried out in a timely manner.</p>	<p><b>R1</b> Discuss with GTFM the matters highlighted in our report which lie within their areas of responsibility, and obtain formal assurances from GTFM on a) how and b) when they will take the necessary action to address the areas of non-compliance noted.</p>	<p>This has now escalated to a meeting request with GTEIL Board Members and escalation of deductions in line with advice received from SFT.</p> <p><b>To be actioned by:</b> Director of Organisational Development</p> <p><b>No Later Than:</b> In progress</p>
			<p><b>Grade</b></p> <p><b>2</b></p>

**Objective 1: Appropriate controls have been put in place to ensure that the College receives value for money from the unitary charge payments made to GT Equitix (continued).**

Observation	Risk	Recommendation	Management Response
<p><b>Areas for Improvement Relating to College Areas of Responsibility</b></p> <p>Currently the College is monitoring performance and applying deductions on a narrow range of the performance standards contained in the Project Agreement. Monthly Service Reports are produced in accordance with the Project Agreement and are discussed at the monthly operational meetings of the GT Equitix Board. However, we noted that a summary of progress made by GTFM on all 69 performance standards was previously reported to the College but that these were not reported beyond November 2016. In the absence of these reports the College Contract Administrator has monitored GTFM's compliance with the standards and has identified a number of areas where GTFM has yet to complete actions to satisfy the requirements of the Project Agreement. For example, performance standard FM08 states that GTFM should implement a quality management system. The College has identified that this action has yet to be completed. Under the terms of the Project Agreement the College is entitled to apply deductions to the unitary charge where performance standards have not been met but our discussions with College staff confirmed that the College has not previously applied deductions in respect of incomplete standards to allow GTFM to focus on rectifying the underlying issues with the PayMech module. However, since these issues have now been resolved the College is now able to reconsider the application of deductions where GTFM standards have not been met.</p>	<p>The performance standards outlined in the Project Agreement are not achieved resulting in the College not achieving value for money in line with the terms of the contract.</p>	<p><b>R2</b> The College should formally notify GTFM which performance standards that have not been met and set a target timescale by which GTFM should achieve these by. Alternatively, the College should seek assurance from GTFM that an action plan will be produced to achieve completion of outstanding performance standards within a reasonable timescale. The College should also inform GT Equitix that where agreed performance standards are not achieved the College will apply further deductions to the unitary charge in accordance with the terms of the Project Agreement.</p>	<p><b>To be actioned by:</b> Director of Organisational Development</p> <p><b>No Later Than:</b> In progress</p>
			<p><b>Grade</b> 3</p>



## Board of Management

Subject/Title:	Follow up reviews – outstanding actions		
Meeting and date:	Finance and General Purposes Committee – 28 September 2017		
Author:	Fiona Ambrose, Secretary to the Board		
Link to Strategic Plan:			
Cost implications:	No		
Risk assessment:	Yes <b>If yes, please specify:</b> Financial: Operational: Organisational: required for the proper Governance of the College		
Status – Confidential/Non confidential	Non Confidential		
Freedom of Information Can this paper be included in “open” business	Open		
If a paper should <b>not</b> be included within “open” business, please highlight below the reason.			
Its disclosure would substantially prejudice a programme of research (S27)		Its disclosure would substantially prejudice the effective conduct of public affairs (S30)	
Its disclosure would substantially prejudice the commercial interests of any person or organisation (S33)		Its disclosure would constitute a breach of confidence actionable in court (S36)	
Its disclosure would constitute a breach of the Data Protection Act (S38)		Other (please give further details)	
For how long must the paper be withheld? (express either as the time which needs to pass or a condition which needs to be met.)			

### Recommendation(s)

The Committee is asked to note the outstanding actions identified within the follow up review report from Henderson Loggie.

### Introduction/ Purpose

The Audit Committee considered a report by Henderson Loggie which referred to the follow up review they had carried out on the recommendations made in the internal audit

## **ITEM 15**

reports issued during 2015/16. Their objective was to assess whether recommendations made in previous reports had been appropriately implemented and to ensure that, where little or not progress has been made towards implementations, that plans were in place to progress them.

The following is an extract from the Henderson Loggie report highlighting the actions which are still outstanding. All other actions identified in the follow up review have been fully implemented.

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## Updated Action Plan – Report 2016/06 – Student Fees and Contracts

Recommendation	Grade	Comments	Responsible Officer For Action	Agreed Completion Date	Progress at September 2017
<b>R5</b> Amounts transferred between SITS and SUN should be reconciled regularly and explanations for any variances documented and corrections made if necessary. Such reconciliations should be reviewed and agreed by a second member of staff; with both the preparer and reviewer signing the reconciliations as evidence this is being done.	<b>2</b>	This task has been reallocated and reconciliations will be brought fully up-to-date. Thereafter this reconciliation is to be embedded into month end procedures.	Financial Services Manager	End of August 2016	The Finance Officer has been working on bringing this up-to-date. Due to the volume of transactions it is taking a significant amount of time. This task is being incorporated into the Finance Officer's monthly task list.  <b><i>Partially Implemented</i></b>

## Updated Action Plan – Report 2016/08 – Follow-Up Reviews

Recommendation	Grade	Comments	Responsible Officer For Action	Agreed Completion Date	Progress at August 2016	Progress at September 2017
Internal Audit Report 2015/05 – Budgetary Control / General Ledger						
<b>Process for Setting Budgets</b>  <b>RI</b> Establish a formal timetable and procedure for the budget setting process and ensure that these are communicated to all budget holders.	3	The timetable will be completed as part of the operational planning cycle for 2015/16.	Director of Corporate Services	March 2015	Due to the move to the new campus and changeover of Director of Corporate Services the 2015/16 and 2016/17 budget processes have both been completed without a formal timetable in place  <b>Little or No Progress Made</b>	Due to the vacancy at Director level, no formal timetable was prepared for the 2017/18 budget process.  A timetable will be developed for the 2018/19 budget process.  There is no longer a Director of Corporate Services, the post is now Director of Finance.  <b>Little or No Progress Made</b>

Recommendation	Grade	Comments	Responsible Officer For Action	Agreed Completion Date	Progress at August 2016	Progress at September 2017
<b>Internal Audit Report 2015/06 – Risk Management and Business Continuity / Disaster Recovery</b>						
<b>Risk Management</b>  <b>RI</b> Update the Risk Management Policy to ensure that the risk monitoring requirements of school / department Heads reflect current practice.	<b>3</b>	Agreed. The policy will be updated to reflect current practice.	Director of Corporate Services	July 2015	The Risk Management Policy has not been updated since the original audit was carried out.  <b>Little or No Progress Made</b>	The policy has not been updated. Responsibility for the policy will be allocated in discussion with the new Principal.  <b>Little or No Progress Made</b>

Recommendation	Grade	Comments	Responsible Officer	Agreed Completion Date	Progress Previously Reported	Progress at September 2017
Internal Audit Report 2011/06 – Data Protection / Freedom of Information						
<p><b>Policies and Procedures</b></p> <p><b>R4</b> The Project Steering Group for the information management project should meet and agree a plan of action to complete the project within a reasonable timeframe. This should include the completion of the information audits and drafting of a Records Management Policy. The Policy should clearly document the College's procedures in relation to record creation, maintenance, closure, archiving, retention and disposal.</p>	B	In light of changes within the College, the project will be reviewed as will the composition of the Steering Group with a view to taking the whole project forward in the near future.	Information Development Manager (IDM)	April 2011	<p><b>Progress at July 2013</b> The information audit commenced in May 2013 and is expected to be completed by August 2014. A Project Steering Group has yet to be set up. The UHI Library and Information Services team are developing Microsoft SharePoint which will be used as the UHI records management system and the Information Development Manager is working towards a timescale of August 2014 to implement this. A very basic Records Management Policy was approved in December 2012. A new Records Management Policy will be developed once SharePoint has been configured.</p> <p><b>Progress at August 2014</b> Project team established which reports on project progress each month to the SMT. Information audits have now been completed with some work still required to finalise findings with a deadline of 14 September 2014 set for this work to be completed. Once classification scheme is complete the naming conventions will then be determined in order to progress the revised Records Management Policy.</p>	<p>The Records Management Project was set aside six months prior to the campus relocation and the IDM's focus moved to one of preparation for the move. Departments were supported and monitored in their clear out activities.</p> <p>The technical resource to support the continued development of SharePoint was not available due to on-going workload related to re-location. The project has not been resurrected.</p>

Recommendation	Grade	Comments	Responsible Officer	Agreed Completion Date	Progress Previously Reported	Progress at September 2017
R4 (Continued)					<p><b>Progress at August 2015</b> A pilot of the SharePoint system for the Finance team was put on hold largely due to the workload created by the move to the New Campus. A new project plan will be put in place by the end of September 2015 so the project can re-start.</p> <p><b>Progress at August 2016</b> The records management project is still on hold due to the move to New Campus. It is intended to restart the project again shortly although it is thought that Sharepoint will not be used.</p> <p><b>Partially Implemented</b></p>	<p>However, as part of the college's preparation for the meeting the requirements of the EU General Data Protection Regulation (GDPR), the information audits have been reviewed and work is on-going but with a narrower focus of identifying where all personal data is gathered / processed / stored etc.</p> <p>It is recognised that records management is also a large part of meeting the EU GDPR. The IDM is working with the UHI Records Manager (and others) to address the need to manage (delete when no longer required) the student data in the SITs database. The College SMT are driving this forward to ensure it happens.</p> <p><b>Partially Implemented</b></p>

Recommendation	Grade	Comments	Responsible Officer	Agreed Completion Date	Progress Previously Reported	Progress at September 2017
Internal Audit Report 2013/06 – Procurement and Creditors / Purchasing						
<p><i>Quotations and Tenders</i></p> <p><b>R3</b> Written quotations obtained by budget holders should be retained and attached to Purchase Order Requests when sent to Finance.</p>	2	Agreed. Finance staff will ensure that quotations are received along with the Purchase Order Requisitions.	Financial Services Manager	30 April 2013	<p><b>Progress at August 2014</b> A sample of eight Purchase Order Requests raised in 2013/14 was tested and we noted that on three occasions evidence of the number of quotes required to be submitted, as detailed in the Financial Regulations, was not attached. In one instance there was no evidence that any quotes had been obtained and in the other two instances there was evidence of one quote, when two were required.</p> <p><b>Progress at August 2015</b> A sample of eight Purchase Order Requests raised in 2014/15 was tested and we noted that on four occasions evidence of the number of quotes required to be submitted, as detailed in the Financial Regulations, was not attached. In two instances, there was no evidence that any quotes had been obtained and in the other two instances there was evidence of one quote, when more were required.</p>	<p>Finance staff know to return Purchase Order Requests to requisitioners if they are not accompanied by the appropriate number of quotes.</p> <p>PECOS orders are returned through the system if quotes are not attached.</p>



Recommendation	Grade	Comments	Responsible Officer	Agreed Completion Date	Progress Previously Reported	Progress at September 2017
R3 (Continued)					<p><b>Progress at August 2016</b> A sample of five Purchase Order Requests raised in 2015/16 was tested and we noted that on four occasions evidence of the number of quotes required to be submitted, as detailed in the Financial Regulations, was not attached.</p> <p><b>Partially Implemented</b></p>	<p>A sample of five Purchase Order Requests raised in 2016/17 was tested and we noted that on one occasion evidence of the number of quotes required to be submitted, or an explanation as to why they had not been obtained, was not attached.</p> <p><b>Partially Implemented</b></p>

