University of the Highlands and Islands
Inverness College

Board of Management

Meeting	Finance and General Purposes Committee
Date and time	Thursday 6 June 2019 at 9.00 a.m.
Location	Boardroom, 1 Inverness Campus

Board Secretary
30 May 2019

AGENDA

Welcome and Apologies

Declarations of Interest

ITEMS FOR DECISION

1. **MINUTES**
   Meeting of the Finance and General Purposes Committee held on 7 March 2019

2. **OUTSTANDING ACTIONS**
   Action List

3. **BUSINESS DEVELOPMENT REPORT**
   Report by Director of External Relations

4. **REVENUE BUDGET 2019/20 (Confidential)**
   Report by Director of Finance **(to follow)**

5. **CAPITAL EXPENDITURE PLAN 2019/20 (Confidential)**
   Report by Director of Finance

6. **CLEANING CONTRACT (Confidential)**
   Report by APUC Supply Chain Manager [Operational] UHI Partnership **(to follow)**

7. **TERMS OF REFERENCE**
   Report by Board Secretary

8. **DEBT WRITE-OFF REPORT**
   Report by Director of Finance

ITEMS FOR DISCUSSION

9. **COMMITTEE SELF EVALUATION - IMPLEMENTATION PLAN ACTIONS**
   Report by Board Secretary

10. FINANCE MONITORING REPORT
Report by Director of Finance

11. CAPITAL MONITORING REPORT TO MARCH 2019
Joint Report by Director of Finance and Accountant

12. MICRORAM
Report by Director of Finance

13. RISK REGISTER ANNUAL REVIEW
Report by Director of Finance

14. COMMITTEE CHAIR EVALUATION
Report by Board Secretary

ITEMS FOR NOTING

15. FINANCIAL PLANNING AUDIT REPORT - RECOMMENDATIONS
Internal audit report

16. AOCB

17. DATE OF NEXT MEETING
Thursday 26 September 2019 @ 09.00

If any member wishes to add an item of business to the Agenda, please inform the Chair and the Board Secretary as soon as possible. Additional items of business will only be considered for inclusion in the agenda in advance of the start of the meeting.

University of the Highlands and Islands
Inverness College

Board of Management

MINUTES of the MEETING of the FINANCE AND GENERAL PURPOSES COMMITTEE held in the Board Room, 1 Inverness Campus on Thursday 7 March 2019.

PRESENT:	Brian Henderson (by teleconference), Helen Miller, Chris O'Neil, Gavin Ross, Tom Speirs
CHAIR:	Brian Henderson
APOLOGIES:	Andy Gray, Carron McDiarmid
ATTENDING:	Depute Principal Depute Principal Academic Development Director of Finance Director of Organisational Development Director of Business Development Secretary to the Board of Management

1. MINUTES

The Minutes of the Meeting of the Finance and General Purposes Committee held on 6 December 2018 were **ACCEPTED** as a correct record, were **APPROVED** and would be signed by the Chair**.**

2. OUTSTANDING ACTIONS

The Committee **AGREED** which actions had been completed and could be removed, and those which were still outstanding and would remain on the list.

3. PROPOSED FEES FOR 2018/19

A report by the Director of Finance provided the proposed fee rates for those FE tuition fees set by Inverness College UHI, and for the Early Learning and Childcare Centre for the academic year 2019/20. The report referenced the issues which had been taken into account in reaching the proposed increases.

There was a detailed discussion on the complexity of setting fees and the limited influence the College had in relation to HE PT fees, which were set by the University. They had been set at £9K for 2019/20. The Principal referred to the ongoing discussions on University fees in England and Wales and the possibility that they would be lowered from the current level of £9K and the impact this could have on UHI recruitment.

The Committee **REQUESTED** the Director of Finance to include further evidence of comparison with other institutions, particularly around international & RUK fees on how the proposed increases could be justified so that the Board of Management would be fully informed and able to make a decision on the proposed fees for 2019-20.

4. MARKETING AND COMMUNICATIONS POLICY

A covering report by the Director of Business Development explained the approval process of the new marketing and communications policy thus far.

There was a detailed discussion on the policy and the Chair was of the opinion that the policy should not just reflect the importance of attracting learners but should also include reference to the explicit needs of employers and other key groups. The policy statement was therefore limited in its context. In addition, the policy did not clearly define the responsibility of all staff in relation to marketing and communications in relation to their activity. The chair also felt it was more a policy that enshrined responsibility rather than being a call to arms around marketing and communications in these difficult financial times.

The Committee **REQUESTED** the Director of Business Development to review the policy and provide a revised version with tracked changes which would be submitted to the Board of Management for approval.

5. FINANCE SYSTEM

A report by the Director of Finance referred to the continued delays to the new finance system which was being delivered by TechnologyOne and outlined the proposed interim solution of upgrading the existing SUN system to the latest available version of SUN 6.3 to aid effective financial management.

The Director of Finance advised that UHI had decided to continue with the contract and as a result, it was expected that UHI EO would be the first to implement and go live with TechnologyOne.

The Committee once again expressed serious concerns over the terms of the contract with TechnologyOne and reiterated the need for College Boards to be included in the wider UHI decision making on contracts and other key partnership wide issues.

Whilst supportive of the proposal, the Committee **REQUESTED** that the Director of Finance amend her report to

1. provide an explanation of how the upgraded version - SUN 6.3, would help the Finance Team to do its job and support the College in the drive for financial sustainability and
2. provide further detail on the statement that the new system would not provide the desired range of functionality that was anticipated from the TechnologyOne solution.

so that the Board of Management would be fully informed and able to make a decision on whether to agree to the interim solution to upgrade to SUN 6.3.

6. FINANCE STRATEGY

The Director of Finance presented the revised draft finance strategy following extensive SMT review and discussions at the Board of Management away day on 25 January 2019.

The Chair thanked all those involved for the substantial amount of work which had been carried out and the changes made to the strategy.

The Committee discussed the revised document and **AGREED** to recommend it to the Board of Management for approval subject to
1. the first sentence within the context section being amended to include financial sustainability and
2. that the PIs be linked to the strategic objectives

7. SCOTTISH COLLEGES FOUNDATION BID SUBMISSION MARCH 2019

A report by the Director of Finance explained that an e mail had been sent to the Committee with details of the proposed applications and following three positive responses being received from members of the committee, the applications had been made to the Scottish Colleges Foundation by the due date of 22 February. The applications had been considered by the Scottish Colleges Foundation meeting on 6 March.

The Director of Finance advised that all the applications had been approved by the Trustees, although the approved value of the Group 2 was based on the cash payment made.

The Committee requested that the Director of Finance include the Trustees' decision as an addendum to her report and **AGREED** to recommend to the Board of Management retrospective approval of the submissions for funding.

8. CITB CONTRACT ISSUE

A report by the Director of Business Development provided comprehensive information on the background to the ongoing discussions on whether to enter into a contract with CITB who were the main provider for construction modern apprenticeships in Scotland. The contract provided by CITB was for a period of 3 years and the Principals Group had recommended that Colleges sign a one year contract.

In addition, the SVQ qualification standards had changed so that simulated (college based) evidence was no longer accepted, necessitating the employment of workplace assessors. The College was currently recruiting the workplace assessors.

The Director of Business Development provided a verbal update on the position, namely that Colleges Scotland would seek legal advice and guidance on the wording of the contract.

The Committee **NOTED** the current position and **AGREED** that
1. Inverness College should maintain its holding position and not sign a contract pending a report from Colleges Scotland.
2. the Director of Organisational Development should provide a risk assessment paper for the Board of Management to highlight the impact going forward and the reputational risk to learning providers.

9. BUSINESS DEVELOPMENT REPORT

A report by the Director of Business Development provided an update on business development activities including
- Modern apprenticeships contract
- Flexible workforce development fund

- Projects, bids and innovation
- Commercial short course income
- International business development
- Entrepreneurship
- Commercial food and beverage financial performance.

The Chair referred to the significant variance in non-staff costs within the budget monitoring section of the report. The Director of Business Development advised that some income was not yet shown in the budget monitoring and that spend for return on investment was almost 0.5M. The increase in non-staff costs was a direct result of the increase in income as it related to delivery of activities, primarily under FWDF funding.

The Committee **NOTED** the outstanding achievement that 2 knowledge transfer partnerships (KTP's) had passed the initial criteria to be forwarded to a decision panel.

Gavin Ross left the meeting during consideration of the following item.

10. FINANCE MONITORING REPORT – JANUARY 2019

A joint report by the Director of Finance and the Finance Manager provided financial monitoring for the 6 months to January 2019. The Director of Finance highlighted the following issues

- The proposed upgrade to SUN 6.3 would assist with budget phasing
- There were some changes to SFC funding as a result of adjustments made in respect of National Pay Bargaining and support staff job evaluation funding. SFC had requested "actual FTE numbers in post on a specific date" as part of financial calculations on National Bargaining and this had resulted in reduced funding for the region.
- Funding had been received for support staff pay evaluation but the college was not yet incurring any costs
- The HE target was unlikely to be met but the PG target had been exceeded so would likely offset the RAM income for HE.
- It was anticipated that the MicroRam would result in a net outflow in excess of £500K based on the initial MicroRam projections received on 5 March 2019.

The Chair suggested that there needed to be more control in both expenditure and the monitoring of variances. There was discussion on the fragility of the UHI financial model and the view that the MicroRam was not fit for purpose. There was also discussion about what UHI would do with any RAM funding not passed to academic partners due to failure to reach HE student numbers as per the targets set by UHI Partnership Planning Forum (PPF).

The Committee **NOTED** the report and **AGREED** that the Director of Finance should present a detailed paper setting out the principles behind the MicroRam to the Board of Management meeting in June so that the Board could reach a considered position on this matter.

11. CAPITAL MONITORING REPORT – JANUARY 2019

A report by the Director of Finance provided an update on progress against the 2018-19 capital plan which ran from April 2018 to March 2019.

There was still an uncommitted sum of £15,117 against buildings and it was suggested that it might be prudent to reallocate this sum to equipment rather than buildings where it could more readily be identified as specific to research.

The Chair emphasised that it was important to use capital funding as a catalyst for revenue generation.

The Committee **AGREED** that financial reporting on the Longman Demolition project would be presented to the Longman Disposal Project Board.

12. E INVOICING

A report by the Director of Finance advised that the ability to deal with e-invoicing was a requirement under EU regulations and due to the delays with the implementation of Technology One, the College would be signing up to the Scottish Government solution, in line with advice from APUC, for implementation in April 2020.

The Committee **NOTED** the position but also recognised the tension around local SMEs being able to establish e-invoicing

13. SELF EVALUATION - IMPLEMENTATION PLAN ACTIONS

A report by the Board Secretary referred to a number of actions as a result of the committee evaluation exercise undertaken last year.

The committee **AGREED** to that consideration of this item be deferred to the next meeting in June.

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

14. DEBT WRITE OFF REPORT

A report by the Director of Finance provided details of the proposed debts to be written off under the delegated authority of the Principal.

15. ICT SERVICES REPORT

A report by the ICT Services Manager provided an overview of active ICT projects including, cyber resilience, VLE review, UHI Wi-Fi, helpdesk software replacement, new VC solution and digital learning strategy

16. COMMITTEE SELF EVALUATION ACTION PLAN – PROGRESS

The action plan listed the progress being made.

17. DATE OF NEXT MEETING

Thursday 6 June 2019 at 9.00 a.m.

Signed by the Chair: ____

Date: _______________________

Outstanding Actions from Finance and General Purposes Committee

7 December 2017				
Item	**Action**	**Responsibility**	**Time Line**	**Actioned**
Finance Monitoring Report	Enhanced report in future to inform the committee of the impact of government resource budgets	Director of Finance	~~March 2019~~ June 2019	
	Further develop budget phasing	Director of Finance	Aug 2019 for Sept 2019 meeting **	
Debt Write off	A more proactive approach would be taken to debt recovery and on understanding the reasons for the level of debt, especially Nursery fees.	Director of Finance	July 2019 for Sept 2019 meeting **	
	Further detail be provided so that patterns of debt and trends could be identified	Director of Finance	~~March 2019~~ June 2019	
27 September 2018				
Item	**Action**	**Responsibility**	**Time Line**	**Actioned**
SFC FFR	Financial provision for backfill of staff absence in the 2019 budget	DoF	June 2019	
6 December 2018				
Financial regulations	amended wording in sections 78.1 – fixed asset register and 80 Stocks and stores, to reflect a capital asset replacement plan be included in the next revision	D of F	Annual review 2019 – Dec 2019 meeting	
7 March 2019				
Finance Monitoring	detailed paper setting out the principles behind the MicroRam	D of F	June Board meeting	
Committee Self Evaluation action plan	consideration of this item be deferred to the next meeting	Board Secretary	June meeting	

** This date may have to be adjusted as a result of resource pressures within the Finance team

University of the Highlands and Islands
Inverness College

Board of Management

Subject/Title:	Business Development Update including CITB Update
Author:	Georgina Parker, Director of External Relations
Meeting:	Finance & General Purposes Committee
Meeting Date:	6 June 2019
Date Paper prepared:	30 May 2019
Brief Summary of the paper:	• See CITB update provided and Appendices III to V • Modern Apprenticeships in learning have increased to 298 at period 1 19/20 against 212 at period 1 in 2017-18 • 56 construction MA starts/transfers in have been agreed in period 2(May) against an ambitious target of 102 by period 6. • 38 applications are being delivered for FWDF in 2018/19 to date, to a maximum value of £472K, plus £54K delivered in year from 27/18 allocation. (£890K Available to the UHI partnership.) • Short Course figures reported to the last F&GP have been revised. See report. • 2 KTPs have been submitted. 1 has been approved and the other is due for re-submission in July 2019. • Food & Beverage operating surplus was £44K at end April 2019 against a budget of £10K at April 2018.
Action requested: [Approval, recommendation, discussion, noting]	The committee is requested to discuss the business development update paper and to decide whether to recommend the signature of the CITB framework agreement.
Link to Strategy: Please highlight how the paper links to, or assists with:: • compliance • partnership services • risk management • strategic plan • new opportunity/change	Compliance: • SDS audit • SFC audit New opportunity: • Additional FWDF funding for 18/19 and 2019/20 • Growth in Modern Apprenticeship contract • CITB Apprenticeship recruitment Risk Management: • UHI regional contract • CITB qualification and contract issues
Resource implications:	Yes / **No** **If yes, please specify**:
Risk implications:	**Yes** / No **If yes, please specify:** Operational: • Failure to resource FWDF funded courses Organisational:

	• Reputational risk associated with CITB MAs requiring assessment. Financial: • Credits associated with CITB MAs
Equality and Diversity implications:	Yes/**No** **If yes, please specify:**
Consultation: [staff, students, UHI & Partners, External] and provide detail	Continued consultation with UHI and partners in relation to regional MA contracting model.
Status – [Confidential/Non confidential]	Non confidential
Freedom of Information Can this paper be included in "open" business* [Yes/No]	Yes

*If a paper should **not** 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.)			

Further guidance on application of the exclusions from Freedom of Information legislation is available via http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp and http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

1. Business Development Directorate Update

1.1 Construction Industry Training Board (CITB) Sub-contractor Issue

1.1.1 A full update on the CITB sub-contractor situation was provided to F&GP in March 2019 (see Appendix III).

1.1.2 Scotlands Colleges have been subcontractors to CITB for over 30 years for Construction Modern Apprenticeships. The funding provided by CITB to Colleges, together with the SFC credits claimed was sufficient to fund this activity and to make some contribution to overheads. CITB contracts with SDS for the Apprenticeships and retains approximately 70% of the funding, paying the balance of 30% to the Colleges for providing all of the associated training. In 2017/18, the requirements of the CITB Framework changed to necessitate onsite assessment and observation and therefore the employment of Assessors.

1.1.3 Colleges Scotland led a negotiation with CITB asking them to increase the proportion of funding paid to the Colleges to enable the recruitment and deployment of work based assessors. This negotiation was supervised by the Colleges Principals Group (CPG) and eventually resulted in an increase of 20% (which is essentially an increase of 20% on the 30% of the SDS rate), which is insufficient to cover the increase in costs. Government officials were brought in to the negotiations and conducted an appraisal of the Colleges' estimate of the increased costs, which they agreed were accurate.

1.1.4 During the negotiation period, the Colleges sub-contractor agreements with CITB expired. The new agreement contained a number of contentious clauses, which were highlighted in the March report (Appendix III). Clauses relating to termination were of particular concern and following a legal appraisal via Scotlands Colleges' solicitors, some minor amendments were agreed by CITB. The solicitors however are still advising caution in relation to the agreements. Appendix IV provides a copy of the legal advice following the amendments.

1.1.5 On 15th May a decision tree was presented to the CPG (see Appendix V). Principals agreed that the national advice not to sign the agreement would be lifted and each College was to decide the way forward based on its own circumstances. The Colleges had continued to work with the CITB apprentices outside of any contract and claimed SFC credits as usual. Failure to sign the CITB agreement in year prevents them from claiming the associated CITB sub-contractor income. As the decision tree shows, the sector was awaiting confirmation as to whether the Government would agree to pay Colleges the additional costs of assessors (£2.2m in 2018/19 alone) and whether Government had persuaded SQA to delay the implementation of the Construction framework further.

1.1.6 On 23rd May, Government provided confirmation that they would not pay the assessor costs and that SQA had refused to delay the payment.

1.1.7 An extraordinary meeting of the CPG was called on 27th May and an options appraisal was presented (see Appendix V)

1.1.8 As outlined in the March report (Appendix III) Inverness College UHI took steps to mitigate the impact of this issue and secured a contract from SDS to enable it to deliver Construction Modern Apprenticeships directly (as it does in most other sectors), in order to benefit from 100% of the SDS funding.

1.1.9 To date we have secured 56 Modern Apprentices on our direct contract, including new starts and transfers of existing employers' apprentices to our contract.

1.1.10 We have recruited 3 assessors and plan to recruit a further 2 in 2019/20.

1.1.11 The committee is asked to consider this situation in the context of the information presented and the options appraisal (Appendix V). The SMT recommends working towards Option 3, whilst acknowledging that we may need to move to Option 4 only under the circumstances that we do not recruit sufficient MAs or full time construction students to make up for the credits associated with the sub-contract..

1.1.12 The committee is asked to decide whether it recommends the signature of the 3 year CITB framework agreement and the associated annual call-off contract for 2018/19, in light of the legal advice presented in Appendix VI. This would result in releasing the associated income of approximately £240K based on 17/18.

1.2 Modern Apprenticeships Contract

1.2.1 Modern Apprenticeships in learning have increased to 298 at period 1 19/20 against 212 at period 1 in 2017-18

1.2.2 56 construction MA starts/transfers in have been agreed in period 2 (May) against an ambitious target of 102 by period 6.

1.2.3 The CITB national MA contract/delivery issue is still ongoing. See later section.

1.3 Flexible Workforce Development Fund

1.3.1 FWDF delivery for 2018/9 is ongoing with £472K maximum funding secured of the £890 available to UHI.

1.3.2 The UHI partnership has applications for the full £890K this year resulting in 6 ICUHI applications being put on a waiting list. One of these is expected to covert.

1.3.3 ICUHI is delivering 225 courses (or infills) for FWDF in 2018/19.

1.3.4 The process for recording and claiming FWDF is resource intensive and

1.3.5 The 2019/20 fund has been confirmed to start 1st August and work on applications has commenced.

1.4 Projects, Bids and Innovation

1.4.1 A further Knowledge Transfer Partnership application with National Trust for Scotland has been approved at the final panel and delivery will commence in October 2019. The Knowledge Transfer Partnership (KTP) application for BSW failed to pass the final panel and has been strengthened for resubmission in July 2019.

1.4.2 The team is working on a number of potential applications for Innovation Voucher funding.

1.5 Commercial Short Course income

1.5.1 Short course and FWDF income is below target at the end of March at 203K against a budget of £236K. This is due to the timing of FWDF claims, which will start to come through in June and partly due to some time lag in Eventbrite payments, together with some budget reporting issues which are being resolved.

1.5.2 Please see the notes below the budget monitoring report, which highlight the fact that whilst it currently shows budget and actual income and costs for short courses, it also contains staff costs for MA and FWDF employer engagement and contract management as well as delivery costs relating to FWDF. There is currently an operating deficit of £34K for the reasons outline above.

1.5.3 The forecast for 2018/19 however is very positive, with £614K forecast against a budget of £354K. The operating surplus is forecast to be £192K against a budget surplus of £95K (despite the income for MAs not being accounted for).

1.6 International Business Development

1.6.1 Five cohorts of the “Scottish Experience” programme are planned for 2018/9. A range of short courses are being delivered for HUUC and the Henan Institute of Engineering.

1.6.2 Responsibility for International Business Development has been passed to the new Depute Principal, Ken Russell.

1.7 Entrepreneurship

1.7.1 Carol Langston left the organisation and we are consulting a range of stakeholders to shape our future Enterprise & Entrepreneurship offer.

1.7.2 “Scotland’s Enterprising Schools” programme has recruited well and the first cohort commences September 2019.

1.7.3 The first cohort of the Post-Grad Certificate in Entrepreneurship has commenced and feedback is good to date.

1.7.4 The Enterprising Research programme commenced in April 2019.

1.8 Commercial Food & Beverage Financial Performance

1.8.1 As shown on the monitoring report at Appendix II, income to April was £623K, slightly ahead of the budget of £607K. Expenditure to April was £578K against a budget of £597K. The operating surplus is £44.8K against a budget of £10K. The operating surplus at the end of the year is expected to be in line with the budget.

1.8.2 The food cost to sales income ratio has reduced to 46%, which is an improvement on the target of 49%.

1.8.3 Ina Davies resigned from her position as F&B Manager. A small restructure was undertaken merging the F&B Manager post with that of the Events Manager and adding an Events Intern post. This provided a saving of approx. £22K per annum.

APPENDIX I: BUSINESS SOLUTIONS TEAM BUDGET MONITORING

FOR THE PERIOD: 8 MONTHS TO 31ST MARCH 2019				PREVIOUS YEAR COMPARATOR			
Month - March 2019	Actual £	Phased Budget £	Variance £	Mar '18	Actual £	Phased Budget £	Variance £
Income							
Commercial Course Flexible Workforce Develop Fund	19,456	29,542	(10,086)		26,040	24,667	1,373
	19,456	29,542	(10,086)		26,040	24,667	1,373
Expenditure							
Staff Costs	22,174	18,258	(3,916)		14,525	17,812	3,287
Non Staff Costs	12,502	4,047	(8,455)		11,700	3,650	(8,050)
	34,676	22,305	(12,371)		26,225	21,462	(4,763)
Net Operational Surplus / (Deficit)	(15,220)	7,237	(22,457)		(185)	3,205	(3,390)

8 Months to 31st March 2019	Actual £	Phased Budget £	Variance £	Mar '18	Actual £	Phased Budget £	Variance £
Income							
Commercial Course	149,419	236,333	(86,914)		161,077	197,333	(36,256)
Flexible Workforce Develop Fund	54,146				153,479		
	203,565	236,333	(32,768)		314,556	197,333	117,223
Expenditure							
Staff Costs	152,686	153,914	1,228		123,905	152,405	28,500
Non Staff Costs	85,215	32,375	(52,840)		42,366	29,196	(13,170)
	237,901	186,289	51,612		166,271	181,601	15,330
Net Operational Surplus / (Deficit)	(34,336)	50,044	(84,380)		148,285	15,732	132,553

				PREV Y.END ACTUALS TO JULY'18			
Year End to 31 July 2019	Forecast £	Budget £	Variance £		Forecast £	Budget £	Variance £
Income							
Commercial Course Flexible Workforce Develop Fund	614,000	354,000	260,000		128,132 239,145	296,000	(167,868)
	614,000	354,000	260,000		367,277	296,000	(167,868)
Expenditure							
Staff Costs	240,296	210,296	(30,000)		190,491	201,479	10,988
Non Staff Costs	180,750	48,563	(132,187)		103,669	43,793	(59,876)
	421,046	258,859	(162,187)		294,160	245,272	(48,888)
Net Operational Surplus / (Deficit)	192,954	95,141	97,813		73,117	50,728	22,389

Note

Staff cost Actual and Budget include a transfer of staff time from the Faculty of Technology.

Forecast income reduced to reflect £54K reporting issue and delivery activity moved to August/September 2019.

Please note that whilst all expenditure for commercial short courses, employer engagement costs for Modern Apprenticeships and all costs for FWDF are included in this report, only the actual income for commercial short courses is shown currently (except in the forecast where FWDF income is estimated).

APPENDIX II: COMMERCIAL FOOD, BEVERAGE & EVENTS

FOR THE PERIOD: 9 MONTHS TO 30TH APRIL 2019					PREVIOUS YEAR COMPARATOR		
Month - April 2019	Actual £	Phased Budget £	Variance £	Apr '18	Actual £	Phased Budget £	Variance £
Income							
Grants							
Other	38,995	47,695	(8,700)		56,259	67,177	(10,918)
	38,995	47,695	(8,700)		56,259	67,177	(10,918)
Expenditure							
Staff Costs	26,032	30,419	4,387		36,516	30,230	(6,286)
Food and Drink Costs	20,131	21,474	1,343		20,928	34,577	13,649
Other Non Staff Costs	907	2,690	1,783		2,097	691	(1,406)
	47,070	54,583	7,513		59,541	65,498	5,957
Net Operational Surplus / (Deficit)	(8,075)	(6,888)	(1,187)		(3,282)	1,679	(4,961)
9 Months to 30th April 2019	Actual £	Phased Budget £	Variance £	Apr '18	Actual £	Phased Budget £	Variance £
Income							
Grants							
Other	623,210	607,357	15,853		699,523	604,590	94,933
	623,210	607,357	15,853		699,523	604,590	94,933
Expenditure							
Staff Costs	256,118	273,774	17,656		303,435	272,071	(31,364)
Food and Drink Costs	284,390	299,423	15,033		324,408	311,195	(13,213)
Other Non Staff Costs	37,909	24,203	(13,706)		49,529	6,213	(43,316)
	578,417	597,400	18,983		677,372	589,479	(87,893)
Net Operational Surplus / (Deficit)	44,793	9,957	34,836		22,151	15,111	7,040
					PREV. Y.END ACTUALS TO JULY '18		
Forecast to 31 July 2019	Forecast £	Budget £	Variance £		Actual £	Phased Budget £	Variance £
Income							
Grants							
Other		796,000	(796,000)		868,668	806,120	62,548
	0	796,000	(796,000)		868,668	806,120	62,548
Expenditure							
Staff Costs		365,032	365,032		407,791	362,761	(45,030)
Food and Drink Costs		391,000	391,000		419,632	414,927	(4,705)
Other Non Staff Costs		32,270	32,270		65,182	8,284	(56,898)
	0	788,302	788,302		892,605	785,972	(106,633)
Net Operational Surplus / (Deficit)	0	7,698	(7,698)		(23,937)	20,148	(44,085)
FOOD COSTS AS A % OF INCOME	46%						

Notes

Includes all Commercial Catering Activity through the financial system to these periods.

T3200 (Hospitality Teaching) and T3208 (The Sheiling) is not included.

CITB Sub-contracting Update – 17 March 2019

Allocation of Construction Modern Apprenticeship Starts

Since the CITB sub-contracting update went to Finance and General Purposes Committee, we have received confirmation that UHI has been allocated 230 Construction Modern Apprenticeship starts. Of these 230 UHI starts, 102 starts were requested by Inverness College UHI, for the reasons indicated in the paper including providing SDS with an alternative to contracting with CITB.

We did not expect that we would receive the full allocation, as it is usually SDS policy not to allocate starts in a sector where starts are already available via an existing provider. For instance, when Forth Valley applied for starts in 2018/19, they were only allocated 8.

However, a review of the allocations for Construction MAs nationally shows that a number of colleges and CITB itself have received allocations. This indicates that SDS is effectively hedging its bets but also that CITB has named colleges as sub-contractors in their bid, without having contracts in place with them. College's Scotland has arranged for a legal review of the CITB framework agreement, which is currently underway.

This allocation enables us to compete with CITB and to deliver construction apprenticeships, potentially drawing down 100% of the available funding.

Some colleges are considering whether to advise CITB that they will not be enrolling students on to the SVQ but will deliver the College based aspect of the MA framework. I believe that this is a course of action that we should consider, as the assessment of any new construction MA starts though CITB would be at our cost and would require 3 additional assessors to those already planned, at an additional cost of £118K in 2019/20. The risk associated with this is that it could force CITB to engage its own assessors or to source assessors from private training providers, which could weaken our position in the market by bringing another provider on board and decrease the credit funding available.

Potential additional funding

A further update is that it has been indicated that SFC will shortly make an announcement that a further £2.5m will be provided to colleges to enable them to recruit assessors to provide assessment to apprentices who are already on programme with CITB. This has not been officially confirmed. If this is not confirmed, then we are still in a position that the previous contribution to overhead in relation to the Construction CITB programme will be all but illuminated. This would mean that 9% of our FE credit delivery would be providing no contribution to overhead. However, failure to recruit assessors and undertake assessment on the existing apprenticeships would post a significant reputational risk both with SQA with whom we have registered the SVQs, employers and the public.

Direct Delivery of Construction MAs

Actions to promote direct apprenticeship delivery have been underway since October 2018, targeting individual employers in the construction sector with our offer. Take-up has been limited due to the long-term relationships that CITB has with employers, many of whom undertook CITB apprenticeships themselves over the past 30 years.

Since the allocation confirmation was received on Wednesday 13 March, an industry event to attract both employers and potential apprentices has been arranged for Thursday 4th April, with a second event later in April. This event will be promoted through a multi-channel campaign as the launch of our apprenticeship programme.

Interviews for construction assessors commenced on Wednesday 13th, with the first Joinery assessor being offered a full-time role.

CITB Sub-contracting Report – Inverness College UHI - Confidential

1. Executive Summary

CITB is the main provider for Construction Modern Apprenticeships (MAs) in Scotland. CITB undertakes the employer engagement activity and Scotland's Colleges deliver the Modern Apprenticeship qualifications (as sub-contractors). CITB does not undertake any training delivery under its contract with Skills Development Scotland.

For ICUHI, the funding associated with the CITB sub-contract for Construction Craft Modern Apprenticeships provided 2572 credits in 2017/18 (equivalent to £642K income) plus £172K SDS funding via CITB in 2017/8 (There is an additional £68K CITB funding relating to areas unaffected by the qualification changes).

The SVQ qualification standards changed in 2017/8 and SQA has confirmed that simulated (college based) evidence is no longer acceptable, necessitating the employment of assessors at a cost to the college over £189K per annum. This is an additional cost.

The qualification change also raised a potential issue that existing MAs may not have access to the full range of jobs required to meet the standards without simulated evidence.

CITB currently pays an average of approx. 31% of the SDS funding rate over to Colleges, retaining the balance. ICUHI's mix of provision attracted 36% of the SDS funded rate in 2017/18.

After initial negotiations, CITB offered a fee increase of 14%, leaving a £165K gap for ICUHI between the additional cost of employing assessors and the additional funding. ICUHI successfully tendered for the CITB framework for 2018/19 – 2021/2 but has not signed the Framework Agreement, in line with College Principals Group (CPG) recommendations

CITB effectively has a monopoly, largely due to the SDS contracting rules (SDS does not award provision where other provision is available locally, which prevents Colleges from gaining direct contracts). CITB can only currently meet the SDS contracting criteria by naming Colleges as sub-contractors.

After a year of negotiation between College Principals, Colleges Scotland, CITB and Scottish Government, an increase of 20% has been offered, backdated to the 2018/19, equivalent to approximately £34K in the case of the College's Construction Craft MAs. This still leaves £155K gap between the additional cost of assessors and the additional funding.

Based on this offer, the College Principals' Group on 4th February 2019 recommended that Colleges signed contracts with CITB but only for the current year 2018/19.

However, there are a number of clauses in the three-year framework agreement, which give rise to concern. In particular, clauses relating to contract termination, claiming of additional funding and TUPE. Colleges have therefore held off on signing and the CPG meetings continue. See Annex 2.

Scotland's Colleges have expressed an interest in becoming Direct Contractors to SDS for Construction MAs and to benefit from the full MA funding. ICUHI has entered a bid (as part of the UHI consortium) for 102 direct MA Construction places for in 2019/20. We expect a response from SDS at the end of March.

2. Background

Construction MAs accounted for 23% of the entire MA population nationally in 2017/18 funded by Skills Development Scotland at a value of over £12 million.

CITB sub-contracts all of the programme delivery under its MA contract to local and regional Colleges across Scotland, via three-year Framework contracts that set terms and conditions together with associated payment rates. Call-off agreements are issued annually, which set out the associated candidate numbers.

ICUHI has been a sub-contractor of CITB for over 30 years, providing training and assessment of construction craft and core skills qualifications in line with Modern Apprenticeship framework requirements.

Annual payments to ICUHI from CITB amounted to £241K in 2017/18 (of which £172K related to construction craft and the remainder technical Mas.

ICUHI draws down credits from SFC for College delivery, in addition to the payments received from CITB set out above.

The enrolments and associated credits for CITB MAs represent a significant proportion (9%) of our SFC FE funding: in 2017/18 there were 263 enrolments providing 2572 credits worth approximately £643K. These enrolments related to learners across the 4 years of the programmes.

There were 74 craft starts in 2017/18 and 84 craft starts in 2018/19. The provision is split across three trades: brickwork, carpentry & joinery and painting and decorating. In addition, we sub-contract a small number of stone masonry starts each year to Historic Environment Scotland (HES) and we deliver Building Technology Mas in addition. For the purpose of this report, figures are based on the college's construction craft MA delivery and do not include HES or Building Technology. Currently, we are operating without having entered into a contract, so the only funding we are drawing down is the SFC funding.

3. Historical Delivery Model

The CITB MA programme is delivered over 4 years, with candidates attending the college over that period on block release, predominantly over years 1 and 2 with the remainder of the time spent with the employer in the workplace. Students in year one are full time equivalent, providing approx.. 22 credits each and part time in year two providing approx. 12 credits each.

Until 2017/18, the MA delivery model comprised of a PDA and an SVQ3, both of which were trained and assessed by our Construction team. The evidence for the SVQ was allowed to be simulated; evidence gained both in college workshops and the workplace could be used but in reality, it was heavily weighted towards college-based evidence. The SVQ3 was mapped to the PDA, so very little work was required over and above the PDA to achieve both qualifications, except for some work related reports known as CREWs (Candidate Records of Evidence from the Workplace). There was a test week at the end of years 1-3 with a skills unit at the end of year 4.

4. **Revised Delivery model**

The qualification requirements for Construction Craft MAs changed in August 2017. SQA, the Awarding Body and the Sector Skills Council CITB took the decision to replace the SVQ3 including the CREW with an SVQ3 generated by candidate portfolios, with all of the evidence gathered from the workplace.

There has been conflicting information from CITB and SQA regarding the work based assessment and verification requirements for the new award. However, SQA has confirmed that the SVQ3 will operate in the same way as other SVQs, necessitating direct observation and work-based assessment with evidence gathering being supported by employers.

At the same time, the approach to the skills test has changed. Delivery centres were given responsibility or organising, delivering and resulting the skills test within in the final six months of their Apprenticeship. There is now a requirement for an 'Expert Witness'; an experienced practitioner, to observe skills test assessment. The Expert Witness can be neither the employer of the learner taking the skills test, nor an employee of the sub-contracted provider such as ourselves.

5. **National Contracting Position**

The majority of MAs in the construction sector in Scotland are contracted through CITB; they have a contract with SDS for MAs and subcontract the educational delivery to the college sector.

The value of the SDS contract for CITB in 2017/18 was £12,430,100. The funding from SDS for a 16-19-year-old MA at level 3 is £8700. In 2017/18, the amount of money that a college received from CITB per candidate was £2454. The total income to the college sector was £3,815,970 with CITB keeping £8,614,130 to manage the service, recruit candidates and carry out SDS reviews. Full details are provided at Appendix 1.

CITB MAs account for 100% of the construction craft MAs at Inverness College UHI. The UHI partnership does not currently have Construction on its MA contract.

The reasons that UHI and the majority of other Scottish colleges have not challenged the status quo to date and applied for direct contracts for Construction are:

- Reticence to compete with an organisation on which a high level of SFC credits is reliant
- SDS tender criteria means that providers are unlikely to be awarded contracts where another provider of sufficient quality exists in the geographical area (in this case CITB – albeit with all of the educational delivery being undertaken by Colleges)
- Complicated contracting and payment methodologies reported across unusual funding periods have made it difficult to establish exactly what is being paid and for whom, over time, in comparison to the rates of funding paid to CITB by SDS.

6. **Key Issues Arising from New Delivery Model**

The lack of clarity from SQA on how the SVQ3 was to be assessed caused confusion across the College sector in Scotland. This confusion has taken over a year to resolve, with guidance from SQA changing during this time and CITB providing conflicting information. This has exacerbated the problem, as we have now effectively missed the first year and a half to undertake assessment. This is a particular issue for the 25+ year old MAs, whose term of training is half that of their younger counterparts at 2 years.

The requirement to undertake on the job assessment means that we will need to employ on-the-job assessors for the SVQ3. Table 1 below shows that at least 4.5 assessors are required immediately, across the three trades. This will cost approximately £189K per annum based on a £32,000 salary with 31% on-costs equating to £41,920 per assessor

The qualification change also raised a concern that existing MAs may not have access to the full range of jobs required to meet the standards without simulated evidence. For instance, somebody working with a company that mainly does concrete work or rough casting is unlikely to undertake work such as building chimney breasts or curved work required for the brickwork SVQ3 or a company putting in windows, kitchens or shop fitters may not put in stairs. This would require significant input from the college to arrange other work, either with another employer or independently to meet the needs of the qualification standard.

CITB currently pays an average of 31% of the SDS funding to Colleges, retaining the balance (36% in the case of ICUHI). There has been a small increase resulting from pressure across the sector of 20% for 2017/18, equivalent to approximately £34K in the case of the College. See Appendix 2 for the full fee structure.

There is therefore a £155K gap between the new additional cost and the 20% price increase.

Assessment and verification would need to commence from the time of enrolment onto the SVQ3. The experience of trying to bring in the CREW has shown that there are issues with obtaining evidence and even signatures from employers. As employers have not been used to identifying and authenticating evidence for a qualification as part of their work, this will require significant input from Assessors to help them understand the changes in the system, what this means for them and their employees and essentially understanding/interpreting the qualification standards.

The demand for skilled and qualified construction workers and fact that work based assessment has been rare in the construction craft sector in Scotland to date, does potentially affect the pool of Assessors that would be available and trained to undertake this work. Given that other colleges will be in the same position as ourselves, indeed some have already begun to recruit Assessors, there may well be a shortage of qualified individuals to undertake this work.

Although there is a significant financial implication in recruiting, the reputational risk of candidates not completing their qualification is significant.

There have been discussions at the ESP Construction group about training of new recruits to get their LD9Di Assessor award or trying to share staffing resource. If potential assessors and verifiers are recruited that have industry knowledge but no assessors qualification, then they will need support from the construction team to complete it.

ICUHI approved the recruitment of the 4.5 assessors in January 2019. Recruitment is in progress.

6.10 Table 1 – Assessor Requirement by Trade

	Actual MA's by Year and Age				Weighting			Total	Ass.
Subject	**Y1 (16-24)**	**Y1 (25+)**	**Y2 (16-24)**	**Y2 (25+)**	**0.5**	**1**	**2**	**Weighted**	**FTE**
BW	14	?	7	2	14	7	4	25	0.7
C&J	48	?	43	4	48	43	8	99	2.8
P&D	22	?	12	0	22	12	0	34	1.0
Total	**84**	**?**	**68**	**6**	**84**	**62**	**12**	**158**	**4.5**

The rationale for the weighting is as follows:

Given the widespread geographical distribution of the MAs that we support, the average caseload per assessor will need to be 35 MAs.

Y1 weighting of 0.5:1 as there will be limited off the job assessment but there will be an initial assessment, sign-up and regular progress review requirement

Y2 (16-18) weighting of 1:1 as this will be a standard MA

Y2 (25+) weighting of 2:1 as the current Year 2s will have to complete in 1 year, so will need intensive assessment

7. **Financial Implications**

The financial implications for the college and indeed the sector are significant for two main reasons, increased delivery costs and continued underfunding from CITB.

As highlighted earlier in this paper, in order to be able to deliver the SVQ3 to the 2017/18 start cohort, recruitment of the required WBL staff is underway. The additional cost of 4.5 FTE is in the region of £189K however, without these staff in place there is a significant risk that some of the 2017/18 cohort will not achieve.

The 2-year adult MA cohort (2017/18 intake) was identified as a priority group in terms of completing the required assessment portfolio of evidence within the required timescale. There were 6 adult enrolments in 2017/18.

Table 2 below shows the income and expenditure for Construction Craft MAs based on the 2017/18 cohorts. This shows a healthy contribution to overhead of £294K.

Table 2 – Income and Expenditure Based on 2017/18 Cohorts

	£ (000)
Painting & Decorating*	152
Carpentry & Joinery*	256
Brickwork*	153
Expenditure total:	521
CITB Income	172
Credits Income	643
Income total:	815
Contribution to overheads	294

*Approximations based on top line budget reports

Table 3

Construction Sector Funding and Start Data for 2017/18

2017/18	**16-19**	**20-24**	**25+**	**Total**
CITB contract starts	1,118	300	137	1,555
Total SDS/CITB contract value	£9,726,600	£1,950,000	£753,500	£12,430,100
Total College income from CITB	£2,743,572	£736,200	£336,198	£3,815,970
Total CITB income from SDS	£6,983,028	£1,213,800	£417,302	£8,614,130
SDS candidate funding	£8,700	£6,500	£5,500	
College Fee from CITB per candidate	£2,454	£2,454	£2,454**	
CITB income from SDS per candidate	£6,246	£4,046	£3,046	
% of MA funding associated with training	28%	38%	45%	31%

8. Current Situation

College Principal's Group & Colleges Scotland Advice

The College Principals' Group (CPG), with support from the Business Development Directors Group, met throughout 2018 through to February 2019. Colleges Scotland, Scottish Government and a range of representatives from the College sector worked to try to negotiate with CITB. This resulted in an offer of a 14% increase in funding which was later increased to 20%. The CPG presented data to Scottish Government to seek its support, through intervention or additional funding.

However, it is my view that there is already sufficient funding and the real issue is that the main contractor (CITB) is keeping a disproportionate amount of this (over 60%). Over 60% seems to be an unreasonable proportion of the funding to retain, when the only activities that the main contractor undertakes are contract management and the employer engagement.

The February 4th decision of the CPG is outlined in the following Advice Note from Colleges Scotland. The advice is to sign the CITB Agreement but only for a period of the current year 2018/19.

I raised a number of queries with College's Scotland through the Business Development Directors' group regarding the CITB Framework agreement, which I felt conflicted with the advice to sign the contract for a period of one year. These are outlined in Annex 2 below.

However, ICUHI and 32 other Colleges in Scotland have arguably provided services under the framework agreement by enrolling students onto their qualifications in 2018 and delivering training. Until the Agreement and any call off contract is signed, we cannot get paid for the work that we have done except for the credits being claimed via SFC.

This Colleges Scotland note also clarified the SQA position regarding on-site-assessment requirements and consequently, assessors must now be recruited to enable the delivery of the current SVQ3. Recruitment is in progress.

Bid for SDS Direct Contract for Construction MAs

We have articulated our direct Modern Apprenticeship offer to employers. However, many construction companies are reticent to move away from CITB, who have 'provided' their MAs for many years.   Two large employers and a handful so far of small employers have agreed to work direct with us as their provider.

In the meantime, we have included 102 construction starts in the UHI hub tender. The rationale for this was to:

1. Provide SDS with an alternative to contracting with CITB.
2. Give SDS an indication of our ambitions/intentions to work directly with the construction industry to provide their Mas.
3. Gain access to construction via a direct contract.
4. Meet the demand from the companies who have committed to contract with us directly, including Highland Council, Morrisons and a range of SMEs.
5. Align with Scotland's Colleges, the majority of which have
6. Attempt to reduce any competition from private training providers.

I would anticipate that we will receive a smaller allocation than that which we have requested, although our bid is strong due to our historical delivery performance through CITB.

We will not receive a response to this until around 31st March 2019.

The contract for 2019/20 commences on 1st April 2019.

Annex 1.

Advice Note following College Principals' Group (CPG) Discussion on the Construction Industry Training Board (CITB) on Monday 4 February 2019

CPG Decision

The following recommendations were agreed by the CPG:

- Accept the 2018-19 offer from CITB, with the caveat that it is for 2018-19 only
- Utilise additional funding in 2018-19 to support adult apprentices nearing completion
- Apply to increase the volume of direct college contracts from 2019-20 and beyond
- Continue to campaign for a pause in implementation of the new assessment strategy from SQA to aid transition process
- Continue to work with Scottish Government, Skills Development Scotland (SDS) and CITB to seek a sustainable funding solution for 2019-20 and beyond
- Consider, with stakeholders, the viability of the ongoing CITB contract and impact on apprentice volumes if pragmatic solutions can't be found – decision point March / April 2019 at SDS contract award

Summary

As a summary, the CPG:

- welcomed to the revised increased offer from CITB for 2018/19 but were concerned over the impact on costs from 2019/20 onwards
- cautioned at signing a contract that stretches beyond 18/19
- voiced support for transitioning to becoming Managing Agents
- recognised the benefits of a united sector position
- asked for the production of an advice note expanding on the recommendations in the slides,

Context

The context in which this Advice Note is prepared is as follows:

- The Scottish Qualifications Authority (SQA) has stated that there will be no change to the implementation timetable for the introduction of the new assessment framework.
- The 2017/18 cohort will enter year 3 in 2019/20 and there will be a deficit funding position from this point forward.
- Colleges Scotland has prepared costings and **made a request of Scottish Government to provide additional funding of approximately £2m for 2019/20 (which rises to a re-occurring £4m per annum from 2020/21 onwards) to cover the shortfall in funding across the college sector to cover the new costs being incurred.**
- Recognise that the response from Scottish Government on the ask for additional funding for 2019/20 onwards is unlikely to be received in the immediate future.

CITB Clarification

Following the CPG meeting, Colleges Scotland and the CITB Working Group took forward discussions with CITB on how the contract can be presented in a way that allows the recommendation of the CPG to accept the offer, with the caveat that it is for 2018/19 (year 1 of the 4-year programme) only, to be delivered. CITB has now produced a letter of clarification, a copy of which is set out in **Appendix 1** to this Advice Note.

Advice

In view of the above, the CITB Working Group provides the following advice:

- Each individual college to consider the context set out above and the CITB clarification letter, as well its own particular circumstances in relation to construction Modern Apprenticeships.
- Note the current position that there has been no response from the Scottish Government on the ask for additional funding for 2019/20 onwards, so at this stage signing up to the contract for 4 years would leave colleges in an overall deficit position on the delivery of the construction Modern Apprenticeship programme (even taking into account the 20% increase in funding from CITB).
- In collaboration with the college's board of management and recognising this is a decision for each individual college, include, if signing the contract, a letter of amendment that the college is signing for 2018/19 (year 1 of the 4-year programme) only, until further details are known on the 2019/20 funding position.

Colleges Scotland
February 2019

Appendix 1

07.02.19

Andy Witty
Director of Sector Policy Colleges Scotland Argyle Court
Castle Business Park Stirling
FY9 4TY

Bircham Newton King's Lynn
Norfolk PE31 6RH

steve.hearty@citb.co.uk

Dear Andy

Following on from our recent positive dialogue I can now formally confirm the final amendments to our offer.

As discussed, the rate increase will apply to 18/19 learners and discussions will be held prior to 19/20 intake to reflect any changes in funding either through Scot Gov, SDS or FC. I would also signpost you to the termination clause within our contract which provides colleges with options should they not wish to work with CITB in the future. The 20% increase is reflected by moving fees from £2454 to £2945 as agreed with college stakeholder representatives.

In terms of the payment schedule, I confirm we will maintain the previous schedule. The payment schedule itself is a separate document from the main contract and is only issued to colleges to provide guidance on how fees will be paid. Please take this letter as confirmation that the payments will be made in line with the previously agreed process and weighting.

CITB look forward to continued partnership working with the college network on initiatives that can make a positive difference to the recruitment and training of people wishing to join the construction sector and I'm sure we will have further dialogue on this in the near future.

I would like to thank the College Principals Group and Colleges Scotland for engagement on this matter as we all seek to move forward and continue to support our employers and the apprentices that we train together.

Yours sincerely

Steve Hearty
Director of Apprenticeships and Standards

Colleges Scotland 3

Annex 2: Contentious extracts from the CITB Framework Agreement

5.4. If the Provider receives a Call-Off ITT and wishes to bid for the Services described in that Call-Off ITT, it shall respond to the Call-Off ITT within the specified deadline which response shall include:

5.4.1. Confirmation of the availability of places on each of the courses requested ;

5.4.2. where no course is currently planned and/or there is no availability on any current course, details of the minimum number of learners required to make running that course commercially viable for the Provider;

5.4.3. Details of the geographical locations of the Provider at which each course can be provided.

5.5. CITB shall allocate the available Learners to Capable Providers on the basis of the Award Criteria set out in Schedule 1.

5.6. CITB shall be under no obligation to award any Services under this Framework Agreement following the issue of a Call-Off ITT.

5.7. By way of confirmation of the award of a Call-Off Contract, CITB will submit an Award Letter to each successful Framework Provider which:-

5.7.1. confirms the Services required; and

5.7.2. incorporates the Call-Off Terms and Conditions

For the avoidance of doubt, the Provider is not authorised to commence delivery of the Services until receipt by CITB of an Award Letter signed by the Provider.

5.10. The Provider shall indemnify and keep indemnified CITB against all costs claims demands losses and expenses suffered or incurred by any person as a consequence of the Provider providing the Services other than in accordance with this Agreement in general including any costs incurred by CITB in arranging for alternative Providers to continue delivering the Services to Learners recruited by the Provider in breach of this Framework Agreement.

8.1. The Provider shall take appropriate steps to ensure that neither the Provider nor any Staff are placed in a position where (in the reasonable opinion of CITB) there is or may be an actual conflict, or a potential conflict, between the pecuniary or personal interests of the Provider and/or Staff and the duties owed to CITB under the provisions of this Framework Agreement and/or any Call-Off Contract and the Provider shall promptly notify and provide full particulars to CITB if any such conflict arises or is reasonably foreseeable.

8.2. The Provider shall not enter into any contract with any political or religious organisation using any funding provided by CITB under this Framework Agreement or any Call-Off Contract if the effect of that contract would be to promote a particular political or religious point of view.

8.3. Without prejudice to any other right or remedy of CITB, CITB reserves the right to terminate this Framework Agreement and/or any and/or all Call-Off Contracts immediately by giving notice in writing to the Provider and/or to take such other steps it deems necessary where, in the reasonable opinion of CITB, there is or may be an actual conflict, or a potential conflict, as described in clause 8.1.

10. European Funding and Other Sources of Funding

10.1. The Provider must not use any funding or payments of any nature received under or pursuant to this Framework Agreement or any Call-Off Contract for the purpose of making bids or claims from any European source of funding on its own behalf or on behalf of CITB including but not limited to match funding, without obtaining consent in writing from CITB.

10.2. Where the Provider has access to other funding streams, the Training Provider will be required to demonstrate through accounting, management information systems and any other relevant evidence (in the sole discretion of CITB or any other body undertaking the audit or monitoring) to CITB that no double funding has occurred in respect of the Services delivered under the Framework Agreement and any and all Call-off Contracts.

10.3. Where CITB (or The Skills Development Scotland Co. Limited) identifies double funding in respect of the Services, the Provider shall repay to CITB on demand any sums paid by CITB in respect of the Services for which the Provider has received funding from another source and CITB reserves the right to deduct such sums from any monies due or payable to the Provider under this Framework Agreement or any Call-Off Contract.

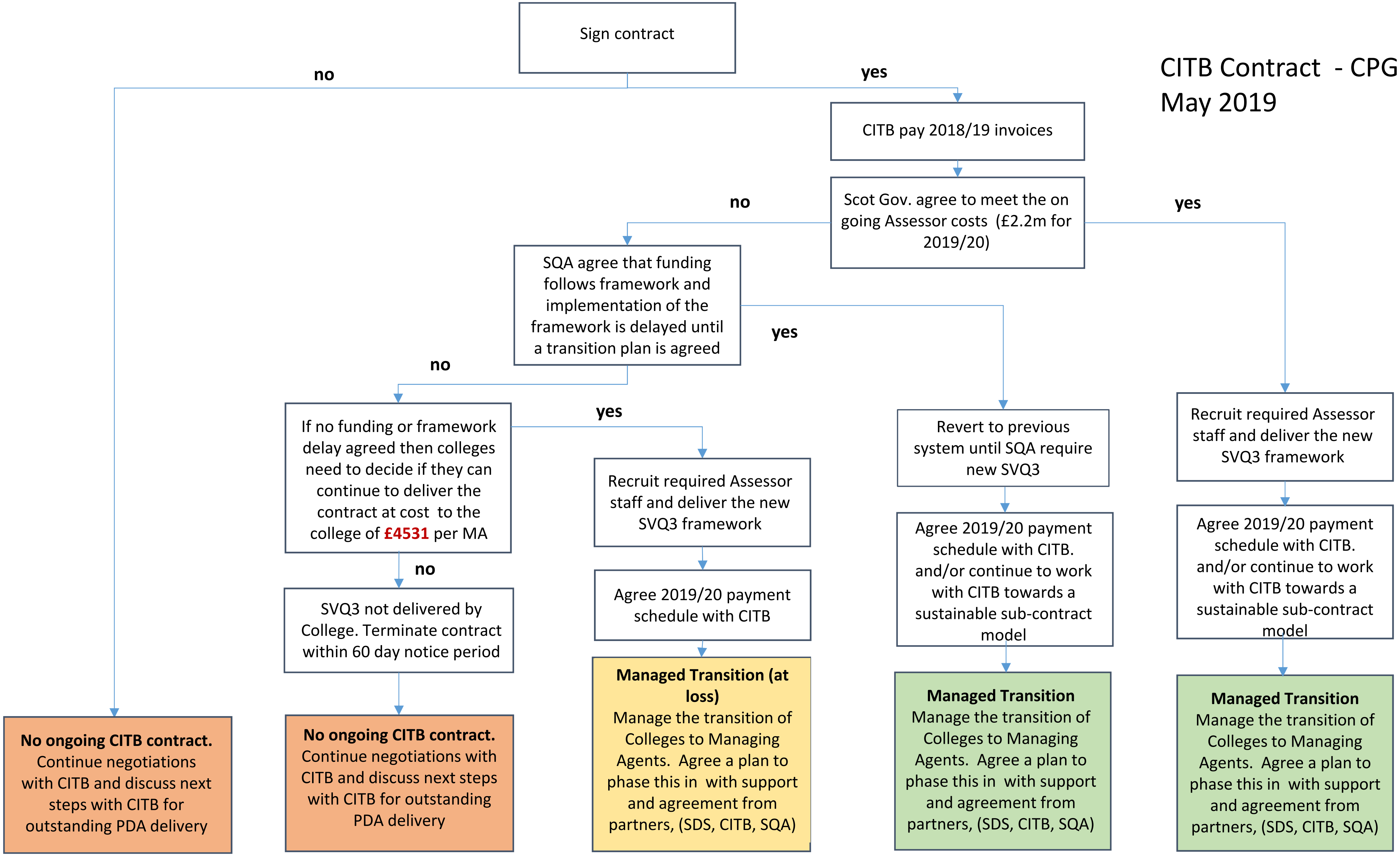
28.4 Termination or expiry of this Framework Agreement shall be without prejudice to any rights, remedies or obligations of either Party accrued under this Framework Agreement prior to such termination or expiry.

28.5 Any provision of this Framework Agreement which either expressly or by implication is intended to come into or continue in force on or after termination of this Framework Agreement shall survive the termination or expiry of this Framework Agreement.

For the avoidance of doubt, notwithstanding the termination or expiry (howsoever it occurs) of any or all of these contractual arrangements (including, without limitation, the Appendices, the Call-Off Contract or the Agreement) the Training Provider's obligations to complete at its own expense the course of training set out in the agreement between the Training Provider and the Learner shall remain in full force and effect until that course of training is completed.

Furthermore, this clause 28.5 shall survive any such termination or expiry as is referred to above and shall remain in full force and effect until the Apprenticeship programme is completed.

CITB Contract - CPG May 2019



Briefing Note for Extraordinary College Principals' Group (CPG) teleconference on CITB, to be held Tuesday 28 May 2019, 1100-1200 (Non-disclosure)

Introduction

The purpose of the Extraordinary CPG is to provide an update to the CPG following recent decisions by the SQA and Scottish Government, and to set out potential options for colleges to take. Whilst it will be for individual colleges to decide the most appropriate option for them, the conference call will also help establish if there is growing consensus around any particular option.

Current Position

The following table sets out the current position around the potential mitigating solutions that were being pursued to help offset the additional costs faced by colleges from 2019/20, as a result of the introduction of the new assessment framework.

Proposed Resolution Options	Current Position
SQA delay implementation of framework to allow achievement for 2017/18 and 2018/19 intake.	The second request to SQA for a delay in implementation of the new framework not granted. Implementation of the new framework and additional VQ3 assessment and verification delivery required from August 2017.
Scottish Government or CITB provide funding to meet the additional Assessor and Verifier costs	Scottish Government reviewed the regional cost profile of Assessor and Verifier costs and agreed that the methodology was robust. Scottish Government is not prepared to meet the cost of £2.2m. CITB have offered an additional 20% for 2018/19 only however it still leaves a significant shortfall.

Options around Resolution for Current Students

Future Resolution Options for current students	Implications
Scottish Government/SQA/CITB do not delay or meet the shortfall in Assessor Costs.	
1. Colleges terminates the contract with CITB	Modern Apprenticeships (MAs) at risk of non-achievement and reputational damage significant.
2. Colleges terminates the contract and opens negotiation with CITB for delivery of PDA element of new framework ONLY for current MAs.	Option needs to be made to CITB. Assessment and Verification would need to be provided by CITB or a new subcontractor. If CITB agreed there would still be a risk of MA non achievement and reputational damage, due to timelines

3. Colleges absorb additional Assessor and Verifier costs and see out the contract for 2017/18 and 2018/19 intakes	MAs complete the programme. Timelines to achieve VQ3 are challenging and there are still MAs at risk of non-achievement and reputational damage as staffing not in place in many areas. College's absorbing additional costs over the next 3 years may significantly impact other areas of College delivery through the requirement to make efficiencies.

Options around Resolution for Future Students – 2019/20 intake

Options	Risks	Benefits
Option 1: Do Nothing. Carry on delivering construction Modern Apprentices as a sub-contractor to CITB	• Financial losses • Reputational damage – contrary to sector voice	• Continuation of service to apprentices • Continuation of credits
Option 2: Serve notice. Remove service as sub-contractor to CITB. Cancel contract in its entirety.	• Significant effect on current apprentices • Reputational damage associated with above • Potential reduction in credits	• Potential to be best financial solution • In line with previous message to stakeholders
Option 3: Rapid transition. Maintain framework contract with CITB but do not take part in 2019-20 "call-off". All new construction MA starts delivered through college contract	• Potential to affect new apprentice numbers • Internal structure capacity • Financial loss on 3rd and 4th years • Requires Scottish Government lead transition plan	• Reduces financial loss • Drives apprentices to college solution (lack of competition) • Reputationally sound and in line with previous message to stakeholders
Option 4: Staged transition. Maintain framework contract with CITB and transition to college contract over x years. 2019-20 starts are mixed between college and CITB	• Competition with CITB may limit transition effectiveness • Financial loss on all CITB starts • Requires Scottish Government lead transition plan	• Reduces financial loss from option 1 • Allows college capacity to grow organically

Colleges Scotland
May 2019

HIGH-LEVEL ADVICE NOTE PREPARED FOR COLLEGES SCOTLAND ("CS") IN RELATION TO THE CONTRACTS WITH CONSTRUCTION INDUSTRY TRAINING BOARD ("CITB")

1. INTRODUCTION

1.1 Note prepared for Colleges Scotland

This Note has been prepared for the benefit of Colleges Scotland ("**CS**") only. Although we appreciate this Note may be shared by CS with relevant colleges given CS's role, in terms of our own position, this Note is prepared for CS's use only. Any liability to third parties placing reliance hereon is strictly excluded.

1.2 Basis of this Note

Our Note has been prepared on the basis of:

- CS's request for legal advice as set out in its document dated March 2019 and entitled 'Legal Advice Sought by the Construction Industry Training Board Working Group ("**CITB Working Group**") in Relation to Proposed Amendments to CITB Contracts' ("**Request for Advice**"); and
- our telephone call with CS and representatives of the CITB Working Group on 27 March 2019.

Alongside the Request for Advice, we were provided with copies of the following documents (together referred to within this Note as "**the Contracts**"):

- Framework Agreement with CITB for Lot 1 and Lot 4 ("**Framework Agreement**");
- Call-Off Contract Terms and Conditions with CITB ("**Call-Off Contract**");
- Variation to Framework Agreement ("**Framework Variation**"); and
- Variation to Call-Off Contract ("**Call-Off Variation**").

When we refer to the "**main agreements**" within this Note, we are referring to the Framework Agreement and the Call-Off Contract together. When we refer to the "**variation agreements**" within this Note, we are referring to the Framework Variation and the Call-Off Variation together. Any other documents mentioned in the main agreements have not been provided to us and therefore we have not reviewed the same.

This Note considers the following specific questions as raised within the Request for Advice and clarified on the telephone call of 27 March 2019:

Question 1: Whether the colleges will require to sign the Framework Agreement and the Call-Off Contract first and then the Framework Variation and the Call-Off Variation thereafter.

Question 2: Whether the Framework Variation and the Call-Off Variation provide the ability for the colleges to terminate the Contracts upon 60 days' notice, and if so, how this ability to terminate is to be implemented.

Question 3: Where a college exercises its right to terminate without cause, will it be subject to any penalties or any ongoing financial, contractual or other obligations as related to the Contracts.

Question 4: Whether the fact that the Contracts refer to the jurisdiction of the courts of England and Wales, as opposed to Scotland, provides any disadvantages to the colleges.

We have <u>not</u> reviewed and commented upon the Contracts as a whole within this Note and have limited our advice to the above specific questions.

1.3 Executive Summary

Overall, it appears that the intention of the variation agreements is to provide the colleges with the option to terminate the contracts upon 60 days' notice, however, the wording of the variation agreements is not clear and would benefit from revisal to make the intended variation clearer. This is a mutual right which benefits CITB also, and therefore CS must consider how colleges may be affected should CITB serve notice (e.g. in terms of payment; ongoing provision of the training services).

The existing wording of clauses 8.8.2 and 8.8.3 of the Call-Off Contract do allow CITB to impose ongoing obligations upon the colleges to provide the services post-completion of the Contracts in terms of an intended 'hand-over process'/contingency plan for the training service; and CITB appears to have full discretion to set the boundaries of this hand-over, including the timescale of the same (which we would assume would result in ongoing financial and other obligations to colleges). There appears to be no obligation upon CITB to pay the colleges for these continued services. Additionally, it is unclear what it means to "engage actively" at clause 33.2 of the Framework Agreement and this may involve the colleges being required to continuing to provide the training services post-termination of the Contracts.

There is no obligation upon CITB to pay any outstanding sums, owed to the colleges, upon termination of the Contracts.

We also recommend that CS discusses with the colleges whether the colleges have inadvertently or otherwise entered into direct contractual relationship with the apprentices/employers which binds the colleges to continue to provide the training services (and/or other services) despite the end of the contractual relationship with CITB. This will require to be assessed on a case-by-case (i.e. college-by-college) basis.

Please note that clause 1.6 of the Call-Off Contract suggests (perhaps due to unclear drafting) that CITB has no obligations under the Call-Off Contract including no obligations to pay the funding to the colleges.

It should therefore be noted that whilst the variation agreements provide rights of termination, there will remain ongoing obligations under the main agreements (both financial and others which will have financial implications).

2. COMMENTS IN RELATION TO QUESTION 1

Whether the colleges will require to sign the Framework Agreement and the Call-Off Contract first and then the Framework Variation and the Call-Off Variation thereafter.

Summary: We recommend that all of the Contracts are signed together at the same time.

Analysis:

For the variation agreements to have effect, and vary the main agreements, the parties will need to enter into the main agreements. We recommend that all of the Contracts are signed together at the same time to ensure that the variation agreements are entered into, as it is the variations which include the wording granting the colleges the ability to terminate, at will, upon 60 days' notice.

The Framework Agreement and the Call-Off Contract are to have effect from the 1 August 2018, but the variation agreements are to have effect from the "Variation Date" being the date to be inserted on the front pages thereof (this is a nuance of an English law contract which we have commented on further at section 5 of this Note). In the event that the main agreements are to be entered into on a retrospective basis we recommend that the variation agreements are also entered into on this basis and it is made clear that the Variation Date for both variation agreements is also 1 August 2018.

We understand that, generally, the main agreements have not been signed by the colleges and therefore we considered whether the variation agreements were strictly necessary on the basis that their terms could simply be inserted to the main agreements themselves. However, we have assumed that this is not possible and CITB has requested that the variation agreements be entered into on the basis that they act akin to 'side letters' to amend the content of CITB's standard template Framework Agreement and the Call-Off Contract.

3. COMMENTS IN RELATION TO QUESTION 2

Whether the Framework Variation and the Call-Off Variation provide the ability for the colleges to terminate the Contracts upon 60 days' notice, and if so, how this ability to terminate is to be implemented.

Summary: The intention behind the variation agreements appears to provide both parties with the right to termination upon 60 days' written notice, at any time during the term of the Contracts.

Analysis:

3.1 General comments

Generally, we are of the view that the language within the variation agreements would benefit from clarification. We would prefer that clear and express wording is used such as "clause X of the X agreement is hereby deleted in its entirety and replaced with the following wording". Otherwise, the intended effect of the variation agreements may not apply as the wording is quite ambiguous.

The main agreements can be varied so long as varied by writing and signed by the duly authorised representatives of both parties (clause 32.1 of the Framework Agreement and clause 6.3 of the Call-Off Contract).

3.2 Framework Agreement and Framework Variation

Clause 3.1 of the Framework Agreement notes that the agreement shall take effect from 1 August 2018 and "unless otherwise terminate[d] in accordance with the terms of the Framework Agreement" shall continue for the term. Therefore, this clause does allow the initial term of the Framework Agreement to terminate earlier if provided for elsewhere within the agreement.

We recommend that clause 3.5 of the Framework Agreement be amended to make clear that the Framework Agreement can be terminated prior to the expiry of the Initial Term.

Clause 2.1.1 of the Framework Variation has the intended effect (please see our comments above at section 3.1 regarding the language of the variation agreements) of amending clause 26.1.1 of the Framework Agreement so that the colleges are provided with the option to terminate the Framework Agreement upon not less than 60 days' written notice to CITB.

There does not appear to be any restriction on when this 60 days' notice may be served and therefore it could be served (in accordance with the notice provisions – please see clause 40 of the Framework Agreement) during an academic year of the apprenticeship or at any other stage throughout the term of the Framework Agreement.

This right will be mutual and CITB will also have the right to terminate the Framework Agreement by giving the colleges such notice. This right in favour of CITB is already provided for at clause 26.12.1 of the Framework Agreement, and we wonder why this is to be inserted twice, we recommend that clause 26.12 is deleted where clause 26.1 is to be varied. Where CITB has the right to terminate, CS should also consider how this would affect the ongoing liabilities/obligations of the colleges (as discussed below at section 4 below).

There is a typo at clause 2.1.1 of the Framework Variation where reference is made to the "Framework Agreement Contract" as opposed to simply the "Framework Agreement".

3.3 Call-Off Contract and Call-Off Variation

Clause 1.4 of the Call-Off Contract notes that it takes effect from and shall expire automatically on the date set out in the Award Letter (*which we have not had sight of*), unless it is otherwise terminated in accordance with the provisions of this Call-Off Contract, or otherwise lawfully terminated. Therefore, this clause does allow for the earlier termination of the Call-Off Contract if provided for elsewhere within the agreement.

Clause 2.1.1 of the Call-Off Variation has the intended effect (please see our comments above at section 3.1 regarding the language of the variation agreements) of amending clause 8.3 of the Call-Off Contract so that the colleges are provided with the option to terminate the Call-Off Contract upon not less than 60 days' written notice to CITB. There does not appear to be any restriction on when this 60 days' notice may be served (but please note the notice requirements at clause 1.8. of the Call-Off Contract).

This right will be mutual and CITB will also have the right to terminate by giving such notice; CITB has the right under the existing wording of clause 8.3 to terminate at will upon one months' notice and therefore the variation will have the effect of limiting CITB's right, by extending its notification obligations to 60 days. Where CITB has the right to terminate, CS should also consider how this would affect the ongoing liabilities/obligations of the colleges (as discussed below at section 4 below).

3.4 Terminating the Contracts together

Clause 28.2 of the Framework Agreement makes clear that termination of the Framework Agreement shall not cause the Call-Off Contract to automatically terminate. Therefore, CS must be alert to the fact that that the colleges will require to separately serve notice under both of the main agreements to terminate both.

Please also note that CITB has additional rights to terminate beyond termination at will on 60 days' notice. We have not outlined these in detail throughout this Note, but it could lead to circumstances where CITB terminates the Framework Agreement but not the Call-Off Contract and therefore the Call-Off Contract will continue unless the college serves notice to this effect. This could have the result of leading to a time delay.

4. COMMENTS IN RELATION TO QUESTION 3

Where a college exercises its right to terminate without cause, will it be subject to any penalties or any ongoing financial, contractual or other obligations as related to the Contracts.

Summary: There are a number of ongoing obligations for the colleges post-termination of the Contracts, including obligations to provide the training services during an undefined contingency period, and without payment; all of which will have financial implications for colleges.

Analysis:

Please note that the colleges are referred to as the "Training Provider" or "Provider" within the Contracts.

4.1 "Consequences of termination" clauses

4.1.1 Framework Agreement and Framework Variation

Clause 28 of the Framework Agreement provides details of the consequences of termination or expiry of the Framework Agreement.

Clause 28.1 of the Framework Agreement notes:

> "*Notwithstanding the service of a notice to terminate this Framework Agreement, the Provider shall continue to fulfil its obligations under this Framework Agreement until the date of expiry or earlier termination of this Framework Agreement or such other date as required under this Clause 28*."

This means that the college's obligations under the Framework Agreement shall cease on the date of termination of the agreement unless clause 28 provides otherwise.

The current wording of clause 28.5 notes:

> *"28.5 Any provision of this Framework Agreement which either expressly or by implication is intended to come into or continue in force on or after termination of this Framework Agreement shall survive the termination or expiry of this Framework Agreement.*
>
> *For the avoidance of doubt, notwithstanding the termination or expiry (howsoever it occurs) of any or all of these contractual arrangements (including, without limitation, the Appendices, the Call-Off Contract or the Agreement) the Training Provider's obligations to complete at its own expense the course of training set out in the agreement between the Training Provider and the Learner shall remain in full force and effect until that course of training is completed.*
>
> *Furthermore, this clause 28.5 shall survive any such termination or expiry as is referred to above and shall remain in full force and effect until the Apprenticeship programme is completed.***"**

Clause 2.1.2 of the Framework Variation has the intended effect (please see our comments above at section 3.1 regarding the language of the variation agreements) of amending clause 28.5 so that the last two paragraphs of this clause are deleted and only the first paragraph remains, and therefore the wording which expressly notes that the colleges will continue to provide the training services post-termination of the Framework Agreement at the colleges' expense is to be removed. The current wording of clause 2.1.2 of the Framework Variation is unclear and suggests that paragraph 1 of clause 28.5 will be repeated twice.

Paragraph 1 of clause 28.5 is fairly standard wording. For 'survival clauses' we usually see two main drafting techniques:

(i) the contract lists all clauses that the parties agree shall survive termination. Although best practice, this is usually the less preferred approach as it involved ensuring that the list is fully comprehensive; or

(ii) the contract simply uses the words "expressly or by implication", which assumes that certain clauses have already been identified elsewhere as surviving termination, and with the words "by implication", the drafts-person takes the risk of future dispute for those clauses that have not already been expressly identified as surviving.

Whilst Paragraph 1 of clause 28.5 takes the second approach and is an acceptable one generally; the main issue here is that the removal of the second paragraph which commences "For the avoidance of doubt ….." could arguably be caught by the words "expressly or by implication". We would assert that there would a reasonable if not strong argument to be made that the colleges by implication would be bound to deliver the training contracts to individual Learners. For clarity, it would be appropriate to bring this point out as part of the variation wording.

Despite the intended amended wording of clause 28.5, clause 33.2 of the Framework Agreement notes:

> *"The Training Provider shall engage actively with CITB to ensure that a transition to any new service provider can be completed with minimal disruption and impact to the Leaner".*

It is unclear what it means to "engage actively" and this may (or would likely) involve the colleges continuing to provide the training services post-termination of the Contracts.

<u>4.1.2. Call-Off Contract and Call-Off Variation</u>

The Call-Off Variation does not amend clauses 8.5 or 8.8.of the Call-Off Contract. These are the clauses which deal with "transfer of responsibility on expiry or termination" of the Call-Off Contract.

Clause 8.5.5.2 of the Call-Off Contract states:

> *"Any provision of this Call-Off Contract which either expressly or by implication is intended to come into or continue in force on or after termination of this Contract shall survive the termination or expiry of this Call-Off Contract, including clauses 5.1, 5.2, 5.3 and 5.5."*

This wording within clause 8.5.5.2 of the Call-Off Contract aligns with the amended wording that will be included at clause 28.5 of the Framework Agreement (which as we have noted above at section 4.1.1 is fairly standard wording ***NB see our specific comments however***). We have discussed the content of clauses 5.1, 5.2, 5.3 and 5.5 in further detail below at section 4.6.

Clauses 8.8.2 and 8.8.3 of the Call-Off Contract are the clauses that do cause concern for the colleges in terms of ongoing obligations post-termination of the Contracts. These clauses state:

> *"8.8.2. The Parties agree that on termination or expiry of this Call-Off Contract for any reason, the continuity of the Services is of paramount importance. The Provider shall do <u>its utmost</u> to minimise disruption cause[d] to Learners and <u>to assist the implementation of any contingency plan proposed by CITB either prior to or after the termination or expiry of this Call-Off Contract</u>, to deal with the effects of such termination or expiry <u>in so far as it is practicable to do so</u>".*
>
> *8.8.3 The Provider shall, <u>at no cost to CITB, promptly provide such assistance and comply with such timetable as CITB may reasonably require for the purpose of ensuring an orderly transfer of responsibility for provision of the Services (or its equivalent) upon the expiry or other termination of this Call-Off Contract.</u> The Provider shall use all reasonable endeavours to ensure that its employees and any sub-contractors (without prejudice to the prohibition on sub-contracting the Services) are under a similar obligation. <u>CITB shall be entitled to require the provision of such assistance both prior to and after the expiry or other termination of this Call-Off Contract.</u>"*

The reference to "utmost" at clause 8.3.2 is a high standard of obligation upon the colleges. The colleges do not have visibility as to what CITB's contingency plan may be as this can be provided by CITB at any time before **or** after termination of the Contracts, as CITB appears to have full discretion in regards to deciding what the contingency plan may be e.g. the colleges do not have an absolute right to amend or oppose any contingency plan proposed by CITB. Additionally, there is no time limit on how long the obligations placed on the colleges under the contingency plan may continue for after termination of the Contracts. We would therefore have to assume that this would be for a reasonable period of time.

CITB has absolute discretion to decide the terms of any transfer of responsibility for the services post-termination of the Call-Off Contract; and the timescales for the same under clauses 8.8.3 also.

Therefore, despite the intention of clause 2.1.2 of the Framework Variation to amend the wording of clause 28.5 of the Framework Agreement, the colleges will have continued obligations to provide training services to apprentices despite termination of the Call-Off Contract as a result of these provisions.

We recommend that clauses 8.8.2 and 8.8.3 are amended so that the colleges have a better understanding as to their obligations under any contingency plan/hand-over process. CS may also wish to consider whether the intended contingency plan/hand-over process should account for ongoing payments to the colleges during these periods. Perhaps express provisions as to no continued obligations with regards Learners should be incorporated to put the matter beyond any doubt.

As per clause 8.8.6, CITB can withhold payment of the final instalment of funding payable on termination of the Call-Off Contract unless the colleges comply with clauses 8.8.3 and 8.8.4.

4.2 Payment of outstanding sums on termination

There is no obligation upon CITB to pay the college any outstanding Call-Off Funding upon termination of the Contracts. CS should be mindful of this when negotiating payment dates/milestones, and in particular it must be conscious to the fact that CITB also has the right to terminate at will.

We recommend that wording is inserted to place an onus on CITB to transfer any outstanding sums, owed to the colleges, to the colleges upon termination of the Contracts within a specified period of time.

Clause 3.4.1 of the Call-Off Contract notes that CITB can withdraw or reduce funding on termination of the contract.

4.3 TUPE

It is possible that the Transfer of Undertakings (Protection of Employment) Regulations 2006 (“TUPE”) would apply on the termination of a Call-Off Contract if the Services are transferred to a new provider or are taken back in-house by CITB. There would be no TUPE transfer if the Services are continued by the same Provider but under a different contractual arrangement with CITB.

TUPE applies where there is a "relevant transfer"; unless there is an administrative reorganisation of public administrative authorities or the transfer of administrative functions between public administrative authorities (TUPE, Regulation 3(5)). This exception does not apply.

A relevant transfer can happen when there is a "business transfer", being the transfer of a business, undertaking or part of a business or undertaking where there is a transfer of an economic entity that retains its identity. An economic entity is "an organised grouping of resources that has the objective of pursuing an economic activity". This can include part of a business and doesn't have to be profitable. How the transfer takes place is not relevant. It can result from a series of transactions.

In deciding if the economic entity has retained its identity, the test is whether the economic entity is still in existence after the transfer. This should be apparent from the fact that the operation is being continued, or has been taken over, by the new provider carrying on with the same or similar economic activities. In this case, the economic activity is the Services provided under the Call-Off Contract. If the Services cease to be carried out by the Provider and are carried out by a new provider or CITB this is likely to be a business transfer to which TUPE applies.

A relevant transfer can also occur when there is a Service Provision Change, for example:

(i) a “client” ceases to carry out activities on its own behalf and assigns them to another person (a contractor) to carry out on the client's behalf (regulation 3(1)(b)(i), TUPE 2006); or

(ii) activities cease to be carried out by a contractor on a client's behalf and are reassigned to another person (a subsequent contractor) to carry out on the client's behalf (regulation 3(1)(b)(ii), TUPE); or

(iii) activities cease to be carried out by a contractor or subsequent contractor on a client's behalf and are carried out instead by a client on its own behalf (regulation 3(1)(b)(iii), TUPE).

For the purposes of this definition the CITB would be the "client" and the "activities" would be the Services under the Call-Off Contracts. Therefore, provided the other conditions required for a Service Provision Change apply (for which see below), (ii) or (iii) above will be applicable if the work ceased to be carried out by the Provider and is carried out by a new provider or the CITB. It is possible for a transfer to be both a "business transfer" and a "service provision change" under TUPE.

There must be an organised group of employees before the change whose principal purpose is to carry out the relevant activities on behalf of the client. A single employee can be an organised grouping. We do not have any information about how Providers organise the work to ascertain if there is, or is not, "an organised group of employees".

It does not cover a provider providing the services for a single specific event or a task of short-term duration. It does not cover the supply of goods for the client's use. There may be an argument that, as the Call-Off Contracts are for a short duration that it is for "a single specific event or a task of short-duration". However, we consider that this argument is unlikely to be successful.

In the case of a Service Provision Change, there is no need for the entity to retain its identity; it is merely necessary for one person to cease to provide the activities and for another to take them over, performing fundamentally the same activities for the client. This means that it is not possible for the incoming service provider to avoid TUPE by performing the services in a different way or by not taking over the workforce. From the information we have it would appear that if the work ceased to be carried out by a Provider and were carried out by a new provider that the activities will be fundamentally the same. If there are any differences that may affect our advice on the application of TUPE.

The question of whether or not TUPE applies and, if so, to which employees will be fact specific and will depend on the circumstances on the termination of a Call-Off Contract. Factors which will be relevant include:-

- Whether the Learners complete their course with the Provider
- Whether specific employees are assigned to the Services
- The proportion of each the employee's time spent on the Services in comparison to other duties.

If TUPE does apply then there will be an obligation to inform and consult with employee representatives under Regulation 13 of TUPE. Failure to comply with this obligation can result in protective awards being made of up to 13 weeks' gross pay per employee. In addition there will be an obligation to provide the new provider with Employee Liability Information in accordance with Regulation 11 of TUPE. If there is a failure to provide this information the tribunal can order that the Provider pays the new provider such amount as the tribunal considers just and equitable subject to a minimum of £500 for each employee in respect of whom the information was not provided or was defective (unless the tribunal considers that it would be unjust or inequitable to award this minimum payment).

The potential TUPE liabilities ought to be capable of being managed and avoided provided that consideration is given to the application of TUPE at the time the Call-Off Contracts are terminated or come to an end.

<u>4.4 Direct engagement/contract between colleges and apprentices/employers</u>

We understand that apprentices selected via the CITB programme are co-ordinated by CITB and placed by CITB at certain colleges, and therefore the colleges are not directly involved in the "set-up" process with apprentices and / or the apprentices' employers where funded by CITB.

However, the colleges may during its induction programme or during the provision of the apprenticeship course, provide apprentices/employers with contracts (which bind the college to the apprentice) perhaps by use of forms/IT systems (e.g. online portfolio) which link to the colleges' standard terms and conditions.

We also recommend that CS discusses with the colleges whether the colleges have inadvertently or otherwise entered into directly contractual relationship with the apprentices/employers which binds the colleges to continue to provide the training services despite the end of the contractual relationship with CITB. This will require to be assessed on a case-by-case (college-by-college) basis.

4.5 Other documents

Clause 2.1 of the Framework Agreement notes that the colleges are to operate at all times in accordance with CITB's published objectives, the Tender Documents, the Funding Agreement, the Funding Requirements and Guidance. We have not been provided with a copy of these documents to identify whether any of the requirements are continuing or ongoing, however we note that the reference at clause 2.1 of the Funding Agreement to "at all times" is not caveated to the extent that the Framework Agreement continues to exist. We recommend that CS considers this further with the colleges.

Clause 1.7.4 of the Call-Off Contract provides an outline of what documents are to have precedence over the others in the event of a conflict. The Award Letter and Provider Obligations have first precedence. We have not had sight of these documents and the CS should also consider with the colleges whether they contain wording which places ongoing obligations upon the colleges and / or otherwise override the Contracts.

Again the wording "expressly or by implication" in the variation documents could potentially apply to these additional agreement (the Award Letter and the ITT in particular) and we therefore cannot comment on whether obligations (financial or otherwise) arise from these.

4.6 Specific clauses that will survive termination of the Contracts

There are certain obligations that survive termination of the Contracts (they are "expressly" set out as surviving) or are expressly noted as continuing post-termination:

- data protection (clause 5.1 of Call-Off Contract and clause 23 of the Framework Agreement);
- confidentiality (clause 5.2 of Call-Off Contract and clause 22 of the Framework Agreement);
- freedom of information (clause 5.3 of Call-Off Contract and clause 24 of the Framework Agreement);
- intellectual property right (clause 5.5 of Call-Off Contract and clause 29.2 of the Framework Agreement); and
- retention obligations for records and documents post-termination of the Contracts (clause 21 of the Framework Agreement);
- insurance for a minimum of 6 years (clause 30.4 of the Framework Agreement and clauses 7.1.9 and 7.2 of the Call-Off Contract);
- warranties provided by the colleges at clause 6 of the Framework Agreement (clause 6.1.15); and
- indemnity provided by the colleges (clause 7.1.2 of the Call-Off Contract)

4.7 Accrual of rights, remedies or obligations

Clause 28.4 of the Framework Agreement and clause 8.5.2.1 of the Call-Off Contract notes that termination of the Framework Agreement/Call-Off Contract will not prejudice any rights, remedies or obligations of either party accrued under the Framework Agreement and shall survive termination.

5. COMMENTS IN RELATION TO QUESTION 4

Whether the fact that the Contracts refer to the jurisdiction of the courts of England and Wales, as opposed to Scotland, provides any disadvantages to the colleges.

Summary: There are disadvantages for the colleges, and the current choice of law and jurisdiction wording of the variation agreements should not be accepted by CS.

Analysis:

SC's query appears to specifically relate to the jurisdiction clauses within the Contracts as opposed to governing law clauses. A jurisdiction clause is a dispute resolution clause which identifies which court or courts are to hear a dispute related to the contract. A governing law clause enables the parties to specify the system of law that will apply to the interpretation of a contract and its effect if a dispute arises. We have considered both clauses within the Contracts as they are closely connected.

We note that the Framework Agreement (clause 43) and the Call-Off Contract (clause 9) note that they are governed by Scots law and subject to the exclusive jurisdiction of the Scotland; whereas the Framework Variation and the Call-Off Variation are both subject to the laws of England and Wales and the exclusive jurisdiction of the courts of England and Wales.

Usually a variation agreement is governed by the law applicable to the main agreement, to avoid complications in the event of any disputes. It is also practical to provide for the same jurisdiction as is used in the main agreement. We recommend that the variation agreements are amended to refer to Scots law and jurisdiction – otherwise the underlying reason for having these clauses (e.g. to provide certainty to the governing law and jurisdiction) is undermined. Where there is confusion as to the jurisdiction that could apply this may lead to a claim being struck out on the basis of lack of jurisdiction.

Both of the main agreements also include dispute resolution clauses (clause 42 of the Framework Agreement and clause 9.2 of the Call-Off Contract) with a process for dealing with contractual disputes before raising court proceedings; and generally such clauses should extend to applicable variation agreements also. This is currently not made clear in the variation agreements.

There may be disadvantages to accepting the jurisdiction of English courts for the colleges as the colleges are based and operate within Scotland. On a high-level basis the main potential disadvantages would include (i) inconvenience: if a dispute arose, the Scottish based colleges would require to travel to England where attendance at hearings is required; and (ii) costs: English courts are often regarded as being more costly than Scottish courts, and if the main agreements are to be governed by Scots law and the variations by the law of England and Wales this means that, potentially, the colleges will need solicitors qualified in both jurisdictions.

MacRoberts LLP
29 March 2019
MWH/VMS/COL/124/1

Colleges Scotland Draft Legal Advice in Relation to the Contracts with Construction Industry Training Board (CITB)

Introduction

This document sets out Colleges Scotland request of CITB in relation to the variation to contracts issued on Tuesday 26 February 2019, following the receipt of legal advice. For the benefit of openness, and to ensure we can continue to move to our mutually desired position of colleges signing the CITB contracts, we have included extracts from the legal advice received in the boxes below. In each case, we also set out our specific ask in relation to changes that we would like to see in the variations to contracts.

Request

Our request is that CITB will consider each of the areas outlined below and amend the proposed variations to contracts in order to deliver the asks. This will be of benefit to both CITB and colleges. It would also be helpful in the first instance to have a response on your willingness to deliver these amendments to the variations to contracts.

Framework Agreement and Framework Variation

Clause 3.1 of the Framework Agreement notes that the agreement shall take effect from 1 August 2018 and "unless otherwise terminate[d] in accordance with the terms of the Framework Agreement" shall continue for the term. Therefore, this clause does allow the initial term of the Framework Agreement to terminate earlier if provided for elsewhere within the agreement. We recommend that clause 3.5 of the Framework Agreement be amended to make clear that the Framework Agreement can be terminated prior to the expiry of the Initial Term.

Clause 2.1.1 of the Framework Variation has the intended effect of amending clause 26.1.1 of the Framework Agreement so that the colleges are provided with the option to terminate the Framework Agreement upon not less than 60 days' written notice to CITB.

There does not appear to be any restriction on when this 60 days' notice may be served and therefore it could be served (in accordance with the notice provisions – please see clause 40 of the Framework Agreement) during an academic year of the apprenticeship or at any other stage throughout the term of the Framework Agreement.

This right will be mutual and CITB will also have the right to terminate the Framework Agreement by giving the colleges such notice.

This right in favour of CITB as alluded to above is already provided for at clause 26.12.1 of the Framework Agreement, and we note this is to be inserted twice. Our request is that clause 26.12 is deleted where clause 26.1 is to be varied.

For completeness, there is a typo at clause 2.1.1 of the Framework Variation where reference is made to the “Framework Agreement Contract” as opposed to simply the “Framework Agreement”. We would request that this is amended.

Clause 28 of the Framework Agreement provides details of the consequences of termination or expiry of the Framework Agreement.

Clause 28.1 of the Framework Agreement notes:
“Notwithstanding the service of a notice to terminate this Framework Agreement, the Provider shall continue to fulfil its obligations under this Framework Agreement until the date of expiry or earlier termination of this Framework Agreement or such other date as required under this Clause 28.”

This means that the college’s obligations under the Framework Agreement shall cease on the date of termination of the agreement unless clause 28 provides otherwise.

The current wording of clause 28.5 notes:
“28.5 Any provision of this Framework Agreement which either expressly or by implication is intended to come into or continue in force on or after termination of this Framework Agreement shall survive the termination or expiry of this Framework Agreement.

For the avoidance of doubt, notwithstanding the termination or expiry (howsoever it occurs) of any or all of these contractual arrangements (including, without limitation, the Appendices, the Call-Off Contract or the Agreement) the Training Provider’s obligations to complete at its own expense the course of training set out in the agreement between the Training Provider and the Learner shall remain in full force and effect until that course of training is completed. Furthermore, this clause 28.5 shall survive any such termination or expiry as is referred to above and shall remain in full force and effect until the Apprenticeship programme is completed.”

Clause 2.1.2 of the Framework Variation has the intended effect of amending clause 28.5 so that the last two paragraphs of this clause are deleted and only the first paragraph remains, and therefore the wording which expressly notes that the colleges will continue to provide the training services post-termination of the Framework Agreement at the colleges’ expense is to be removed. The current wording of clause 2.1.2 of the Framework Variation is unclear and suggests that paragraph 1 of clause 28.5 will be repeated twice.

Paragraph 1 of clause 28.5 is fairly standard wording. For ‘survival clauses’ we usually see two main drafting techniques:
(i) the contract lists all clauses that the parties agree shall survive termination. Although best practice, this is usually the less preferred approach as it involved ensuring that the list is fully comprehensive; or
(ii) the contract simply uses the words "expressly or by implication", which assumes that certain clauses have already been identified elsewhere as surviving termination, and with the words "by implication", the drafts-person takes the risk of future dispute for those clauses that have not already been expressly identified as surviving.

Whilst Paragraph 1 of clause 28.5 takes the second approach and is an acceptable one generally; the main issue here is that the removal of the second paragraph which commences “For the avoidance of doubt …..” could arguably be caught by the words “expressly or by implication”. We would assert that there would a reasonable if not strong argument to be made that the colleges by implication would be bound to deliver the training contracts to individual Learners. For clarity, it would be appropriate to bring this point out as part of the variation wording.

Despite the intended amended wording of clause 28.5, clause 33.2 of the Framework Agreement notes:

“The Training Provider shall engage actively with CITB to ensure that a transition to any new service provider can be completed with minimal disruption and impact to the Leaner”.

It is unclear what it means to “engage actively” and this may (or would likely) involve the colleges continuing to provide the training services post-termination of the Contracts.

Given the lack of clarity regarding ‘engage actively’ in this context we believe that it would be mutually beneficial to be more specific in this instance.

Subsequently we request that activity is limited to engagement in the following areas only:

- Handover of any registrations, knowledge and portfolio evidence of the learner/s
- Record of any academic achievements e.g. PDA

Call-Off Contract and Call-Off Variation

Clause 1.4 of the Call-Off Contract notes that it takes effect from and shall expire automatically on the date set out in the Award Letter unless it is otherwise terminated in accordance with the provisions of this Call-Off Contract, or otherwise lawfully terminated. Therefore, this clause does allow for the earlier termination of the Call-Off Contract if provided for elsewhere within the agreement.

Clause 2.1.1 of the Call-Off Variation has the intended effect of amending clause 8.3 of the Call-Off Contract so that the colleges are provided with the option to terminate the Call-Off Contract upon not less than 60 days’ written notice to CITB.

This right will be mutual and CITB will also have the right to terminate by giving such notice; CITB has the right under the existing wording of clause 8.3 to terminate at will upon one months’ notice and therefore the variation will have the effect of limiting CITB’s right, by extending its notification obligations to 60 days.

We note the changes introducing the 60-day notice period and that this is now a mutual right, whereas previously only CITB had the option to exercise a one month notice period. Our understanding is that there are no restrictions on when this 60-day notice period may be served. We would be grateful if you could confirm this.

The Call-Off Variation does not amend clauses 8.5 or 8.8. of the Call-Off Contract. These are the clauses which deal with “transfer of responsibility on expiry or termination” of the Call-Off Contract.

Clause 8.5.5.2 of the Call-Off Contract states:
“Any provision of this Call-Off Contract which either expressly or by implication is intended to come into or continue in force on or after termination of this Contract shall survive the termination or expiry of this Call-Off Contract, including clauses 5.1, 5.2, 5.3 and 5.5.”

This wording within clause 8.5.5.2 of the Call-Off Contract aligns with the amended wording that will be included at clause 28.5 of the Framework Agreement (which as we have noted above at section 4.1.1 is fairly standard wording NB see our specific comments however). We have discussed the content of clauses 5.1, 5.2, 5.3 and 5.5 in further detail below at section 4.6.

Clauses 8.8.2 and 8.8.3 of the Call-Off Contract are the clauses that do cause concern for the colleges in terms of ongoing obligations post-termination of the Contracts. These clauses state:
“8.8.2. The Parties agree that on termination or expiry of this Call-Off Contract for any reason, the continuity of the Services is of paramount importance. The Provider shall do its utmost to minimise disruption cause[d] to Learners and to assist the implementation of any contingency plan proposed by CITB either prior to or after the termination or expiry of this Call-Off Contract, to deal with the effects of such termination or expiry in so far as it is practicable to do so”.

8.8.3 The Provider shall, at no cost to CITB, promptly provide such assistance and comply with such timetable as CITB may reasonably require for the purpose of ensuring an orderly transfer of responsibility for provision of the Services (or its equivalent) upon the expiry or other termination of this Call-Off Contract. The Provider shall use all reasonable endeavours to ensure that its employees and any sub-contractors (without prejudice to the prohibition on sub-contracting the Services) are under a similar obligation. CITB shall be entitled to require the provision of such assistance both prior to and after the expiry or other termination of this Call-Off Contract."

The reference to "utmost" at clause 8.3.2 is a high standard of obligation upon the colleges. The colleges do not have visibility as to what CITB's contingency plan may be as this can be provided by CITB at any time before or after termination of the Contracts, as CITB appears to have full discretion in regards to deciding what the contingency plan may be e.g. the colleges do not have an absolute right to amend or oppose any contingency plan proposed by CITB. Additionally, there is no time limit on how long the obligations placed on the colleges under the contingency plan may continue for after termination of the Contracts. We would therefore have to assume that this would be for a reasonable period of time.

CITB has absolute discretion to decide the terms of any transfer of responsibility for the services post-termination of the Call-Off Contract; and the timescales for the same under clauses 8.8.3 also.

Therefore, despite the intention of clause 2.1.2 of the Framework Variation to amend the wording of clause 28.5 of the Framework Agreement, the colleges will have continued obligations to provide training services to apprentices despite termination of the Call-Off Contract as a result of these provisions.

We recommend that clauses 8.8.2 and 8.8.3 are amended so that the colleges have a better understanding as to their obligations under any contingency plan/hand-over process. CS may also wish to consider whether the intended contingency plan/hand-over process should account for ongoing payments to the colleges during these periods. Perhaps express provisions as to no continued obligations with regards Learners should be incorporated to put the matter beyond any doubt.

As per clause 8.8.6, CITB can withhold payment of the final instalment of funding payable on termination of the Call-Off Contract unless the colleges comply with clauses 8.8.3 and 8.8.4.

There is no obligation upon CITB to pay the college any outstanding Call-Off Funding upon termination of the Contracts. CS should be mindful of this when negotiating payment dates/milestones, and in particular it must be conscious to the fact that CITB also has the right to terminate at will.

We recommend that wording is inserted to place an onus on CITB to transfer any outstanding sums, owed to the colleges, to the colleges upon termination of the Contracts within a specified period of time.

Clause 3.4.1 of the Call-Off Contract notes that CITB can withdraw or reduce funding on termination of the contract.

In case of a handover colleges are committing to those tasks set out above. We therefore request that 8.8.2 and 8.8.3 are amended to reflect the changes.

Colleges would expect timely payment of any final instalment and therefore the amendments are needed to 8.8.6 and 3.4.1.

Scots Law

We note that the Framework Agreement (clause 43) and the Call-Off Contract (clause 9) note that they are governed by Scots law and subject to the exclusive jurisdiction of the Scotland; whereas the Framework Variation and the Call-Off Variation are both subject to the laws of England and Wales and the exclusive jurisdiction of the courts of England and Wales.

We request that the variation agreements are amended to refer to Scots law and jurisdiction.

Summary

Colleges Scotland is requesting that CITB review and amend the proposed variations to contracts in line with the specific asks made in this document. This will then allow Colleges Scotland to communicate positively to its members that colleges are in a position to sign the contracts.

Colleges Scotland
April 2019

University of the Highlands and Islands
Inverness College

Board of Management

Subject/Title:	Proposed Revenue Budget 2019/20
Author: [Name and Job title]	Fiona Mustarde, Director of Finance
Meeting:	Finance and General Purposes Committee
Meeting Date:	6 June 2019
Date Paper prepared:	2 June 2019
Brief Summary of the paper:	To provide the committee with a proposed revenue budget for 2019/20, using the information currently available in relation to funding allocations from UHI as the Regional Strategic Body.
Action requested: [Approval, recommendation, discussion, noting]	**Recommendation to Board for approval**
Link to Strategy: Please highlight how the paper links to, or assists with:: • compliance • partnership services • risk management • strategic plan • new opportunity/change	
Resource implications:	Yes **If yes, please specify**:
Risk implications:	Yes **If yes, please specify:** Operational: Budget holders to be provided with realistic budgets to ensure ownership and accountability. Organisational: Failure to manage budget puts the institution at risk
Equality and Diversity implications:	No **If yes, please specify:**
Consultation: [staff, students, UHI & Partners, External] and provide detail	

Status – [Confidential/Non confidential]	Confidential
Freedom of Information Can this paper be included in "open" business* [Yes/No]	No

*If a paper should **not** 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)	X
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.)	until approved by Board of Management

Further guidance on application of the exclusions from Freedom of Information legislation is available via

http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp and

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

Proposed Revenue Budget for 2019/20

Executive summary

At the time of preparing this paper, the final internal allocations of grant funding have not yet been agreed by UHI as the Regional Strategic Body. The committee are therefore asked to approve the revenue income and expenditure budgets for 2019/20 on the understanding that further amendments may be required pending the outcome of the UHI allocation approval process.

Strategic Context

The College Strategic Plan covers the period 2017 to 2020. There are six key areas in this plan which are supported by a number of underpinning strategies. It was recognised that a crucial enabling strategy, particularly in the context of the current and future funding challenges, is the Finance Strategy. A new Finance Strategy was developed by the senior management team over a number of months, with input from the Board of Management.

A further key driver is the Audit Scotland and SFC requirement for colleges to develop long-term (a minimum of five years) financial strategies and workforce planning. It should be noted that SFC allocations continue to be made on an annual basis without any longer term commitment.

During 2017/18, the Scottish Funding Council have agreed a level of what is now termed Cash Budget for Priorities, based on the 2015/16 net depreciation values. Net depreciation is the balance of depreciation cost remaining after the application of deferred capital grant. For Inverness College UHI this does not address the significant gap between the deferred capital grant and depreciation resulting from the new campus development.

In line with the approach taken with the 2018/19 budget, we have presented the budget with these items separately identified to show the underlying position. The main objective for the College is to ensure that we deliver our services within a break-even resource budget position.

The College is fully cognisant of the significant financial challenges ahead and appreciate that difficult decisions lie ahead.

Budget 2019/20

The summary budget for 2019/20 is set out in the table in Appendix 1. This contrasts the proposed budget with the 2018/19 budget. The table also includes the current forecast outturn position for 2018/19, based on projected outturn figures at 30 April 2019.

SFC published the final funding allocations at regional level for both HE and FE funding on 17 May 2019.

There continues to be debate within the UHI partnership regarding the FE funding allocations to the institutions. Despite being agreed earlier in the year, there has recently been some challenge to this position and the allocations have not yet been ratified The draft budget presented is based on the grant funding figures presented to the UHI Finance Directors Practitioners Group (FDPG) in May 2019 and represents a reduction in core funding after excluding national bargaining funding.

2019/20 Budget Assumptions

Information is given in the following sections on the assumptions made and methods of calculation used in arriving at the budget for 2019/20. This is provided to aid committee members in considering the proposals.

INCOME

SFC FE Recurrent Grant

The forecast for SFC grant is based on the indicative distribution of the final funding allocation for 2019/20 as discussed at UHI FDPG on 23 May 2019. The core credit target for the Highlands and Islands Region for 2019/20 is 110,382, there has been no movement from the 2018/19 core credit target.

There is a regional top slice retained by UHI EO for Further Education. This top slice funds the Vice Principal Further Education, her direct staff, and FERB. For 2019/20, the draft top slice is £346,205, the same level as 2018/19.

The core funding element reflects a reduction on the 2018/19 position of £248k. This is masked to some extent by the additional national bargaining funding for the final 8 months of the transition to the new teaching staff pay model.

The current estimate of recurrent grant includes funding of £1,667k for Inverness College UHI specifically in respect of national bargaining pay costs. This element is for the uplift for teaching staff only. Although an allocation has been made in respect of support staff job evaluation outcomes, this has not been included in either income or expenditure due to the level of uncertainty surrounding both timing and value.

SFC Other Grants

The FE capital and maintenance grant for the College for 2019/20 is a reduction on the previous year. This is outlined in more detail in the Capital Budget Plan for 2019/20. The element of grant proposed to be allocated specifically for revenue maintenance is £72,943.

The other grants which the College anticipate are the EMA admin grant at £12k.

SFC Unitary Charge Grant

The proposed budget for SFC unitary charge funding reflects the anticipated funding due from SFC as per the NPD funding model of £4,811k, including VAT and insurance. The NPD funding model increases each year in line with indexation. The insurance recharge is classed as a pass through cost in terms of the contract and is therefore funded in full as per our agreement with SFC.

UHI HE Income

Members will be aware that there are some services which are provided to and on behalf of academic partners by UHI EO. To fund these services, UHI EO retain a top slice of income. The level of top slice for UHI EO is set at 35% of total student income (TSI). Total student income includes the main HE teaching grant and an assumed level of fee income but excludes teaching grant for nursing and teacher education. The top slice is applied at the highest level and not at individual academic partner level.

For 2019/20, the recurrent grant retention (top slice) proposed is £16.190m. The budgeted top slice for 2018/19 was £15.730m.

The overall PPF target for UHI for 2019/20 has been set at 6,186 FTEs, a reduction from the 2018/19 target of 6,307 FTEs. This reflects a reduced gap between the SFC activity targets of 5,881 FTEs including teacher education. Inverness College's PPF target is 1,604 FTEs for 2019/20, compared to our PPF target of 1,618 FTEs for 2018/19. This results in an undergraduate RAM allocation for 2019/20 of £4,653k. The HE allocations from UHI do not include any adjustments to reflect anticipated microRAM movements. Therefore we have assumed a level of £500k in microRAM movement, an £100k increase on the budgeted level for 2018/19.

Other expected teaching grant income from UHI in 2019/20 includes a RAM allocation for postgraduate students of £28k, funding for leadership payments of £123k, and funding for PGDE students estimated at £130k.

Analysis of HE grant over the last 5 years evidences a decrease in the internal unit of resource, with the value per FTE in 2018/19 being lower than that in 2014/15. Whilst this is connected with the ESF funded element of activity, there is a lack of clarity of the impact on individual partners. The proposed UHI budget HE teaching grant allocation for 2019/20 is the first for many years that has a slight increase in the internal unit of resource – this increase amounts to 0.19% on the 2018/19 values. This is due to the reduced HE targets which have reduced the gap between the SFC funded numbers and the overall target set by UHI Partnership Planning Forum (PPF).

UHI Specific Grants

UHI will receive two separate elements of research grant funding from SFC in the form of Research Excellence Grant (REG) and Innovation Fund. The estimated value of the REG grant for the College for 2019/20 is £49k, a minimal reduction on the 2018/19 funding. There has been no information on Innovation Fund for 2019/20 as yet.

Grant funding is provided by UHI in respect of the LIS recharge made to partners for ICT services they provide in relation to FE activity. Note that this grant funding covers the recharge but not the VAT cost associated with this. The estimated value of this grant funding for 2019/20 is £295k.

The College expects to receive strategic investment funding from UHI amounting to £167k for 2019/20 and funding for two ESIF funded posts included in the pay budget.

Fees and Charges

The estimate of fee income for 2019/20 is based on consideration of 2018/19 actuals, discussions with budget holders and uplift in part-time fees and RUK. This takes the Fees & Charges income target to £3,428k for 2019/20, compared to the budget level of £3,296k for 2018/19, an increase of £132k. This reflects the difficulties experienced in achieving the relatively modest international targets set during the financial planning under the Finance Strategy.

SDS Income

The budget for SDS Contracts for 2019/20 includes estimated contract values for all levels of apprenticeship contracts. There continues to be a shift in focus onto apprenticeships. It is too early to have any certainty in relation to the impact from change in funding of construction apprenticeships and our ability to contract directly with SDS for these. There may require to be a virement in year of income budget between fees and SDS income.

FWDF Income

An income target of £400k has been set for FWDF for 2019/20. The forecast outturn for 2018/19 is approximately £500k. FWDF funding levels for remain the same for 2019/20, however it may be that other colleges within the region are more actively prepared to access this funding in 2019/20 which is why we have not assumed the same income level as 2018/19.

Other Income

Estimates of other income have been calculated from the 2018/19 budget base levels, anticipated actuals and increases in charges. The proposed budget for 2019/20 is an income target of £2,256k. This target reflects the impact on the short course income budget from the FWDF funding as this has the effect of displacing some of that activity but still includes a challenging target of £306k for non FWDF short course income.

Other income includes an increase on the research income budget target of £200k bringing the 2019/20 target to £400k. The corresponding project expenditure has resulted in some non-pay budget increases. For 2019/20 the catering income target remains at the same level as 2018/19 of £812k. The nursery fees budget has reduced by £30k to £220k to more accurately reflect anticipated income levels in line with occupancy.

EXPENDITURE

The expenditure budgets proposed have been formulated through an assessment of organisational requirements and the resource available to achieve these. SFC funding anticipates colleges achieving 3% efficiencies across expenditure budgets. This is particularly challenging for our college as departmental budgets had not been adequately increased in line with activity growth and consequently over the last couple of years we have been moving to ensure that budgets accurately reflect the cost of delivery.

Staff Related Expenditure

Payroll costs have been based on established posts as at April 2019. This takes into account current vacancies and planned increments during 2018/19. Staff related costs, are estimated to be £16,827k for 2019/20, and compared to a budget of £15,762k in 2018/19, an increase of £1,065k.

The draft budget includes the increase in SPPA employer pension costs of 5.8% effective from 1 September 2019. This equates to at least £400k of additional cost and work is ongoing to quantify the exact value of this increase on our pay bill.

The academic staffing profile continues to change as more staff are moved to permanent contracts. This presents a challenge both in budgetary and practical terms. It creates difficulty in identifying accurate establishment levels and reduces our flexibility to address downward movements in demand.

The draft pay budget reflects the new staffing model for pastoral care, moving activity from teaching staff to support staff. It also includes the agreed pay award for support staff.

There are 3 key risks to the staff budget. The first of these is that it does not currently include a provision for teaching staff pay uplift. Negotiations with the unions have been continuing and once agreement is reached this will be calculated and reflected.

The second relates to job evaluation for support staff. The job evaluation project is not sufficiently advanced to calculate the costs with any degree of accuracy and therefore no attempt has been made to incorporate this into the budget at this stage, but equally the funding allocation has not been included in the income budget. There remains a significant risk that the outcome may not be fully funded.

The third relates to the Board request to include a provision within the pay budget for absence cover backfill. The pressures within the pay budget are such that it has not been possible to create such a provision for 2019/20.

In order to address pay budget pressures, stringent staff resource management is required. The budget includes vacancies, at the time of preparation, of approximately £700k. Pay pressures remain the biggest budget concern across the FE sector in Scotland and it will come as no surprise that some institutions have already resorted to redundancies with more likely to do so. SFC have indicated that there is no funding available for voluntary severance schemes and colleges considering compulsory redundancies should keep SFC fully informed and updated.

Property Related Expenditure

The proposed budget for property costs, excluding the unitary charge, is £1,241k for 2019/20, an increase of £115k on 2018/19. The primary driver for this increase is a rise in electricity charges of £83k due to an increase of 14% in the base framework price. The other significant movement is an increase of £20k in the maintenance charge payable in relation to the wider Inverness Campus area.

The Unitary Charge expenditure budget of £4,282k is based on the value stipulated as per the contract value. An allowance has been made in the insurance budget for the insurance pass through cost due as per the contract. The insurance is funded in full by SFC. The VAT in relation to this charge is included within Supplies and Services expenditure thereby giving a total budgeted cost of £5,195k.

Under the terms of the contract, the College is entitled to make deductions from the monthly payment due if certain standards are not met by GTFM. For the purposes of budgeting, we have assumed no deductions in relation to the performance of GTFM.

Other Expenditure

The proposed budget for transport related costs of £101k for 2019/20 is an increase of £3k on the 2018/19 budget. Travel and transport costs are under consideration and changes to processes should facilitate the release of savings in this area.

The supplies and services proposed budget for 2019/20 of £4,443k. The increases here primarily relate to the cost of delivering research projects for which the corresponding income has been budgeted, with the VAT relating to other activities also incorporated here.

Inflation

The Government measurement for inflation, the Consumer Prices Index (CPIH), is sitting at 2% for April 2019. There has been no budgetary uplift for inflation included in the proposed budget, with the exception of know increases such as the new electricity rates.

Pressures in Setting a Break Even Budget

When setting the budget for 2019/20 the College has made a considered assessment of income and expenditure for the coming year. Further adjustments have been made to address historical inaccuracies in departmental budget splits and ensure that contractual requirements are fully budgeted.

The good progress that has been made on non-pay budget alignment with services will be negatively impacted by the requirement to achievement 3% efficiency savings across all non-pay budgets however this is an essential requirement to achieve a neutral budget position.

Funding for national bargaining is specifically identified for individual colleges but other grants remain dependent on successful performance of the region as a whole. It is anticipated that SFC will undertake a further in year redistribution of national bargaining funding similar to the exercise completed in 2018/19.

The reduction in FE grant for Inverness College UHI in 2019/20 and the lack of growth in funding for HE place additional burdens on our attempts to match income levels against the cost of delivery.

The risk to college finances resulting from national agreements on both pay and terms and conditions should not be underestimated. These agreements simultaneously increase our costs and reduce our flexibility to mitigate against cost pressures.

Achieving greater international and other full fee paying student activity is critical in addressing the financial position. This is an area where we are still facing numerous challenges and in a crowded marketplace, UHI is struggling to gain ground. International summer school activity will have a positive impact but the key is to gain full time students

INVERNESS COLLEGE UHI DRAFT BUDGET 2019/20
PERIOD 1 AUGUST 2019 TO 31 JULY 2020

	A	B	C
	2019/20 Budget £'000	**2019/20 Budget £'000**	**2019/20 Budget £'000**
INCOME			
SFC Recurrent Grant	9,127	9,127	9,127
Other Grants (SFC)	85	85	85
Unitary Charge	4,811	4,811	4,811
UHI HE Income	5,113	5,113	5,113
Student Support Funds	2,435	2,435	2,435
Fees and Charges	3,428	3,428	3,428
SDS	846	846	846
FWDF	400	400	400
Other income	2,256	2,256	2,256
TOTAL INCOME	**28,501**	**28,501**	**28,501**
EXPENDITURE			
Staffing	16,515	16,515	16,515
Other Staff costs	312	312	312
Property Related	1,241	1,241	1,241
Unitary Charge	4,282	4,282	4,282
Transport Related	101	101	101
Supplies and Services	4,433	4,433	4,433
Student Support Funds	2,435	2,435	2,435
TOTAL EXPENDITURE	**29,318**	**29,318**	**29,318**
Net Surplus / (Deficit)	**-817**	**-817**	**-817**
Income Changes			
Govt funding for SPPA increases	200	300	400
MicroRAM movements	50	50	50
National Bargaining changes	-50	-50	-50
Expenditure Controls			
Staff costs - reduction	434	334	234
3% efficiency savings applied	183	183	183
Net Surplus / (Deficit)	**0**	**0**	**0**

INVERNESS COLLEGE UHI DRAFT BUDGET 2019/20
PERIOD 1 AUGUST 2019 TO 31 JULY 2020

	2019/20 Budget £'000	18/19 Est Outturn £'000	2018/19 Budget £'000	2019/20 Budget Variation to 2018/19 £'000	%
INCOME					
SFC Recurrent Grant	9,127	8,929	8,998	129	1.4%
Other Grants (SFC)	85	117	118	-33	-27.6%
Unitary Charge	4,811	4,731	4,732	79	1.7%
UHI HE Income	5,113	5,068	5,140	-27	-0.5%
Student Support Funds	2,435	2,665	2,270	165	7.3%
Fees and Charges	3,428	3,081	3,296	132	4.0%
SDS	846	726	755	91	12.1%
FWDF	400	500	130	270	207.7%
Other income	2,256	2,984	2,167	89	4.1%
TOTAL INCOME	**28,501**	**28,801**	**27,605**	**895**	**3.2%**
EXPENDITURE					
Staffing	16,515	15,532	15,453	1,062	6.9%
Other Staff costs	312	233	309	3	1.0%
Property Related	1,241	1,084	1,126	115	10.2%
Unitary Charge	4,282	4,195	4,197	85	2.0%
Transport Related	101	90	97	3	3.5%
Supplies and Services	4,433	4,778	4,153	280	6.8%
Student Support Funds	2,435	2,785	2,270	165	7.3%
TOTAL EXPENDITURE	**29,318**	**28,697**	**27,605**	**1,713**	**6.2%**
Net Surplus / (Deficit)	**(817)**	**104**	**0**	**(818)**	
Deferred grant	600		321		
Depreciation	1,490		1,706		
Surplus / (Deficit)	**(1,707)**		**(1,385)**		

University of the Highlands and Islands Inverness College

Board of Management

Subject/Title:	Capital Plan 2019/20
Author: [Name and Job title]	Fiona Mustarde, Director of Finance
Meeting:	Finance and General Purposes Committee
Meeting Date:	6 June 2019
Date Paper prepared:	29 May 2019
Brief Summary of the paper:	To provide the committee with information on the draft capital funding allocations to Inverness College UHI for 2019/20.
Action requested: [Approval, recommendation, discussion, noting]	Recommend to the Board of Management for approval
Link to Strategy: Please highlight how the paper links to, or assists with:: • compliance • partnership services • risk management • strategic plan • new opportunity/change	
Resource implications:	Yes **If yes, please specify**: Must ensure funds are fully utilised in year and on budget.
Risk implications:	Yes **If yes, please specify:** Operational: Organisational: if funds not utilised or overspent could lead to reduction in future years allocations
Equality and Diversity implications:	No **If yes, please specify:**
Consultation: [staff, students, UHI & Partners, External] and provide detail	

Status – [Confidential/Non confidential]	Confidential
Freedom of Information Can this paper be included in "open" business* [Yes/No]	No

*If a paper should **not** 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)	x	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)	
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Capital Plan 2019/20

Executive summary

The committee are asked to recommend the capital expenditure plan for 2018/19 to the Board of Management for approval.

Capital Funding Allocations 2019/20

Capital grant funding for Inverness College UHI comes from UHI but there are two separate funding streams, college and university. As with the main revenue grant funding, the Scottish Funding Council (SFC) allocates the funding to UHI in the first instance. UHI then agree how this allocation will be split across the partnership through a combination of meetings such as FERB, Partnership Council, and University Court.

The final allocations for 2019/20 were announced by SFC on 17 May 2019 for both the university and college sectors. It should be noted that the funding year for capital is from 1 April to 31 March and is not in line with the College financial year beginning 1 August.

FE Capital

Board members may recall the significant change in the 2018/19 capital allocations for the college sector. This was in response to a survey that was commissioned by SFC during 2017/18 to identify the condition of college estates across the sector. The outcome resulted in funding targeted at specific buildings identified in the sector condition survey but a reduction in the general lifecycle maintenance allocation.

For 2019/20, the FE sector faces a further reduction in general lifecycle maintenance from £12.5m in 2018/19 to £8.6m in 2019/20. This is then supplemented by funding for high priority backlog maintenance which was £26.9m in 2018/19 and is £12.4m in 2019/20.

The UHI regional allocation for 2018/19 for backlog maintenance identified through the survey was £3,844,150 whilst the general lifecycle maintenance amounted to £822,257. For 2019/20, the backlog maintenance value is £958,000 and the general lifecycle maintenance is £574,000.

For Inverness College UHI the 2018/19 allocation for backlog maintenance was £60,665 and the general lifecycle maintenance allocation was £133,940 giving a total FE capital allocation for 2018/19 of £194,605. The proposed allocation for Inverness College UHI for 2019/20 is £68,644 for general lifecycle maintenance and £4,299 for backlog maintenance giving a total of £72,943.

This capital allocation would normally be split between revenue maintenance and capital for works and/or equipment. In 2018/19 £70,000 was allocated to revenue maintenance and £63,940 for capital expenditure. With the vastly reduced allocation, it is proposed that the allocation of £72,943 for 2019/20 is wholly allocated to revenue maintenance.

HE Capital

The HE capital funding allocated to UHI comprises two elements of capital maintenance grant, and research capital from the Department of Business Innovation and Skills (BIS). The main HE capital allocation can only be applied to buildings works and cannot be used, for example, to purchase equipment. However the BIS element can be used on either buildings or equipment provided it is connected to research.

The UHI allocation of capital maintenance grant for 2019/20 is £855,481 (2018/19 - £937,091) – a decrease of £81,610 or 8.7%. The allocation for research capital from the Department of Business Innovation and Skills (BIS), has not yet been announced.

The allocation of the capital maintenance grant to academic partners for 2019/20 is allocated on the basis of student activity measured by FTEs taken from the 2018/19 mid-year student FTEs. The 2019/20 capital maintenance allocation proposed for Inverness College UHI is £170,919 (2018/19 £187,412).

Capital Expenditure Plan 2019/20

The reduction in FE capital allocation and restrictions on the use of HE capital flexibility. It is recommended that any urgent equipment requirements are addressed through application to the Scottish Colleges Foundation for funding and that the FE funds are directed solely to revenue maintenance.

Proposed Capital Plan	**2019/20 £**	**2018/19 £**
Grant Funding		
FE Capital and Maintenance Grant	68,644	133,940
FE Backlog Maintenance	4,299	60,665
HE Capital Grant	170,919	200,379
Less allocated to revenue maintenance	(72,943)	(70,000)
Total Capital Grant	**170,919**	**324,984**
Capital Expenditure		
ICT Equipment	-	63,940
General Equipment	-	-
Buildings	170,919	261,044
Total Proposed Capital Expenditure	**170,919**	**324,984**

University of the Highlands and Islands
Inverness College

Board of Management

Subject/Title:	Cleaning Services Tender Evaluation and Award Recommendation
Author: [Name and Job title]	Derek Cowie APUC Supply Chain Manager
Meeting:	Finance & General Purposes Committee
Meeting Date:	06 June 2019
Date Paper prepared:	29 May 2019
Brief Summary of the paper:	Following the evaluation of tender documentation, the Committee is asked to consider the Cleaning Services Contract and to recommend to the Board of Management that it be awarded to Pristine Clean Services Ltd.
Action requested: [Approval, recommendation, discussion, noting]	Approval
Link to Strategy: Please highlight how the paper links to, or assists with:: • compliance • partnership services • risk management • strategic plan • new opportunity/change	Compliance, Risk Management, Strategic Plan
Resource implications:	~~Yes~~ / No **If yes, please specify**: circa £1.2M
Risk implications:	Yes / ~~No~~ **If yes, please specify:** Operational: Health & Safety and College Reputation Organisational:
Equality and Diversity implications:	~~Yes~~/No **If yes, please specify:**
Consultation: [staff, students, UHI & Partners, External] and provide detail	N/A

RESTRICTED – COMMERCIAL
STRICTLY CONFIDENTIAL

Status – [Confidential/Non confidential]	Confidential
Freedom of Information Can this paper be included in "open" business* [Yes/No]	Yes

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University of the Highlands and Islands
Inverness College

Board of Management

Subject/Title:	Finance and General Purposes Committee Terms of Reference
Author: [Name and Job title]	Fiona Ambrose, Board Secretary
Meeting:	Finance and General Purposes Committee
Meeting Date:	6 June 2019
Date Paper prepared:	24 May 2019
Brief Summary of the paper:	The Terms of Reference of the Finance and General Purposes Committee were reviewed in 2017 and a number of changes were made. No further changes are recommended at this time.
Action requested: [Approval, recommendation, discussion, noting]	To consider whether any changes should be made to the TOR.
Link to Strategy: Please highlight how the paper links to, or assists with:: • compliance • partnership services • risk management • strategic plan • new opportunity/change	
Resource implications:	Yes / No **If yes, please specify**:
Risk implications:	Yes / No **If yes, please specify:** Operational: Organisational:
Equality and Diversity implications:	Yes/No **If yes, please specify:**
Consultation: [staff, students, UHI & Partners, External] and provide detail	
Status – [Confidential/Non confidential]	Non Confidential

Freedom of Information	Yes

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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 of the college and report to the Board on any necessary action
2. To receive and consider information on non core grant supported activity including international student and business development activities
3. Keep the College Financial Regulations under review.
4. 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.
5. Review the effectiveness of financial management and controls within the College.
6. Receive and approve the annual revenue and capital budgets and final accounts for recommendation to the Board.
7. Make recommendations to the Board regarding the level of tuition fees and other charges.
8. Approve the write-off of bad debts in accordance with the limits set in the Scheme of Delegation.
9. Consider, and contribute to, the overall risk management strategy of the college.
10. Ensure compliance with relevant College policies and financial statutory and regulatory requirements;
11. Consider and report on Shared Services in so far as they relate to the provision of such services under the remit of this committee
12. Consider and report on issues of procurement giving consideration to value for money

13. Consider and recommend to the Board on all matters relating to the operation of the Arms Length Foundation
14. 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
15. Consider and report on any other financial matters which the Board may delegate or refer from time to time.

University of the Highlands and Islands
Inverness College

Board of Management

Subject/Title:	Debt Write Off Report
Author: [Name and Job title]	Fiona Mustarde, Director of Finance
Meeting:	Finance and General Purposes Committee
Meeting Date:	6 June 2019
Date Paper prepared:	28 May 2019
Brief Summary of the paper:	To provide the committee with information on the value of debts to be written off under the delegated authority of the Principal and to seek approval from the committee to write off two debts in excess of the Principal's delegated authority level.
Action requested: [Approval, recommendation, discussion, noting]	Approval
Link to Strategy: Please highlight how the paper links to, or assists with:: • compliance • partnership services • risk management • strategic plan • new opportunity/change	Compliance – adherence to the Financial Memorandum with UHI as RSB, Risk – ensuring that the College recovers all monies due
Resource implications:	Yes **Cash**
Risk implications:	Yes **If yes, please specify:** Operational: impact on cash position Organisational:
Equality and Diversity implications:	No **If yes, please specify:**
Consultation: [staff, students, UHI & Partners, External] and provide detail	N/A

Status – [Confidential/Non confidential]	Non confidential
Freedom of Information Can this paper be included in "open" business* [Yes/No]	Yes

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Debt Write Off as at April 2019

Executive summary

This report provides information to the Finance & General Purposes Committee of the debt value which has been approved for write off under the delegated authority of the Principal. The report also provides summary information in relation to two debts each in excess of £3,000 which require the committee's approval for write off.

All the debts have been through both the College debt collection processes and the debt collection agents, where appropriate, and are now deemed to be irrecoverable. A provision is in place within the accounts to cover these write-offs.

Background Information

Where the debt relates to a student, the student's record within SITS (the student records system) has a financial clearance flag placed on it. This prevents the student from completing the online enrolment process and requires intervention from College staff. Depending on the value and nature of the debt involved, the College may agree an instalment plan or require the student to clear the debt in full before allowing enrolment to be completed. This process is replicated across the UHI partnership and is effective in ensuring that students cannot access services at other institutions within the partnership that they are unable to pay for.

The debtors for this and future reports have been fully provided for from the bad debt provision included in the 2017/18 accounts.

It should be noted that approval for the write-off of debtors is only required from Finance & General Purposes Committee for amounts over £3,000 (the amount was previously £7,500 but this was decreased from 1 April 2014 due to the college now being within the public sector). Individual amounts under £3,000 can be written-off by the Principal under delegated authority.

Debts to be written off

As part of the regular review of the debtors ledger, this is the latest report highlighting debts where we have exhausted our recovery attempts, having gone through both the College's recovery procedures and the College's previous debt recovery agents Scott & Co (where appropriate).

The values listed in Table 1 of this report, amounting to £64,041.97, relate to a range of income streams with the primary areas being tuition fees, overpaid bursary and nursery fees. Although this figure is significantly higher than recent write off activity, it addresses a number of historic debts within our system for which there is no prospect of recovery. It should be noted that in previous years, the College has typically written off income up to the value of £45,000 in each year. However the total amount written off during 2017/18 amounted only to £10,489 and the current year to date amounts to £10,688. This reflects the ongoing work within the Finance team to focus attention on debt management and collection.

Table 1

ACADEMIC YEAR	TYPE OF DEBT	Sum of BALANCE	No of Invoices
2011/12	BURSARY	85.30	1.00
2011/12 Total		85.30	1.00
2012/13	BURSARY	252.56	2.00
2012/13 Total		252.56	2.00
2013/14	BURSARY	447.94	2.00
	NURSERY	2,633.00	7.00
	TUITION FEES	197.00	1.00
2013/14 Total		3,277.94	10.00
2014/15	BOOKS	206.98	2.00
	BURSARY	5,693.60	18.00
	COMM COURSE FEES	1,860.00	3.00
	NURSERY	1,144.61	8.00
	TUITION FEES	1,906.00	6.00
2014/15 Total		10,811.19	37.00
2015/16	BOOKS	37.98	1.00
	BURSARY	6,644.42	25.00
	NURSERY	3,400.00	21.00
	TUITION FEES	10,417.75	21.00
2015/16 Total		20,500.15	68.00
2016/17	BOOKS	164.95	3.00
	BURSARY	5,873.62	20.00
	TUITION FEES	19,403.00	26.00
	WAGE OVERPAYMENT	852.89	1.00
2016/17 Total		26,294.46	50.00
2017/18	BOOKS	140.96	4.00
	BURSARY	97.33	1.00
	STUDY KIT	267.08	6.00
	TUITION FEES	2,315.00	2.00
2017/18 Total		2,820.37	13.00
Grand Total		64,041.97	181.00

Table 2 shows the percentage split across the different categories of income and Table 3 illustrates the percentage split relative to the financial year the debt was first incurred.

Table 2

BREAKDOWN OF DEBT WRITE OFF	**TOTAL VALUE**	**% OF DEBT**
TUITION FEES	£34,238.75	53.46%
BURSARY	£19,094.77	29.82%
BOOKS	£550.87	0.86%
NURSERY	£7,177.61	11.21%
WAGE OVERPAYMENT	£852.89	1.33%
STUDY KIT	£267.08	0.42%
COMMERCIAL COURSE FEES	£1,860.00	2.90%
TOTAL	£64,041.97	100%

Table 3

FINANCIAL YEARS BREAKDOWN	TOTAL VALUE	% OF DEBT
2011/12	£85.30	0.13%
2012/13	£252.56	0.39%
2013/14	£3,277.94	5.12%
2014/15	£10,811.19	16.88%
2015/16	£20,500.15	32.01%
2016/17	£26,294.46	41.06%
2017/18	£2,820.37	4.40%
TOTAL	£64,041.97	100%

Debts Over £3,000

There are two debts for which we request approval to write off. Both were incurred during 2015/16 and are in respect of tuition fees due from international fee payers.

- October 2015 £3,500 (remaining balance)
- June 2016 £4,600

For information, there is a further international fee payer who we expect to seek approval for write off but due to the value of that debt, it will require SFC approval to do so. This relates to an international student who for family and financial reasons connected to a natural disaster, left part way through the final year of their course. All fees for the first 3 years were fully paid by this student prior to commencing the final year.

- October 2015 £6,800

University of the Highlands and Islands
Inverness College

Board of Management

Subject/Title:	Finance and General Purposes Committee Self Evaluation - outstanding actions
Author: [Name and Job title]	Fiona Ambrose, Board Secretary
Meeting:	Finance and General Purposes Committee
Meeting Date:	6 June 2019
Date Paper prepared:	24 May 2019
Brief Summary of the paper:	The Finance and General Purposes Committee completed a comprehensive self- evaluation exercise last year and a number of actions were identified. There are 3 actions which require further consideration as the actions were classed as "ongoing" and may now be considered to be complete and 3 which require to be completed by the Committee.
Action requested: [Approval, recommendation, discussion, noting]	The Committee is asked to consider the three actions outlined within the action plan.
Link to Strategy: Please highlight how the paper links to, or assists with:: • compliance • partnership services • risk management • strategic plan • new opportunity/change	
Resource implications:	Yes / No **If yes, please specify**:
Risk implications:	Yes / No **If yes, please specify:** Operational: Organisational:
Equality and Diversity implications:	Yes/No **If yes, please specify:**
Consultation: [staff, students, UHI & Partners, External] and provide detail	
Status – [Confidential/Non confidential]	Non Confidential

Freedom of Information Can this paper be included in "open" business* [Yes/No]	Yes		
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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.)			

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The following actions are outstanding

3	Do the finance committee members have an understanding of the accounting policies in use in the institution?	Continue to enhance the level of detail provided within committee reports. Accounting policies are laid out within the annual accounts.
4	Do the committee members have confidence in the financial management of the institution? Do the finance committee members receive costing information to support decision-making?	Continue to discuss the financial challenges and receive reports on the controls and mechanisms in place to control costs. Continue to enhance the information and level of detail provided within the F&GP papers As above
5	Do the clerking arrangements for the committee ensure that members' time is used effectively? e.g. • is there a good reason for each item being on the agenda ? • Are all papers circulated sufficiently in advance (and none tabled ?) and distributed in sufficient time for members to give them due consideration • Do the reports prepared for the members make it clear what they are being asked to do/agree?	Ensure that all papers are circulated timeously and that reports are clear in relation to the action required
6	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? Is the committee aware of the audit committee's views on the institution's arrangements for securing value for money?	Consider annual VFM report in December and review answer thereafter As above
8	Has the committee evaluated whether and how it is adding value to the organisation?	Review this answer once actions from the evaluation exercise have been agreed
9	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	Further discussion with the committee chair to determine what action is required.

The full Action Plan is appended to this report.

FINANCE AND GENERAL PURPOSES COMMITTEE SELF-EVALUATION – ACTION PLAN

	Issue	Action required	Responsible person	Timescale/ Comments
1	Is the role and purpose of the audit committee understood and accepted across the institution?	Prepare a brief introduction to the Board and the role of its committees and make this accessible to all staff and students through iConnect and MyDay internet portals.	Board Secretary	End January 2019 Complete – published 18 January 2019
2	Are there any qualified accountants amongst the members?	Recruitment exercise to co-opt member(s) with relevant qualifications and skills	Board Secretary	End December 2018 Co-opted member position sought through Chamber of Commerce, Highland Business Women and Changing the Chemistry – no applications received
3	Do the finance committee members have an understanding of the accounting policies in use in the institution	Continue to enhance the level of detail provided within committee reports. Accounting policies are laid out within the annual accounts.	Director of Finance	Ongoing
4	Do the committee members have confidence in the financial management of the institution Do the finance committee members receive costing information to support decision-making?	Continue to discuss the financial challenges and receive reports on the controls and mechanisms in place to control costs. Continue to enhance the information and level of detail provided within the F&GP papers As above	Director of Finance	Ongoing
5	Do the clerking arrangements for the committee ensure that members' time is used effectively? e.g. • is there a good reason for each item being on the agenda ? • Are all papers circulated sufficiently in advance (and none tabled ?) and distributed in sufficient time for members to give them due consideration • Do the reports prepared for the members make it clear what they are being asked to do/agree?	Ensure that all papers are circulated timeously and that reports are clear in relation to the action required	Board Secretary / Report Authors	Ongoing
6	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? Is the committee aware of the audit committee's views on the institution's arrangements for securing value for money?	Consider annual VFM report in December and review answer thereafter As above	Board Secretary/Director of Finance	~~For March 2018 meeting~~ Deferred until June meeting
7	Is the role of the finance committee with regard to the financial statements compatible/clear/ consistent with that of the audit committee?	Chairs Committee to discuss this in the first instance	Board Secretary	Chairs Committee – February 2019 Feb Chairs postponed – rescheduled for 12 March 2019 The Chairs of the Audit and F&GP Committees led a detailed discussion on this question. Each committee had clear but compatible roles. The F&GP Committee was responsible for ensuring that the financial statements presented a fair and clear view of the financial position. The Audit Committee was responsible for ensuring that all necessary information was included in the financial statements to allow the F&GP Committee to reach this view.

	Issue	Action required	Responsible person	Timescale/ Comments
				The Committee **AGREED** that the role of the F&GP Committee with regard to the financial statements was therefore compatible/clear/consistent with that of the Audit Committee and that action could be closed on the F&GP action plan.
8	Has the committee evaluated whether and how it is adding value to the organisation?	Review this answer once actions from the evaluation exercise have been agreed	Board Secretary	~~Future Committee Meeting~~ ~~March 2019~~ Deferred until June meeting
9	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	Further discussion with the committee chair to determine what action is required.	Board Secretary/Director of Finance/Committee Chair	By end March 2019

University of the Highlands and Islands
Inverness College

Board of Management

Subject/Title:	Finance Monitoring Report – April 2019
Author: [Name and Job title]	Fiona Mustarde, Director of Finance
Meeting:	Finance and General Purposes Committee
Meeting Date:	6 June 2019
Date Paper prepared:	29 May 2019
Brief Summary of the paper:	To inform the committee of the financial position for the period to 30 April 2019.
Action requested: [Approval, recommendation, discussion, noting]	Discussion
Link to Strategy: Please highlight how the paper links to, or assists with:: • compliance • partnership services • risk management • strategic plan • new opportunity/change	
Resource implications:	Yes: whether the College has sufficient resources to meet commitments
Risk implications:	Yes **If yes, please specify:** Operational: cashflow Organisational: surplus/(deficit), ability to meet customer demand and stakeholder requirements
Equality and Diversity implications:	No **If yes, please specify:**
Consultation: [staff, students, UHI & Partners, External] and provide detail	N/A

Status – [Confidential/Non confidential]	Non-confidential
Freedom of Information Can this paper be included in "open" business* [Yes/No]	Yes

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Financial Monitoring for 2018/19 as at April 2019

Executive summary

The committee is asked to discuss the report.

Background information

Regular reporting to committee is an essential element of financial governance. The reports should provide committee members with appropriate, sufficient information to ensure that the College is operating on a sustainable basis. The format of reporting is currently under review and will change in future with the aim of providing enhanced information to committee members.

The financial monitoring for the 9 months to April 2019 is attached. Further detail to support values is contained in the narrative below.

Income and Expenditure Monitoring

1. The results of the financial monitoring exercise for the 9 months to April 2019 are summarised in the table below.

Table 1: 2018/19 Income and Expenditure Monitoring – April 2019

YEAR TO DATE	**Actual Apr 19 £000**	**Phased Budget Apr 19 £000**	**Variance £000**
Income	22,763	20,714	2,048
Expenditure	22,632	21,495	(1,137)
Net Operational Surplus (Deficit)	131	(781)	911
YEAR END	**Forecast £000**	**Budget £000**	**Variance £000**
Income	29,536	27,926	1,610
Expenditure	30,402	29,311	(1,091)
Net Operational Surplus (Deficit)	(866)	(1,385)	519

2. The income budget was previously revised to reflect the additional SFC funding subsequently made available towards the cost resulting from the national bargaining pay agreement. The expenditure budget was previously revised to incorporate the same value leaving the net position, excluding deferred grant and depreciation, as breakeven.

3. The year to date position, for the 9 months to April 2019, shows the net operational position is £911k above the budget level. Income, at £2,048k above the budget level and expenditure at £1,137k above budget level, contribute to the variation at the end of the period and more detailed information is provided within this report.

4. The forecast year-end position shows a net deficit of £796k compared with the budget level of £1,385k, a positive variance of £589k. The year-end forecast previously reported to the Board of Management has moved by £573k, from a forecast negative variance of £54k to a positive variance of £519k. This is primarily due to funding from the Scottish Colleges Foundation received in relation to the group 2 equipment and the construction ACNs of £640k. The accounting treatment of this has to be verified but it is currently included as income for 2018-19 in this report. The adjusted net position would be a deficit of £121k. This is a negative movement of £67k on the position reported to the Board of Management meeting in March and is currently being examined. Note that these figures include the budget amounts for both depreciation and deferred grant. Key points impacting this figure are identified below.

5. 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.
- 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 – Creditors Report – showing percentage of creditors paid within 30 days in graphical form.
- Page 7 – Debtors Report - provides an analysis of the value of student and business debt outstanding.

Income

6. The grant income related to student activity on the FE side was budgeted at £8,997,862 for 2018/19 (including national bargaining funding) and our core credit target is 28,915 credits. In addition to this we have an ESF target of 296 credits giving a total target of 29,211 credits.

The following table illustrates the current credit position for 2018/19.

FE	**2018-19**
Core Credit Target	28,915
ESF Target	296
Total Target	29,211
Total Credits as at 24/05/2019	**29,193**
Total Credits as at 28/05/2018	*28,711*

The total current FE enrolments for 2018-19 is 4,525 generating 29,193 credits, slightly above the running credit total for this time last year. Some further FE enrolments will take place before the year-end.

The current forecast for FE activity is that the college will exceed its credit target by a small margin. It remains a challenge to ensure that the target is met. The challenge to meet credit target is replicated across the region, with two partners forecasting a shortfall at year-end, which may result in the UHI being unable to claim all ESIF credits available. In addition, a shortfall may result in a reduced regional credit target in future years.

The teaching grant income for HE was budgeted at £4,594,626 for 2018/19. The HE (PPF) target for 2018/19 for undergraduate students with a fee status of 'Scottish' or 'European' is 1,618 FTE. As at 24 May 2019 the FTE, counting by module attachment is 1,604.2 FTE.

PPF Target HE FTE (Undergraduate students, including SC and EU fee statuses, excluding PGDE)	**1,618**
Current HE students as at 24/05/2019 - count by module attachment	**1,604.2**

The 'count by Module attachment' FTE estimate is used by EO Student Records Office to provide a running total of FTE throughout the year. The current estimate projects a 14 FTE shortfall in against our HE target, the financial impact of which is difficult to calculate due to the microRAM calculations, however it may amount to £3,000 per FTE.

The college's taught postgraduate provision has exceeded target this year:

PPF Target – Taught Postgraduate FTE	**34**
Current Taught Postgraduate FTE at 8/5/2019	**65.5**

The additional taught postgraduate numbers will go some way to alleviating the financial impact of not making the undergraduate target. The actual financial impact is difficult to calculate due to the impact of the microRAM as a number of the postgraduate students are on networked courses.

The Funding Council Grants income budget includes other SFC FE grants and UHI funding. The forecast reduction relates to movement in grant funding between estimates at the time of budget setting and delays in activity related to additional grant funding.

7. The budget for the year for SFC unitary charge funding is £4,732,000 and at April 2019, expenditure is showing a nil variance.

8. The income budget allocated to the College for student support funds is less than that anticipated at budget setting. The College requested an additional £350,000 of student support funding through the in-year redistribution exercise and this has been confirmed. There are concerns as to whether the additional funds will be sufficient to meet all the costs of student support and further review of forecasting is taking place and a request has been made to UHI for redistribution within the region. Following the UHI Finance Directors Practitioners Group (FDPG) meeting on 23 May, it appears that there are underspends elsewhere in the region which can be redirected to Inverness College. This has yet to be confirmed.

9. The budget for the year for tuition fees is £3,296k and as at April 2019, there is a positive variance of £389k against the budget to date. This is because the majority of HE tuition fees have already been invoiced. We have taken an alternative approach to reporting this, but plan to rephase the budget going forward. The forecast position for July 2019 is £3,081k, leading to a negative variance of £215k. This is currently under review.

10. SDS Training Contracts income consists of modern apprenticeship funding and foundation apprenticeship funding. Current income at April 2019 is £726k against a budget of £469k, leading to a positive variance of £257k. Most of these funds are released on the basis of claims submitted to SDS who operate an April to March financial year. The full year forecast requires to be scrutinised further. Claims are submitted using a cloud based software system provided by SDS. We have now split out the FWDF income from the SDS budget line.

11. FWDF income received to date of £54k remains low against budget to date of £97k. The forecast year end position reflects activity committed for the remainder of the year.

12. Other income for the 9 months to April 2019 is £2,320k against a budget of £1,693k. Once the foundation funding in respect of the group 2 and ACN payment is removed the actual is broadly in line with budget.

Expenditure

13. Actual expenditure on staffing costs for the 9 months to April 2019 is above the phased budget by £33k. Other staff costs are over budget by £19,000. Overall there is a negative variance of £52k on total staffing costs. Pay costs remain under scrutiny and all vacancies are fully considered by the Resource Panel prior to recruitment. Variable teaching staff commitment is controlled through the Director of Curriculum. Provision was made within the budget for a 2% uplift. The final agreement for support staff is 2% or more depending on pay levels.

14. Property costs for the 9 months to April 2019 amount to £774k against a budget of £840k, a positive movement of £66k. Non demolition costs associated with the Longman campus to April 2019 are £101,498.

15. The unitary charge position shows a positive variance of £2,000 against budget year to date. This does not reflect the actual cash deductions withheld from the monthly unitary charge payment made to date. Negotiations are continuing with GTEIL to provide a clear way forward for both organisations in relation to the pay mechanism.

16. Transport costs for the 9 months to April 2019 are £62k, a £15k deficit against budget. This will be kept under review over the coming months, however the year end position does reflect the anticipated cost of hire vehicles to accommodate contracting activity. A further review of transport is planned to ensure that journeys are planned in an efficient and cost effective manner.

17. Supplies and services has a negative variance of £393k for the 9 months to April 2019. There are a number of movements within this but the most significant is the increase in the LIS recharge from UHI EO. There are also increased costs relating to FWDF provision, which will be offset by the income received.

Cash Flow

18. The opening cash balance for the year was £4,083,825. The position as at 30 April 2019 is an actual cash balance of £4,021,004 compared with a budgeted position of £3,886,009 giving a positive variance of £134,995.

19. The forecast cash balance at 31 July 2019 is a £2,827,855. This is a reduction against the budgeted position of £3,049,568.

Creditor Payments

20. We have revised our approach to reporting of creditor payments. The previous analysis of creditor payments was undertaken by sampling creditor payment runs. The new approach, which we will continue to refine over the coming months, uses all creditor payment data to derive the percentage of invoices paid within 30 days. For the month of April 2019, 65% of creditor invoices were paid within 30 days. A chart setting out the monthly results over the past 5 months is appended.

Debtors Summary

21. Analysis of debtor's information shows that for April 2019, the total invoiced debt for the College is £928,433. This breaks down as £637,066 business debt and £291,466 of student debt. Debt recovery remains an ongoing challenge for the Finance team but the revised team structure places more focus and resource on debt control. A new risk has emerged as our long-term debt recovery agency has withdrawn services for new referrals. This creates further short-term risk to our ability to recover bad debt. However we are currently going through a procurement exercise to find a new provider and in the meantime are redoubling our own efforts to pursue debtors.

Inverness College

Income and Expenditure Report

Year 2018/19
Month April

	Report Para.	YTD Actual £000s	YTD Budget £000s	YTD Variance £000s	Year End Forecast £000s	Year End Budget £000s	Year End Variance £000s
Income							
Funding Council Grants	6	10,967	10,692	276	14,527	14,256	272
Unitary Charge	7	3,559	3,589	(30)	4,731	4,732	(1)
Student Support Funds	8	2,034	1,702	332	2,665	2,270	396
Tuition Fees	9	2,861	2,472	389	3,081	3,296	(215)
SDS Training Contracts	10	726	469	257	726	755	(30)
FWDF		54	97	(43)	500	130	370
Other Income	11	2,320	1,693	628	2,984	2,167	818
Deferred Grant		241	0	241	321	321	0
		22,763	**20,714**	**2,048**	**29,536**	**27,926**	**1,610**
Expenditure							
Staff	12	11,366	11,333	(33)	15,532	15,582	50
Other Staff	12	154	135	(19)	233	180	(54)
Property	13	774	840	66	1,084	1,126	42
Unitary Charge	14	3,147	3,148	2	4,195	4,197	3
Transport	15	62	47	(15)	90	62	(28)
Supplies and Services	16	3,546	3,153	(393)	4,778	4,189	(589)
Student Support Funds		2,305	1,702	(602)	2,785	2,270	(515)
Depreciation		1,280	1,137	(142)	1,706	1,706	0
		22,632	**21,495**	**(1,137)**	30,402	29,311	**(1,091)**
Net Operational Surplus (Deficit)		**131**	**(781)**	**911**	**(866)**	**(1,385)**	**519**

Inverness College

Income and Expenditure Report

Year 2018/19
Month April

	Report Para.	YTD Actual £000s	May 18 £000s	Jun 18 £000s	Jul 18 £000s	Year End Forecast £000s	Budget £000s	Variance £000s
Income								
Funding Council Grants	6	10,967	1,204	1,216	1,140	14,527	14,256	272
Unitary Charge	7	3,559	390	391	391	4,731	4,732	(1)
Student Support Funds		2,034	246	241	144	2,665	2,270	396
Tuition Fees	8	2,861	100	80	40	3,081	3,296	(215)
SDS Training Contracts	9	726			231	957	625	331
FWDF		54			446	500	130	370
Other Income	10	2,320	224	150	290	2,984	2,297	688
Deferred Grant	11	241	27	27	26	321	321	(0)
		22,763	**2,191**	**2,105**	**2,708**	**29,767**	**27,926**	**1,841**
Expenditure								
Staff	12	11,366	1,446	1,375	1,345	15,532	15,582	50
Other Staff	12	154	19	30	30	233	180	(54)
Property		774	65	115	130	1,084	1,126	42
Unitary Charge	13	3,147	348	350	350	4,195	4,197	3
Transport		62	11	12	5	90	62	(28)
Supplies and Services	13	3,546	407	425	400	4,778	4,189	(589)
Student Support Funds		2,305	200	259	21	2,785	2,270	(515)
Depreciation		1,280	142	142	143	1,707	1,706	(1)
		22,632	**2,638**	**2,708**	**2,424**	**30,402**	**29,311**	**(1,091)**
Net Operational Surplus (Deficit)		**131**	**(447)**	**(603)**	**284**	**(635)**	**(1,385)**	**750**

Inverness College

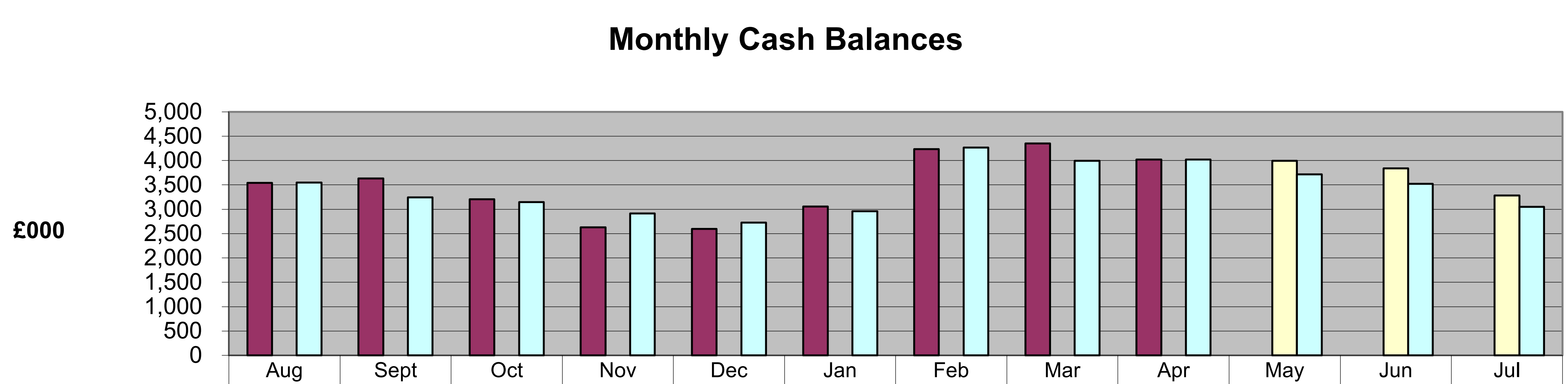
Cash Flow Analysis

Year 2018/19
Month April

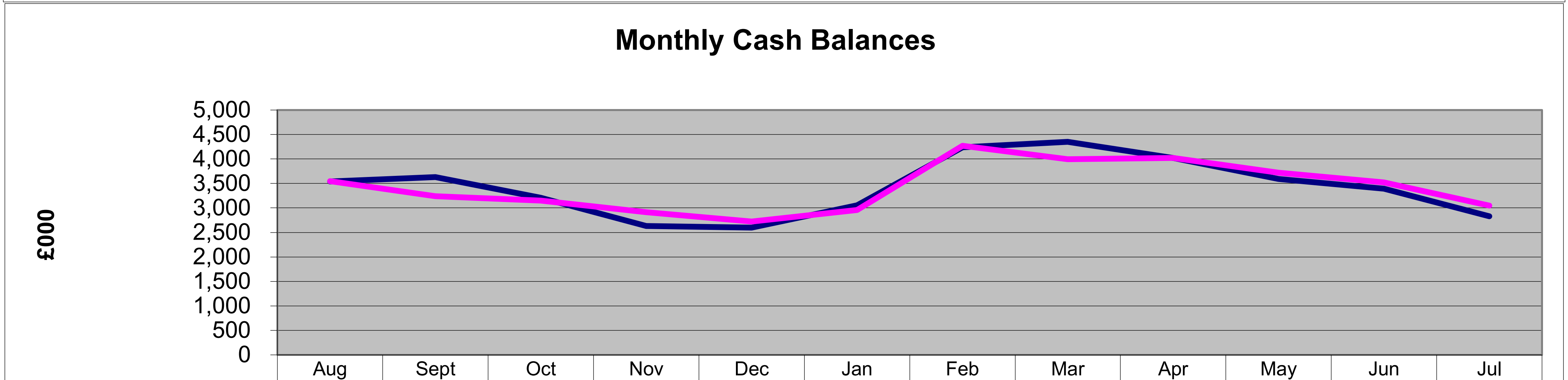
	YTD			Year End		
	Actual	Budget	Variance	Forecast	Budget	Variance
Income						
SFC Funding	10,247,907	10,210,768	37,139	14,420,814	13,782,986	637,828
UHI HE Funding	3,696,166	3,954,308	(258,142)	4,825,631	5,083,659	(258,028)
Student Support Funds	1,859,443	1,628,363	231,080	2,512,034	2,180,954	331,080
Other Revenue Income	5,955,770	5,462,513	493,257	7,111,770	6,618,513	493,257
Other Capital Income	-	-	-	0	0	0
Foundation Revenue Income	48,160	92,000	(43,840)	48,160	92,000	(43,840)
Foundation Capital Income	640,643	-	640,643	640,643	0	640,643
EMA Funding	95,025	80,000	15,025	125,025	100,000	25,025
	22,543,114	21,427,952	1,115,162	29,684,077	27,858,112	1,825,965
Expenditure						
Salaries Total	11,329,200	11,345,144	(15,944)	15,600,200	15,525,144	(75,056)
Other operating expenditure	4,252,995	4,277,252	(24,257)	5,921,675	5,797,932	(123,743)
NPD unitary charges	3,715,553	3,834,883	(119,330)	4,981,512	5,100,842	119,330
EMA Student Maintenance	77,970	80,000	(2,030)	107,970	100,000	(7,970)
Student Support	2,048,108	1,889,474	158,634	2,549,065	2,307,786	(241,279)
SFC Capital - Demolition	260,674	138,350	122,324	858,190	0	(858,190)
SFC Capital - Land	-	0	0	0	0	0
SFC Capital - buildings	91,972	60,665	31,307	91,972	60,665	(31,307)
SFC Capital - fixtures and fittings	-	0	0	0	0	0
SFC Capital - ICT	105,727	0	105,727	105,727	0	(105,727)
Other capital expenditure	723,736	0	723,736	723,736	0	(723,736)
Surrender of proceeds	-	0	0	0	0	0
	22,605,935	21,625,768	980,167	30,940,047	28,892,369	(2,047,678)
Net Income (Expenditure)	(62,821)	(197,816)	134,995	(1,255,970)	(1,034,257)	(221,713)
Opening Bank Balance	4,083,825	4,083,825	-	4,083,825	4,083,825	-
Closing Bank Balance	4,021,004	3,886,009	134,995	2,827,855	3,049,568	(221,713)

Cashflow

Year 2018/19
Month April



	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Actual Balance	3,543	3,630	3,206	2,632	2,599	3,056	4,236	4,351	4,021			
Forecast Balance										3,994	3,839	3,285
Monthly Budget	3,546	3,241	3,150	2,912	2,723	2,957	4,270	3,998	4,024	3,719	3,524	3,050



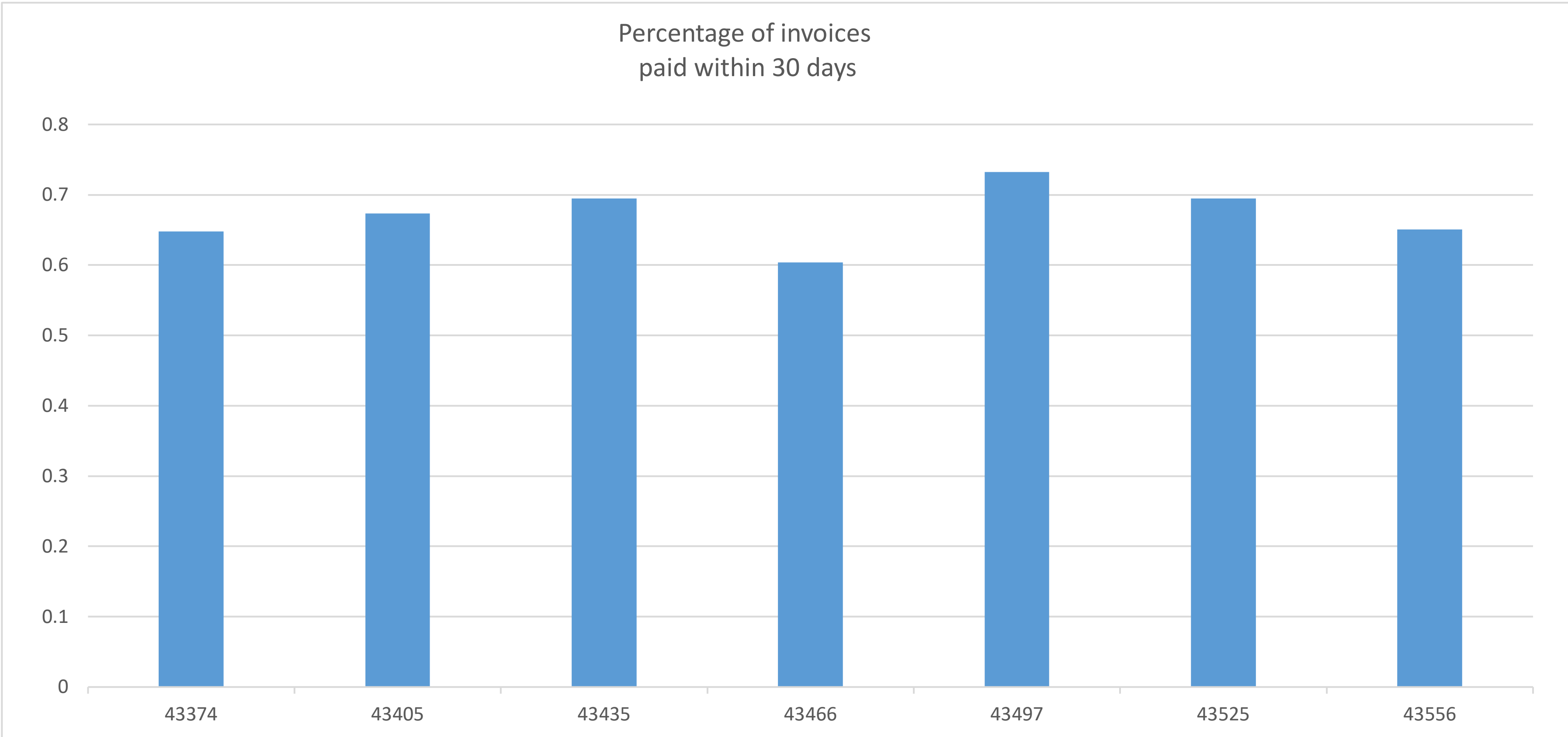
	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Actual/ Forecast	3,543	3,630	3,206	2,632	2,599	3,056	4,236	4,351	4,021	3,593	3,392	2,828
Budget	3,546	3,241	3,150	2,912	2,723	2,957	4,270	3,998	4,024	3,719	3,524	3,050

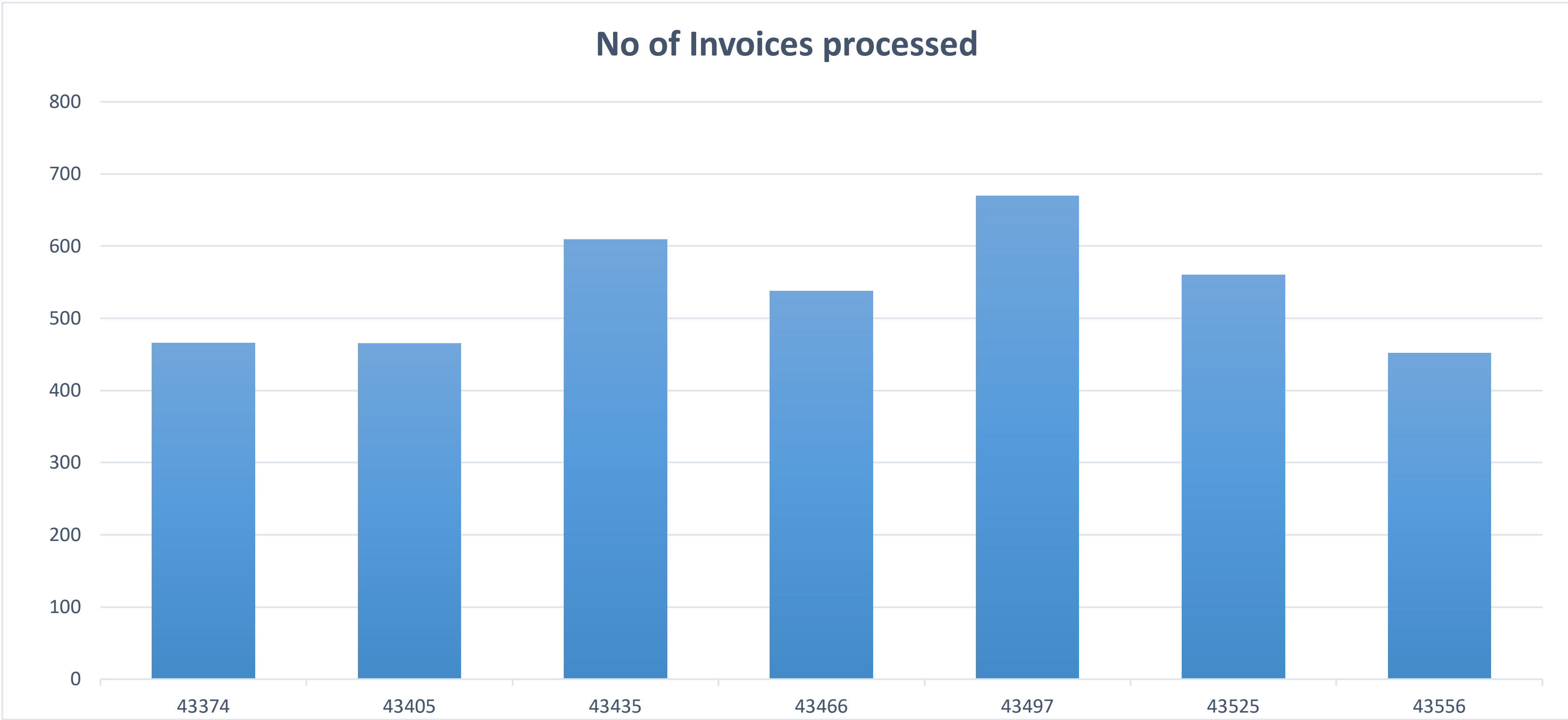
INVERNESS COLLEGE

FORECAST CASH FLOW - 12 MONTHS - AUGUST 2018 TO JULY 2019

	Actual AUGUST	Actual SEPT	Actual OCT	Actual NOV.	Actual DEC	Actual JAN	Actual FEB	Actual MARCH	Actual APRIL	Forecast MAY	Forecast JUNE	Forecast JULY	TOTAL	Budget	Variance
OPENING BALANCE	4,083,825	3,542,930	3,629,793	3,206,201	2,631,927	2,598,860	3,056,190	4,236,338	4,350,734	4,021,004	3,592,686	3,391,945	4,083,825	4,083,825	0
INCOME															
SFC Funding	811,221	1,035,100	1,179,767	1,279,767	1,474,767	1,479,767	809,274	1,110,442	1,067,802	1,408,955	1,382,097	1,381,855	14,420,814	13,782,986	637,828
UHI HE Funding	354,523	354,523	524,309	405,339	405,214	389,442	404,644	405,130	453,042	514,818	504,818	109,829	4,825,631	5,083,659	- 258,028
Student Support Funds	100,000	158,000	183,000	200,000	150,000	187,363	200,000	431,080	250,000	250,000	350,000	52,591	2,512,034	2,180,954	331,080
Other Revenue Income	436,170	667,565	345,720	234,082	380,676	606,831	2,539,356	402,209	343,161	329,000	387,000	440,000	7,111,770	6,618,513	493,257
Other Capital Income	-	-	-		-			-	-	-		-	-	-	-
Foundation Revenue Income		48,160											48,160	92,000	- 43,840
Foundation Capital Income	-	-	-	-	-	-	-	640,643	-	-	-	-	640,643	-	640,643
EMA Funding	12,960	90	4,470	14,250	11,790	14,910	5,310	25,185	6,060	10,000	10,000	10,000	125,025	100,000	25,025
TOTAL INCOME	1,714,874	2,263,438	2,237,266	2,133,438	2,422,447	2,678,313	3,958,584	3,014,689	2,120,065	2,512,773	2,633,915	1,994,275	29,684,077	27,858,112	1,825,965
EXPENDITURE															
Salaries Total	1,208,567	1,152,100	1,181,627	1,271,392	1,322,569	1,259,743	1,271,218	1,307,036	1,354,948	1,481,000	1,410,000	1,380,000	15,600,200	15,525,144	- 75,056
Other operating expenditure	471,632	372,623	749,463	610,402	463,910	308,252	303,785	676,811	296,117	553,590	523,290	591,800	5,921,675	5,797,932	- 123,743
NPD unitary charges	450,600	411,540	408,330	408,054	406,892	395,198	413,458	407,865	413,616	420,381	422,789	422,789	4,981,512	5,100,842	119,330
EMA Student Maintenance	-	4,470	14,250	11,790	6,990	5,310	11,430	18,120	5,610	10,000	10,000	10,000	107,970	100,000	- 7,970
Student Support	10,812	235,842	264,079	260,126	253,993	215,157	239,740	352,966	215,393	240,000	260,957	-	2,549,065	2,307,786	- 241,279
SFC Capital - Demolition	-	-	-	-	-	37,323	17,752	83,275	122,324	236,120	207,620	153,776	858,190	-	- 858,190
SFC Capital - Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SFC Capital - buildings	60,665		-	-				31,307					91,972	60,665	- 31,307
SFC Capital - fixtures and fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SFC Capital - ICT	14,668						26,359	22,913	41,787				105,727	-	- 105,727
Other capital expenditure	38,825		43,109	145,948	1,160		494,694						723,736	-	- 723,736
Surrender of proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank Interest Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE	2,255,769	2,176,575	2,660,858	2,707,712	2,455,514	2,220,983	2,778,436	2,900,293	2,449,795	2,941,091	2,834,656	2,558,365	30,940,047	28,892,369	(2,047,678)
Actual Monthly Movement	(540,895)	86,863	(423,592)	(574,274)	(33,067)	457,330	1,180,148	114,396	(329,730)	(428,318)	(200,741)	(564,090)	(1,255,970)	(1,034,257)	(221,713)
Budget Monthly Movement															
CLOSING BALANCE	3,542,930	3,629,793	3,206,201	2,631,927	2,598,860	3,056,190	4,236,338	4,350,734	4,021,004	3,592,686	3,391,945	2,827,855	2,827,855	3,049,568	(221,713)
Cumulative Budget position															

	% paid witl	No of Invoices
Oct-18	65%	466
Nov-18	67%	465
Dec-18	69%	609
Jan-19	60%	538
Feb-19	73%	670
Mar-19	69%	560
Apr-19	65%	452

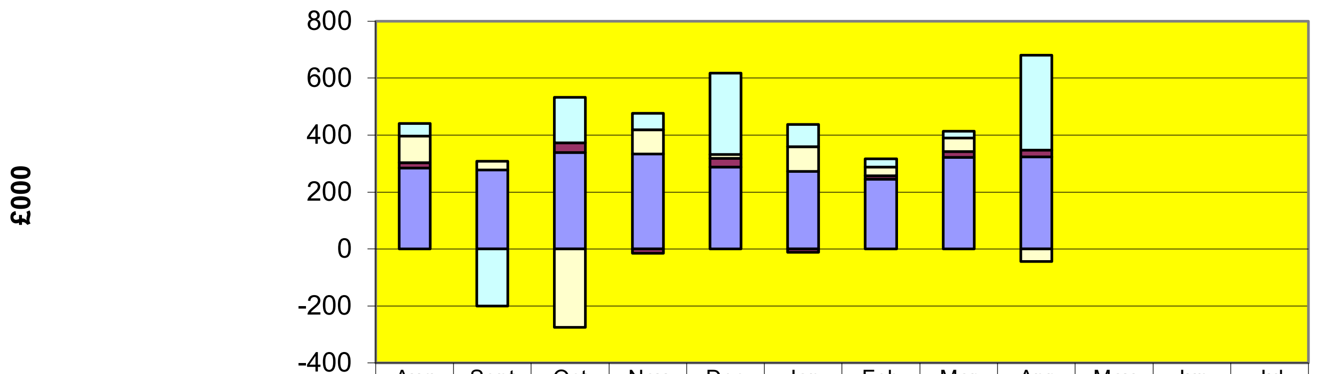




Debtors

Year 2018/19
Month April

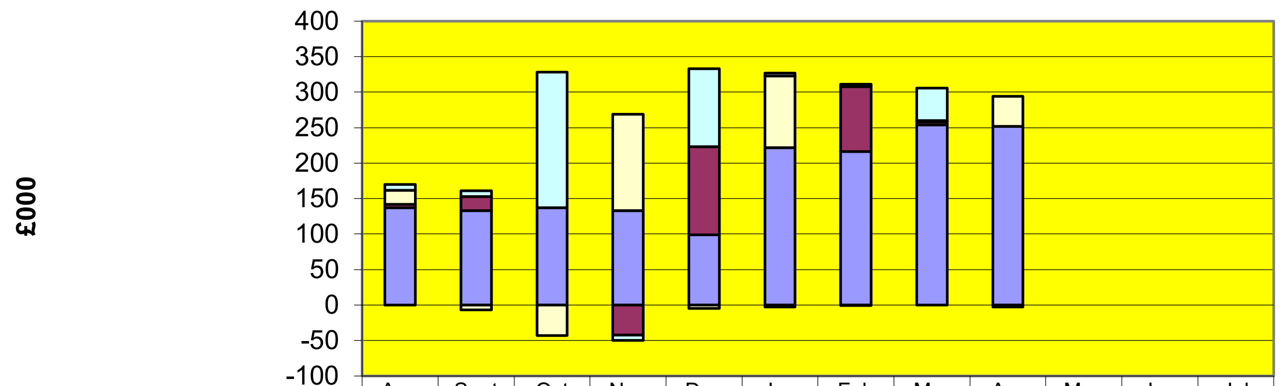
Business Debt



	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Current	45	-200	160	57	286	78	28	24	334			
30-60 Days	93	31	-275	85	14	88	31	46	-44			
60-90 Days	18	0	35	-15	30	-11	12	21	24			
Over 90	285	278	338	334	288	272	245	322	323			

Month

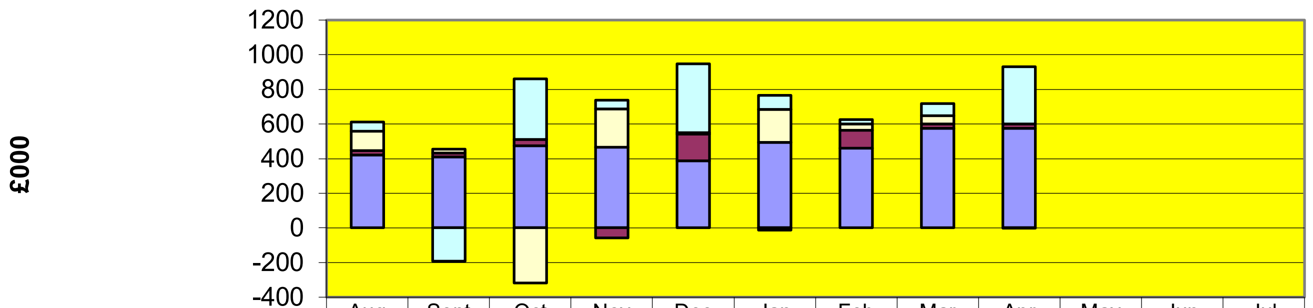
Student Debt



	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Current	8	8	191	-8	110	4	-1	46	-3			
30-60 Days	20	-7	-43	136	-5	101	3	2	42			
60-90 Days	5	20	0	-42	124	-3	92	4	0			
Over 90	137	133	137	133	99	222	216	254	252			

Month

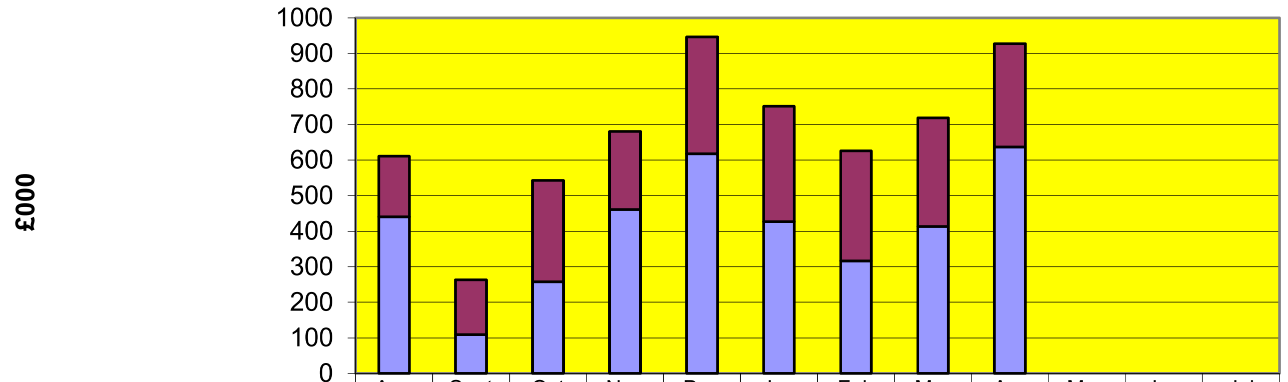
Total Debt



	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Current	53	-192	351	49	396	82	27	70	331	0	0	0
30-60 Days	113	24	-318	221	9	189	34	48	-2	0	0	0
60-90 Days	23	20	35	-57	154	-14	104	25	24	0	0	0
Over 90	422	411	475	467	387	494	461	576	575	0	0	0

Month

Total Debt



	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Student Debt	170	154	285	219	328	324	310	306	291	0	0	0
Business Debt	441	109	258	461	618	427	316	413	637	0	0	0

Month

University of the Highlands and Islands
Inverness College

Board of Management

Subject/Title:	Capital Budget Monitoring Year to 31 March 2019
Author: [Name and Job title]	Eilidh Turner, Accountant Fiona Mustarde, Director of Finance
Meeting:	Finance and General Purposes Committee
Meeting Date:	6 June 2019
Date Paper prepared:	28 May 2019
Brief Summary of the paper:	To update the committee on progress against the 2018/19 capital plan. The capital year runs from April to March.
Action requested: [Approval, recommendation, discussion, noting]	Discussion
Link to Strategy: Please highlight how the paper links to, or assists with:: • compliance • partnership services • risk management • strategic plan • new opportunity/change	Compliance – adherence to the Financial Memorandum with UHI as RSB, Strategic plan – investment in buildings and equipment
Resource implications:	Yes **Expenditure must be contained within the allocated capital budget from SFC/UHI. UHI capital can only be utilised on buildings.**
Risk implications:	Yes **If yes, please specify:** Operational: spend level to be contained within budget, lack of investment has operational impacts Organisational: over/underspend could impact on future budget allocations
Equality and Diversity implications:	No **If yes, please specify:**
Consultation: [staff, students, UHI & Partners, External] and provide detail	N/A

Status – [Confidential/Non confidential]	Non confidential
Freedom of Information Can this paper be included in "open" business* [Yes/No]	Yes

*If a paper should **not** 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.)			

Further guidance on application of the exclusions from Freedom of Information legislation is available via

http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp and

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

Capital Expenditure Monitoring 2018/19 to March 2019

Executive summary

The committee is requested to discuss the capital expenditure monitoring for 2018/19.

Capital Grant Allocations 2018/19

The capital grant allocations for 2018/19 are shown in the table below.

Grant Funding	2017/18 Allocation
	£
FE Capital and Maintenance Grant	63,940
FE Backlog Maintenance (Balloch)	60,665
HE Capital Grant	200,379
Total Capital Grant	**324,984**

Expenditure	
ICT Equipment	63,940
Buildings	261,044
Total Planned Expenditure	**324,984**

The FE capital and maintenance grant funding total allocation to Inverness College UHI was £133,940 for 2018/19, a reduction on 2017/18 of £142,906. We allocated this as £70,000 for revenue maintenance and £63,940 for capital expenditure. The FE grant can be used for any items of capital expenditure. In addition, SFC allocated a further amount of £60,665 for backlog maintenance in relation to the estate at Balloch.

The HE capital allocation of £200,379 includes £12,968 of SFC/BIS 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 with the exception of the BIS funding which we are now aware can be used for research related equipment.

The capital funding year runs from April to March and this applies to both FE and HE funding.

Position as at 31 March 2019

The table below shows the position as at 31 March 2019.

	2018/19 Allocation £	Mar 2019 Position £	Uncommitted £
ICT Equipment	63,940	63,940	-
Research	12,968	12,968	
Buildings	248,076	248,076	-
	324,984	**324,984**	**-**

The budget for ICT equipment was fully allocated by the ICT Manager against equipment refresh requirements.

The budget for buildings was £261,044 for all building capital expenditure including any necessary adjustments to the new campus buildings. An amendment was made to split this between buildings and research in light of reporting requirements for the BIS funds. This has now been fully committed with the completion of the Tractor Shed refurbishment and the remaining funds were utilised in carrying out the installation of sinks and improved lighting in one of the Construction workshops.

The £12,968 BIS capital funds were used to partially fund the purchase of a van for the Research team.

Longman Demolition Project

The demolition of the former Longman campus commenced mid-January 2019 following confirmation offer of funding to UHI on Friday 20 December 2018. The total project cost is circa £1.36m including project management fees which are being met directly by SFC.

This project is being monitored through the monthly Longman Disposal Project Board.

The table below summarises the financial position as at 30 April 2019.

	BUDGET	COMMITTED	ACTUAL
Demolition	976,248	1,097,624	220,392
Vodafone Engineer	24,000	21,356	-
Insurance / Legals	78,720	38,695	38,695
Contingency	115,461	11,501	9,310
TOTAL COST (INCLUSIVE OF VAT)	**1,194,429**	**1,169,175**	**268,396**

Key points to note are as follows:

1. Excludes project management and other elements paid directly to G&T by SFC
2. Disconnection charges relating to utilities included against contingency
3. Change control forms approved for additional commitment against demolition
4. Notification of option to tax now submitted to HMRC.

University of the Highlands and Islands
Inverness College

Board of Management

Subject/Title:	UHI MicroRAM
Author: [Name and Job title]	Fiona Mustarde, Director of Finance
Meeting:	Finance & General Purposes
Meeting Date:	6 June 2019
Date Paper prepared:	29 May 2019
Brief Summary of the paper:	The purpose of this paper is to give the Committee a brief overview of the UHI MicroRAM and how this operates in practice.
Action requested: [Approval, recommendation, discussion, noting]	Discussion
Link to Strategy: Please highlight how the paper links to, or assists with:: • compliance • partnership services • risk management • strategic plan • new opportunity/change	Risk management – increasing level of adjustment has adverse impact on the College, complex and difficult to monitor effect until too far through the year to adjust for. Partnership services – distribution of teaching delivery across the network.
Resource implications:	Yes Staffing costs to deliver teaching, efficiency of delivery
Risk implications:	Yes **If yes, please specify:** Operational: staffing resource to deliver curriculum, no mechanism to control quality of delivery from other academic partners to IC students. Organisational: net outflow of funding creating pressure on budget.
Equality and Diversity implications:	No **If yes, please specify:**
Consultation: [staff, students, UHI & Partners, External] and provide detail	N/A

Status – [Confidential/Non confidential]	Non confidential
Freedom of Information Can this paper be included in "open" business* [Yes/No]	Yes

*If a paper should **not** 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.)			

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The UHI MicroRAM

Executive summary

The net impact on Inverness College UHI arising from a redistribution of HE funding each year has risen exponentially in the last five years, from a net outflow movement in 2014/15 of £47,729 to £547,538 in 2017/18. The position for 2018/19 is broadly similar to that of 2017/18. This movement places an additional financial burden on the College.

UHI Funding Model

The UHI funding model for HE activity has developed over time and is reasonably complex. In order to illustrate the financial implications arising from the microRAM adjustment, it is necessary to have an understanding of the funding model in its entirety.

SFC grant

- UHI HE undergraduate taught (UGT) target for academic year 2018-19 is 6,307 full time equivalents (FTEs).
- The Scottish Funding Council (SFC) funded number is 5,783 FTEs – the difference of 524 FTEs is fees only, which means that APs only receive the tuition fees for these FTEs and not the HE grant. The SFC state that HEIs should deliver at least 10% activity over their funded target, and at present, we are still 54 FTE short of that target.
- In terms of the fees only FTEs, UHI have targeted European Funds to close the fees only FTEs and therefore bring additional funds into the partnership for APs.
- APs are responsible for collecting the tuition fees from students, employers, etc.
- The unit of resource (UOR) which is the income UHI receives per FTE, is dependant on the subject groups the courses are in. There are 6 subject groups & have different funding levels for each group.

Teaching grant distribution – RAM allocation

- The methodology for determining the HE Resource Allocation Model (RAM) distribution is based on 65% of the total student income and the remaining 35% funds UHI Executive Office.
- The total student income is made up of the SFC HE teaching grant and an estimate of the student fee income collected in the partnership.
- The RAM allocation is £19.537 million for the current year 2018/19.
- UHI then calculate an internal unit of resource for each of the 6 subject funding groups.

RAM

- The HE RAM is allocated according to Partnership Planning Forum (PPF) agreed student activity targets. These targets are agreed prior to the next academic year.
- This allocation is spread across the 6 subject funding groups and is then applied to the UHI internal unit of resource to determine the values payable.
- Funding is paid out across the year on a standard payment profile.

- The RAM assumes the enrolling partner undertakes all the teaching delivery associated with each student.
- Networked teaching delivery is accounted for through the microRAM, which is detailed later on.

Re-forecasting

- A mid-year RAM reforecast is carried out by UHI in March.
- If APs are above their HE FTE target, they will get an increase in RAM, but only if other APs are under their FTE target.
- If an AP is below their target, they will see a reduction in allocation, but if they subsequently increase in between mid-year & final report, the RAM will increase.
- Final allocation approved on 1 July, when final RAM & microRAM is produced.
- Issue with microRAM in previous years, due to movements in final report.

MicroRAM

- The RAM allocates the full resource to the home academic partner (HAP), this is the partner who enrols the student.
- The microRAM re-distributes funding from the RAM to the teaching partners in networked courses.
- The microRAM also re-distributes the fee income from RUK and international students on the same allocation basis.
- The allocation uses the internal unit of resource plus fee and is on the basis of 35% to the HAP and 65% allocated to teaching delivery.
- Data in the SITS student records system determines the allocation BUT teaching split is put forward by module leaders.
- Complicated set of guidelines for calculating teaching split.
- Total microRAM distribution in 2017/18 was £5.2 million.

RAM issues

- There is a finite pot for allocation to APs, so each APs funding is impacted by other APs delivery.
- If an AP over delivers against PPF target in any funding group, they would not receive RAM funding if all other APs achieve their targets.
- Delivery in line with target or just above is best option – and do this by ideally adding 1 or 2 students to every class.
- Lack of clarity surrounding the ESF funded places.

MicroRAM issues

- Lack of transparency over calculations for teaching split.
- Complexity of methodology for split allocation leads to inconsistency and confusion.
- No planning at UHI level at start of year for microRAM movements.
- Teaching delivery on networked courses largely determined by module leaders.
- If IC has a limited number of module leaders then impact on teaching.
- First microRAM report for year not available until late February / March – too late to address any significant movements.
- Not all teaching staff understand the implications of giving away modules to other APs

- Can compound the problem of not achieving activity targets if the reductions are in non-networked courses.

Financial Impact from MicroRAM

The table below illustrates the movement from RAM allocation to final RAM funding after microRAM adjustments for a 4 year period. This excludes PGDE as that funding is allocated on a different basis. Note that the 2018-19 figures are as per the 26 April microRAM.

Year	RAM Distribution	MicroRAM adjustment	Int and RUK Fee Redistrib	Module & Unit Payments	TOTAL Teaching excl PGDE
2014-15	4,011,721	4,271	-52,000	110,322	**4,074,314**
2015-16	4,613,271	-251,995	-43,898	119,167	**4,436,545**
2016-17	4,668,473	-331,493	-43,601	123,684	**4,417,063**
2017-18	4,846,613	-476,286	-71,252	128,581	**4,427,656**
2018-19	4,703,730	-473,549	-20,469	115,094	**4,324,806**

University of the Highlands and Islands
Inverness College

Board of Management

Subject/Title:	Risk Register Annual Review
Author: [Name and Job title]	Fiona Mustarde, Director of Finance
Meeting:	Finance & General Purposes
Meeting Date:	6 June 2019
Date Paper prepared:	24 May 2019
Brief Summary of the paper:	On an annual basis, each committee is asked to review the risks from the College risk register that are pertinent to those committees. Some of the risks fall within the remit of more than one committee and will therefore be provided to all relevant committees for review. This paper provides the current status and detail of risks held within the College risk register that fall within the remit of this committee. The committee is asked to consider whether this information remains accurate and relevant.
Action requested: [Approval, recommendation, discussion, noting]	Discussion
Link to Strategy: Please highlight how the paper links to, or assists with:: • compliance • partnership services • risk management • strategic plan • new opportunity/change	Risk management – highlights the key corporate risks and provides the opportunity for the relevant Board committee to consider whether the risks are appropriate, proportionate and complete.
Resource implications:	**If yes, please specify**:
Risk implications:	Yes **If yes, please specify:** Operational: Organisational: incorrect identification and/or scoring of risks could hinder organisational effectiveness
Equality and Diversity implications:	No **If yes, please specify:**
Consultation: [staff, students, UHI & Partners, External] and provide detail	N/A

Status – [Confidential/Non confidential]	Non confidential
Freedom of Information Can this paper be included in "open" business* [Yes/No]	Yes

*If a paper should **not** 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.)			

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Annual Review of Risk Register

Executive summary

Each committee is asked to review the risks from the College risk register that are pertinent to those committees on an annual basis. Some of the risks fall within the remit of more than one committee. The committee is asked to consider whether the attached risk register extract remains accurate and relevant.

Background information

The College risk register follows the UHI prescribed format and is held on the UHI Sharepoint site, alongside the risk registers for the rest of the partnership and Executive Office.

The risk register is now presented to the Audit Committee in summary form each quarter, with the exception of the first meeting in each academic year where the full detail is provided. Key risks are considered by the Senior Management Team on a regular basis. The central risk register is then updated with any amendments agreed.

The full detail of all risks classified as falling within the remit of this committee is provided for your consideration. The committee should consider both the content and the score, and also whether the risk remains present and active. The committee should further consider whether there are any further risks that have emerged and require to be added. Note that the risk register details only the key corporate risks.

Name	Risk Description	Causes	Impacts Evidence	Owner	Residual Likelihood	Residual Impact	Residual Risk	Res Colour	Actions To Minimize	Committee
Inverness_09.xml	College fails to identify and take opportunities for development and progression	lack of investment; insufficient funding; focus on mitigating downside risks; lack of strategic planning; lack of senior management resource; performance management focus on maintaining status quo; partners and stakeholders do not engage into proposed change; failure to develop commercial and international income streams.	Stagnation; lack of research and innovation; loss of potential income; reputational damage; curriculum becomes out of date; College is not seen as the partner of choice.	Principal	3	3	9	Amber	Oversight of curriculum planning process led by Depute Principal. Chairing Research Committee to review progress income/investment balance of each research grouping, continued discussuions with UHI Principal regarding IC UHI's potential expansion on Inverness Campus. Identification of opportunities by SMT through development of external relationships in key sectors. Identification of additional opportunities for development at team/subject level to maximise opportunities for growth	Learning, Teaching and Research, Finance and General Purposes
Inverness_17.xml	Financial instability of UHI	Financial instability of UHI academic partners and EO due to increased cost base, reduced income and/or ineffective business models. Financial losses incurred in relation to provision of UHI residences.	Reduced unit of resource to the College; unable to meet operating costs, unable to develop new curriculum, unable to develop research, surpluses are taken from the College, unable to progress strategic developments.	Principal	4	4	16	Red	Regular finance monitoring reports circulated to budget holders, SMT and BOM. Monitor financial KPIs reported to Board to ensure we are exceeding collective activity targets. Ensure all budget holders are aware of college financial regulations. More efficient working practices, eg further savings in procurement. Further increase in non SFC funding including international, research. Monitor financial performance of Academic Partners and of the UHI partnership as a whole.	Finance and General Purposes
Inverness_19.xml	Ongoing issues of non-compliance by GTFM	Failure of GTFM to perform in line with the MPD contract. Failure of the college to suitably manage the performance of GTFM.	Serious health and safety incident, invalidation of insurance arrangements. Reputational damage, substandard service to students and staff. Deterioration of the facility.	Director of Organisation Development	4	3	12	Amber	Close monitoring of the performance through a performance improvement plan. Monthly report from GTFM on performance in light of plan. College audit of compliance and statutory PPMs, application of the 1-69 performance standards and application of the associated deductions from unitary charge. Monthly reporting to GTEIL Board of Management and SFT.	Finance and General Purposes

Inverness_20.xml	College does not achieve allocated HE student number targets.	Failure to recruit sufficient students due to various factors such as: over ambitious PPF target, poor marketing, curriculum gaps, poor NSS result, poor relationship with schools, inability of UHI to react swiftly impacting on ability to convert applications to enrolments, and not addressing the changing demographic across the region.	Reduction of college income from UHI, regional student number target at risk resulting in possible clawback to SFC from UHI in year or reduction in future years grant. Possible plateau of student numbers after successive years of sustained growth.	Depute Principal	5	3	15	Red	Rigorous curriculum planning process in place, proactive development of school/college relationships, proactive development of relationships with employers, excellent quality management processes, systematic monitoring of applications through to enrolment.	Learning, Teaching and Research, Finance and General Purposes
Inverness_21.xml	College does not achieve allocated FE Credit targets.	Failure to recruit sufficient students due to various factors such as: reduction in school leaver numbers, curriculum that lacks relevance to local economy, curriculum gaps, ineffective marketing and engagement with local schools/employers, environmental shift from FE to HE recruitment pattern.	Reduction of college income from UHI, regional student number target at risk resulting in possible clawback to SFC from UHI in year or reduction in future years grant.	Depute Principal	2	3	6	Amber	Rigorous curriculum planning process in place, proactive development of school/college relationships, proactive development of relationships with employers, excellent quality management processes, systematic monitoring of applications through to enrolment.	Learning, Teaching and Research, Finance and General Purposes

Inverness_22.xml	The institution has a poor reputation.	Significant or sustained adverse publicity, governance/management failure, negative comments on social media, poor academic results, poor performance in league tables, significant withdrawal rates, major health and safety incident, student/staff involvement in criminal activity	Inability to recruit students or attract and retain high calibre staff, inability to attract funding and/or develop strategic partnerships.	Principal	2	2	4	Green	Internal audit of governance procedures (supported by additional process of external validation of self-evaluation), current and effective policy environment closely monitored to ensure compliance, use of externally validated quality frameworks to support organisational commitment to quality enhancement. Close monitoring of PIs and implementation of systematic process to effect improvement where remedial action required. PVG checks undertaken. Proactive promotion of collective ownership of Health and Safety management. H & S management system implemented and systematically reviewed. On-going media relationship management.	Learning, Teaching and Research, Finance and General Purposes, Human Resources
Inverness_24.xml	Non-compliance with relevant statutory regulations.	Lack of awareness of relevant laws and penalties. Management failures. E.g new General Data Protection Regulation from 25th May 2018, Bribery Act, Health and Safety Regulations etc. lack of incident and near miss reporting; high risk courses e.g. forestry, construction, aquaculture, science; people failing to take responsibility or ownership for health and safety issues.	GDPR will provide new rights for individuals and impose additional obligations on data controllers and processors. GDPR will also introduce an increased penalty framework for non-compliance/data breaches and includes new requirements for authorities to ensure that they maintain evidence to demonstrate compliance with the Law. Major risk to reputation caused by serious health and safety incident; risk to students caused by non-compliance with PVG/Disclosure requirements	Principal	2	3	6	Amber	Dedicated Health and Safety Management role, Health and Safety Management system implemented, systematic use of internal audit, SMT commitment and proactive leadership to develop a strong H & S management culture, strong emphasis on near miss recording and lessons learned, H & S Committee chaired by Principal, systematic recording and analysis of incident, accident and near miss trends, Dedicated Data Controller role with responsibility for awareness raising and adaptation of policy/procedures win line with legislative change, current shared project on effective data management with IT Manager, rigorous implementation of mandatory staff training. Director of Organisational Development with direct responsibility for awareness raising and adaptation of policy/procedure in line with legislative change. All of the above reported systematically to relevant Board of Management Committees.	Finance and General Purposes

Inverness_26.xml	Financial failure/operating loss. Inability to achieve a balanced budget.	Increased pay costs (national bargaining), pensions and NI contributions. Efficiency savings are not achieved quickly enough to counteract reductions in income. Reduction in unit of resource (FE and/or HE). Inability to attract or convert international students. Lack of timely support from central function .	Services cut resulting in reduction of teaching expertise and/or research and development capacity leading to a reduction in service quality leading to student dissatisfaction and risk of reputational damage; missed opportunities for development. Unable to enhance teaching and to attract and recruit new staff and students.	Principal	4	3	12	Amber	Efficiency savings achieved through efficient and effective deployment of staff, effective cost control, all spend aligned to achievement of strategic aims and objectives. Lobbying regionally for share of regional funding that reflects actual learning and teaching delivered, lobbying nationally for increased funding for Highlands and Islands region to reflect on going increasing participation rates. Development of alternative income streams, SDS and apprenticeship family, bespoke provision, international summer schools, catering business and events management.	Finance and General Purposes
Inverness_27.xml	College estate not fit for purpose.	Risk of little new capital project expenditure caused by partnership perception of significant recent estates development. Potential for rapid growth of student population without investment in new expanded facilities. Risk to student satisfaction scores in the absence of a dedicated student union social space.	Unable to meet new growth targets; unable to diversify in line with emerging opportunities; unable to provide the economies of scale required to counter the financial challenges of smaller partners.	Director of Organisational Development	2	3	6	Amber	Space utilisation audits undertaken to support efficient use of the estate. Centralised timetabling to ensure efficient use of the estate. Twilight classes introduced to ease pressure on rooms. Collaborative projects pursued to create opportunities for growth that do not require estates development. Development work undertaken to maximise blended learning opportunities/use of VLE to reduce required face to face teaching.	Finance and General Purposes

Inverness_30.xml	Institutional, personal and sensitive data and/or services are disrupted, corrupted, lost, stolen or misused.	Inappropriate use of IT systems. Poor IT security measures. Equipment with security holes. Poor patching regime. Anti-virus is not up-to-date and comprehensive. Firewalls are configured incorrectly. Coordinated DDOS attack on university infrastructure. Increasing number of security alerts. DDOS attacks on UK academic institutions up to 527 in 2015 - Janet CSIRT. Increase in cyber attacks such as ransomware reported in national media. Lack of staff awareness leading to poor practice. Ineffective training.	Information Commissioner fine of up to £500k. Adverse press coverage. Loss of confidence by regulators, stakeholders and HE sector. Ransomware encryption has been detected on UHI network.	Principal	3	4	12	Amber	Firewalls and proxy filters automatically updated regularly. Proactive internal and external NVT and external scanning for at risk devices. Anti-virus software deployed to all corporate devices. Wi-Fi BYOD on segregated VPN. WSUS servers in place for regular MS Windows updates. Use of Janet Security advice service and UHIHelpdesk issues alerts for known attacks. UHI IT security group formed to share intelligence and react to published alerts. OpenDNS applied to cache filtering with added protection functionality against botnet, malware etc.. Real IP address ranges reduced. Out of hours password reset enabled. Clear policies in place. Regular training sessions on data protection and GDPR for all staff. Information Manager provides support to operational managers and training information available to all staff.	Finance and General Purposes
Inverness_32.xml	A serious incident in the college residencies, including anti-social or illegal behaviour.	drug use and intelligence indicating the selling of drugs at or around the campus residences	serious dereliction of duty of care, health and wellbeing of student body, reputational risk and perception of an unsafe campus and learning environment	COO, UHI as contract manager. City heart Living as contract provider, ICUHI as enroller of students	3	4	12	Amber	law enforcement action including surveillance, engagement with wider campus to ensure intelligence led policing and security, consistent incident and disclosure recording and reporting protocols.	Finance and General Purposes

University of the Highlands and Islands
Inverness College

Board of Management

Subject/Title:	Committee Chair Evaluation
Author: [Name and Job title]	Fiona Ambrose, Board Secretary
Meeting:	Finance and General Purposes Committee
Meeting Date:	6 June 2019
Date Paper prepared:	23 May 2019
Brief Summary of the paper:	The Code of Good Governance for Scotland's Colleges establishes standards of good governance practice for all boards and provides the essential foundations for compliance within the legislative framework. One of the five principles around which the code has been developed is effectiveness. Paragraph D24 states that "The board must agree a process for evaluating the effectiveness of the board chair and the committee chairs"
Action requested: [Approval, recommendation, discussion, noting]	The committee is requested to complete the Committee Chair evaluation exercise
Link to Strategy: Please highlight how the paper links to, or assists with:: • compliance • partnership services • risk management • strategic plan • new opportunity/change	
Resource implications:	
Risk implications:	Yes/No Operational: required for the proper Governance of the College
Equality and Diversity implications:	N/A
Consultation: [staff, students, UHI & Partners, External] and provide detail	

Status – [Confidential/Non confidential]	Non-Confidential		
Freedom of Information Can this paper be included in "open" business* [Yes/No]	Yes		
*If a paper should **not** be included within "open" business, please highlight below the reason.			
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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.)			

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University of the Highlands and Islands
Inverness College

Evaluation of Finance and General Purposes Committee Chair

Chair being evaluated: Brian Henderson

Circle to indicate
← Tendency →

Keeps members on topic and to the agenda	1 2 3 4 5 6	Tends to criticise the ideas and values of members
Summarises discussions and decisions impartially and confirms action points	1 2 3 4 5 6	Tends to force ideas on to the group
Spots likely problems early and states them in a constructive way	1 2 3 4 5 6	Makes decisions without consulting the group or despite the group's views
Suggests solutions	1 2 3 4 5 6	Leaves decisions 'hanging'
Ensures adequate time is given to the different areas of the agenda	1 2 3 4 5 6	Talks too much and gets too involved
Facilitates the expression of all views and opinions	1 2 3 4 5 6	Allows individuals to dominate discussion
Communicates information to Board members	1 2 3 4 5 6	Fails to inform Board members of important information
Supports individual Board members	1 2 3 4 5 6	Is too distant or directing

Comments

Completed by Finance and General Purposes Members
Date

INVERNESS COLLEGE

INTERNAL AUDIT REPORT

FINANCIAL PLANNING
MARCH 2019

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate

INVERNESS COLLEGE, FINANCIAL PLANNING

DISTRIBUTION	
Fiona Mustarde	Director of Finance
Members of the Audit Committee	

REPORT STATUS LIST	
Auditors:	Chloe Ridley
Dates work performed:	28 February - 19 March 2019
Draft report issued:	25 March 2019
Final report issued:	26 April 2019

INVERNESS COLLEGE, FINANCIAL PLANNING

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	■	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	■	Evidence of non-compliance with some controls, that may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High	▲	0
Medium	■	5
Low	●	3

TOTAL NUMBER OF RECOMMENDATIONS: 8

BACKGROUND:

As part of the 2018-19 Internal Audit Plan, it was agreed that Internal Audit would review the design and operating effectiveness of the controls in place at Inverness College ("the College") surrounding financial planning arrangements.

The College's budgeted income for 2018/19 was £27.8m, £22.1m comprises of grant income, £3.3m fees and charges and £2.4m other income. Budgeted expenditure was £27.8m and comprises of £15.7m staff costs, £1.1m property charges, £4.2m unitary charge, £4.4m supplies & services and £2.3m student support funds. Taking into consideration depreciation and deferred capital grant, there is an operating deficit of £1.4m.

The College has around 20 budget holders, who are responsible for managing their own budget. There are 14 Finance staff, some of their responsibilities cover payroll, procurement, fleet management, travel and expenses, and management accounting.

The College has identified the following financial challenges over the next few years: planned reduction in Further Education (FE) funding for Inverness College from 2019/20 and reduced funding to the Highland region from 2020/21 onwards, impact of National Pay Bargaining and increasing pension rates, student recruitment and changing demographics, and the Scottish Government's expectation to find efficiency saving of 3% per annum.

UHI Partnership Council decide how the funding is allocated between the Colleges and Universities. The main assumptions made in the 2018/19 budget were: the credit target for the Highlands and Islands Region is 109,831 (a reduction of 1,136 credits from 2017/18), the University of the Highlands and Islands ("UHI") has a target of 6,307 Full Time Equivalent ("FTE") students, Inverness College (as one of UHI's 13 colleges and research institutions) has been allocated a target of 1,618 FTE students, there was no budgetary uplift for

INVERNESS COLLEGE, FINANCIAL PLANNING

inflation, and payroll costs were based on established posts as at April 2018 taking into account vacancies and planned increments.

The College's Financial Regulations state that the Director of Finance is responsible for preparing annual capital and revenue budgets and financial plans for consideration by the Finance and General Purposes (“F&GP”) Committee before submission to the Board of Management for approval.

Tuition fees for non-regulated courses and fees for other sources of income are agreed in advance of the budget-setting process, and are approved by the F&GP Committee in March.

The Scottish Funding Council (“SFC”) allocate funding to the Highlands and Islands Region. SFC provide an initial allocation in February and a final allocation is announced in May.

Staff costs are 55% of the budget. The pay budget includes the anticipated budget requirement for fixed term and variable staffing. Salaries are adjusted for incremental movements and expected pay increases. Vacant posts are also included within budget. The number of temporary hours required is calculated from the Curriculum Plan.

Finance meet with budget holders each year and review prior year budget and actual results and current year performance to date to determine a realistic budget for the upcoming year.

Budget holders also submit Enhancement Plans, which detail their plans for the upcoming year and a request for any additional budget, where applicable. Previously, the Depute Principal and Director of Finance will review requests, and prioritise which requests are funded. In 2019/20, the Depute Principal and Head of Finance will undertake the initial assessment, with support sought from Estates and ICT Managers, and the SMT will prioritise the requests.

The budget is presented to the Senior Management Team before distributing for consideration by the F&GP Committee and the Board of Management.

SFC requires a five year Financial Forecast Return (“FFR”) to be submitted on an annual basis, normally with an end of September deadline. SFC issues a template which is to be completed and returned and guidance is provided on some of the key assumptions which should be made. Finance uses information gained within the budget setting process to prepare the FFR. Whilst the SFC require a 5 year FFR to be produced, SFC funding continues to be provided on an annual basis, with no indication of what funding is planned in future years.

The Financial Regulations state that budget holders are responsible for working within their budgetary limits, and significant departures from budget must be reported to the Director of Finance. Budget holders are provided with budget monitoring reports for their cost centres on a monthly basis by Finance.

Consolidated finance monitoring reports are presented to the Senior Management Team at their formal monthly meeting.

The Director of Finance is responsible for supplying budgetary reports on all aspects of the College’s finances to the F&GP Committee. Finance Monitoring reports are a standing item on their agenda. The F&GP Committee meet on a quarterly basis. The report compares the year to date position against the phased budget, the year-end forecast and variance. It also includes a cash flow analysis, an income and expenditure report, and provides explanations for variances.

SCOPE AND APPROACH:

INVERNESS COLLEGE, FINANCIAL PLANNING

The scope of our review is to assess whether:

- Financial plans are based on reasonable assumptions and forecasts and accurate, reliable information;
- Financial plans are developed in a timely manner with appropriate consultation, review and approval arrangements;
- Scenario planning and sensitivity analysis has been carried out to ensure budgets are flexible and robust enough to meet organisational requirements and respond to funding changes; and
- Budget reforecasts are carried out on a regular basis to reflect changes which may occur to plans, or to predict the outturn where expenditure in some areas differs from expectations.

However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit.

Our approach was to conduct interviews to establish the controls in operation for each of our areas of audit work. We then sought documentary evidence that these controls are designed as described. We evaluated whether these controls to identify whether they adequately address the risks.

GOOD PRACTICE:

We identified a number of areas of good practice:

- The budget is reviewed by the Senior Management Team, F&GP Committee and the Board of Management;
- Finance monitoring reports are presented to the F&GP Committee on a regular basis;
- The College has an approved Finance Strategy in place; and
- Financial Regulations have a Policy Owner and review schedule in place.

KEY FINDINGS:

Notwithstanding the elements of good practice noted above, our review highlighted opportunities for improvement, which are summarised below:

- **Scenario Planning**: limited scenario planning and sensitivity analysis is performed;
- **Outturn Monitoring**: there are no monitoring mechanisms in place to ensure efficiency and income targets are being met to reduce the £5.5m deficit identified in the Financial Forecast Return (FFR);
- **Budget Timetable and Communication**: There was no formal budget timetable in place for the 2018/19 budget setting process. The budget timetable is not communicated to budget holders as part of the 2019/20 process. The 2019/20 budget timetable did not assign responsibility for tasks. The following tasks were not included within the timetable: communicating the timetable to budget holders and Senior Management Team, updating budget when funding is confirmed by UHI, submission of Enhancement Plans and Budget and Resource Planning Templates, and communicating the results of the Enhancement Plans and updating the budget;

INVERNESS COLLEGE, FINANCIAL PLANNING

- **Enhancement Plan Communication**: there was no communication to budget holders about the outcome of their submitted Enhancement Plans. There is no scoring mechanism in place, therefore it is not clear why projects were prioritised;
- **Tracking Changes**: it is not clear throughout the budget setting process what changes have been made to the budget, by whom and why;
- **Budget Profiling**: the budget is not profiled to accurately reflect expected spend each month. We understand that Finance made progress on this in 2018/19, but further work still needs done;
- **Budget Holder Meetings:** Finance did not hold regular meetings with budget holders. Budget holders do not have a first point of contact within the Finance team; and
- **Budget Review**: the Financial Regulations do not include the requirement that financial plans should be considered by the Senior Management Team prior to consideration by the F&GP Committee.

CONCLUSION:

We are able to provide moderate assurance over the design and operational effectiveness of the key controls in place in relation to financial planning. We recommend management implement the noted control improvements to develop the current arrangements.

OUR TESTING DID NOT IDENTIFY ANY CONCERNS SURROUNDING THE CONTROLS IN PLACE TO MITIGATE THE FOLLOWING RISKS:

- ✓ Financial plans may not be based on accurate, reliable or relevant information
- ✓ Financial plans may be based upon unreasonable assumptions or forecasts
- ✓ Budget re-forecasts may not be carried out on a regular basis to reflect changes which may occur to plans, or to predict the outturn where expenditure in some areas differs from expectations
- ✓ Financial plans may not be subject to effective consultation, review or approval

INVERNESS COLLEGE, FINANCIAL PLANNING

DETAILED FINDINGS

RISK: : NO, OR LIMITED, SCENARIO PLANNING OR SENSITIVITY ANALYSIS HAS BEEN UNDERTAKEN

Ref	Sig.	Finding
1		**Scenario Planning** Scenario planning and sensitivity analysis ought to be performed to ensure financial plans are flexible and robust enough to meet organisational requirements and respond to funding changes. Limited scenario planning and sensitivity analysis is performed, despite the Financial Forecast Return (FFR) showing a deficit of £5.5m, over a five year period. There is no consideration of events that may happen and could impact the College drastically over the medium term, such as reduced or increased funding from SFC, varying outputs of National Pay Bargaining, reduced commercial income. Some scenarios were presented at the Board away day, including savings from reduced campus opening hours and increased income generation. There is a risk that financial plans are not robust enough to respond to changing circumstances.

RECOMMENDATION:

We recommend scenario planning and sensitivity analysis is incorporated in plans to achieve the Finance Strategy.

Factors with the most uncertainty should be considered, such as:

- salary uplifts
- funding
- other income

MANAGEMENT RESPONSE:

Agreed that scenario planning and sensitivity analysis should be completed and properly documented.

Responsible Officer:	Director of Finance
Implementation Date:	June 2019

INVERNESS COLLEGE, FINANCIAL PLANNING

RISK: THE FINANCIAL PLANNING PROCESS MAY NOT BE CARRIED OUT IN A TIMELY MANNER IN ACCORDANCE WITH A CLEARLY DEFINED TIMETABLE.

Ref	Sig.	Finding
2		**Outturn Monitoring** Audit Scotland guidance recommends that public sector bodies should have plans in place to reduce identified deficits over the medium term. Inverness College's FFR identified a £5.5m deficit. Inverness College has recently approved its Financial Strategy which is the first step in creating a plan to address this deficit. It has been created to address the need for medium term financial planning. The Strategy identifies the challenges the College faces over the coming years and includes objectives to meet the strategic aims, which details the steps they need to take. A high level plan was presented to the Board of Management at the away day in January 2019. There was a focus on income generation, efficiencies and maximising resources to address the forecast deficit position. There is no monitoring mechanism in place to ensure efficiency and income targets are being met. There is a risk Inverness College cannot operate within its approved budget in the medium term.

RECOMMENDATION:

We recommend a medium term plan is created to address the deficit identified in the FFR. The plan should include efficiency and income generating targets for each year and there should be a detailed plan in place to achieve the targets.

This should be aligned with the budget setting and monitoring process.

MANAGEMENT RESPONSE:

It is agreed that this plan should be clearly documented and have a structured reporting mechanism to capture the activities identified and evaluate achievement. This will provide the SMT with data to inform further steps required.

Responsible Officer:	Director of Finance
Implementation Date:	June 2019

INVERNESS COLLEGE, FINANCIAL PLANNING

RISK: FINANCIAL PLANS MAY NOT BE SUBJECT TO EFFECTIVE CONSULTATION, REVIEW OR APPROVAL		
Ref	Sig.	Finding
3	●	**Budget Holder Meetings** Regular meetings with Finance and budget holders provide an opportunity for Finance to offer support, challenge any variances and forecast the year-end position. Finance do not hold meetings with budget holders. Budget holders do not have a first point of contact within the Finance Team. There is a risk financial plans are not subject to effective consultation. There is a risk budget management is not sound.

RECOMMENDATION:

Meetings should be scheduled with budget holders on a quarterly basis.

Budget holders are assigned a first point of contact within Finance.

MANAGEMENT RESPONSE:

Agreed. Budget holders have already been assigned named contact points within the Finance team. In addition, quarterly financial review meetings will be in place for 2019/20 and these meetings will also include the Principal and Director of Finance.

Responsible Officer:	Finance Manager
Implementation Date:	August 2019

INVERNESS COLLEGE, FINANCIAL PLANNING

RISK: FINANCIAL PLANS MAY NOT BE SUBJECT TO EFFECTIVE CONSULTATION, REVIEW OR APPROVAL

Ref	Sig.	Finding
4	●	**Budget Review** It is good practice for Senior Management to consider papers before they are presented to the Board, to allow them to evaluate the consolidated budget position. The Financial Regulations do not include the requirement that financial plans should be considered by the SMT prior to consideration by the F&GP Committee. (However we note that the 2019/20 budget timetable included Senior Management Team preapproval). There is a risk of uncertainty around the expected budget approval process

RECOMMENDATION:

We recommend Financial Regulations are updated to reflect that SMT are required to consider the budget prior to the F&GP Committee

MANAGEMENT RESPONSE:

This will be considered when the Financial Regulations are next reviewed.

Responsible Officer:	Finance Manager
Implementation Date:	December 2019

INVERNESS COLLEGE, FINANCIAL PLANNING

RISK: THE FINANCIAL PLANNING PROCESS MAY NOT BE CARRIED OUT IN A TIMELY MANNER IN ACCORDANCE WITH A CLEARLY DEFINED TIMETABLE.

Ref	Sig.	Finding
5	●	**Budget Timetable & Communication** A clearly defined budget timetable includes all necessary steps and ensures the budget is prepared in a timely manner. It is good practice to communicate the budget timetable to relevant parties to ensure they are aware of expectations and deadlines There was no formal budget timetable in place for the 2018/19 budget setting process due to staffing shortages. The budget timetable was not formally communicated to budget holders as part of the 2019/20 budget setting process. The 2019/20 budget timetable did not assign responsibility for tasks. Additionally the following tasks were not included: 1. communicating the timetable and budget process to the Senior Management Team and budget holders; 2. updating the budget when funding is confirmed by the UHI; 3. submission deadline of Enhancement Plans and Budget and Resource Planning Templates; and 4. reviewing the Enhancement Plans, communicating the results and updating of the budget. There is a risk that there is not a clearly defined timetable in place which could lead to late budget submissions. There is a risk the budget setting process is not carried out in a timely manner in accordance with the budget timetable.

INVERNESS COLLEGE, FINANCIAL PLANNING

RECOMMENDATION:

We recommend the budget timetable assigns responsibility for completion of each task.

The budget timetable should include the following steps:

1. communication of the budget timetable to the Senior Management Team and budget holder

2. update the budget when funding is confirmed from the UHI

3. submission deadline of Enhancement Plans and Budget and Resource Planning Templates; and

4. review of the Enhancement Plans and communication of the results.

We recommend the budget timetable is communicated to budget holders.

Budget holders expected involvement is communicated in advance of the budget setting process.

MANAGEMENT RESPONSE:

Agreed that the budget timetable should have assigned responsibility for tasks and be clearly communicated. Updating the budget for final UHI allocations will be incorporated if the timing of the final confirmation enables this. The Enhancement Plan process is not specifically about budgeting. Additional resource requirements can be identified through this process. Agreed that the outcome of this process needs to be clearly communicated to budget holders on completion.

Responsible Officer:	Director of Finance
Implementation Date:	July 2019

INVERNESS COLLEGE, FINANCIAL PLANNING

RISK: FINANCIAL PLANS MAY NOT BE BASED ON ACCURATE, RELIABLE OR RELEVANT INFORMATION.

Ref	Sig.	Finding
6		**Enhancement Plan Communication** Where adjustments are made to the budget, it is good practice to communicate this to the relevant budget holders so they are aware of their budgetary limits. In 2018/19 budget holders were asked to submit Enhancement Plans. Budget holders were required to include detail of any additional resource requests. The Depute Principal and Director of Finance review the submissions, prioritise and decide what resource requests can be met. There was no communication to budget holders about the outcome of the submissions. There is no scoring mechanism in place, therefore it was not clear which projects were prioritised and why. There is a risk budget holders are not aware of their budgetary limits. There is a risk that the budget decision-making process is not transparent.

RECOMMENDATION:

We recommend the outcome of the Budget & Resource Planning submissions is communicated to budget holders.

A scoring mechanism is put in place to grade projects, and projects are prioritised and selected based on this.

MANAGEMENT RESPONSE:

Agreed. SMT will be asked to review and prioritise requests and budget holders will be notified. A transparent scoring mechanism will be agreed and applied to ensure consistency.

Responsible Officer:	Director of Finance
Implementation Date:	July 2019

INVERNESS COLLEGE, FINANCIAL PLANNING

RISK: FINANCIAL PLANS MAY NOT BE BASED ON ACCURATE, RELIABLE OR RELEVANT INFORMATION.

Ref	Sig.	Finding
7		**Tracking Changes** During the budget setting process, it is good practice to track changes that have been made to the budget to identify, including adjustments and decisions made. Adjustments and decisions made should also be documented. This ensures a transparent approach to budget setting. It is not clear throughout the budget setting process what changes have been made to the budget, by whom and why. There is a risk the budget setting process is not transparent and the rationale behind changes are not understood.

RECOMMENDATION:

We recommend changes made to the budget are tracked.

The reason for adjustments and by whom are documented.

MANAGEMENT RESPONSE:

For 19-20 changes have been recorded in the relevant working papers that feed into the overall budget.

Responsible Officer:	Finance Manager
Implementation Date:	June 2019

INVERNESS COLLEGE, FINANCIAL PLANNING

RISK: FINANCIAL PLANS MAY NOT BE BASED ON ACCURATE, RELIABLE OR RELEVANT INFORMATION

Ref	Sig.	Finding
8		**Budget Profiling** The budget is profiled throughout the year to reflect expected expenditure, to ensure a fair comparison against actual expenditure month to month. The budget is not profiled to accurately reflect expected spend each month. Finance spent some time as part of the 2018/19 budget setting process profiling the budget, but further work is still required. There is a risk budget monitoring is not providing meaningful analysis.

RECOMMENDATION:

We recommend Budget profiling is performed on an annual basis, taking into consideration expected expenditure each month.

MANAGEMENT RESPONSE:

Agreed. This is an area of focus for the Management Accounting team.

Responsible Officer:	Management Accountants
Implementation Date:	June 2019

INVERNESS COLLEGE, FINANCIAL PLANNING

OBSERVATIONS

BUDGET HOLDER OWNERSHIP

Budget holders take ownership for their budgets when they set their own budgets, consulting with Finance where necessary. Currently, budgets are set by Finance, who then consult with budget holders. Budget holders do not have adequate budget setting support procedures in place to facilitate them creating their own budgets, for example, training, the financial information needed, and a user friendly interface into the budgeting systems.

Once the new Finance system is operational, Finance should consider moving the responsibility of budget setting to budget holders. Training should be provided and Finance should meet with budget holders to provide support.

CORPORATE MONITORING

It is good practice for senior management to review consolidated finance monitoring reports on a regular basis to allow them to evaluate Inverness College's financial performance.

The Senior Management Team's (SMT's) formal monthly meeting held on the 21 March 2018, was the first time the finance monitoring reports were a standing item on the agenda.

Prior to this, finance monitoring reports were not a standing item on the agenda. Inverness College identified the gap as a management oversight and have updated practice.

There was a risk SMT were making decisions based on incomplete information.

INVERNESS COLLEGE, FINANCIAL PLANNING

FINANCE SYSTEM

A finance system should add value to the organisation and provide efficiencies. Inverness College uses an old version of SUN for its finance system. The system has the following restrictions:

1. SUN can only be used by the Finance team. Budget holders are entirely dependent upon Finance sending them reports. If further detail is required, budget holders need to ask Finance. Budget holders cannot run reports as and when they require;

2. The system relies heavily on manual data input and processes leading to a greater risk of human error and a requirement for significant volume of paper files. Transaction records have a limited number of characters for the description which normally leads to staff having to revert back to the paper records that have been filed. There is limited flexibility on coding options and project accounting has proven to be problematic under this system;

3. Authorisations are paper based, including journals and bank account changes, therefore hard copy versions need to be retained; and

4. There is no facility for an integrated document management tool, therefore hard copy versions need to be retained.

Inverness College is looking to upgrade their Finance system, in order to remove these restrictions. The new finance system will reduce the manual processes required by Finance and allow them to focus on working with colleagues and seek continuous improvement.

INVERNESS COLLEGE, FINANCIAL PLANNING

STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Fiona Mustarde	Director of Finance
Alison Rogers	Finance Manager

INVERNESS COLLEGE, FINANCIAL PLANNING

APPENDIX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE	
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

INVERNESS COLLEGE, FINANCIAL PLANNING

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of this review is to provide management and the Audit Committee with assurance that Inverness College has well designed, effective controls in place in relation to financial planning.

KEY RISKS:

- Financial plans may not be based on accurate, reliable or relevant information
- The financial planning process may not be carried out in a timely manner in accordance with a clearly defined timetable
- Financial plans may be based upon unreasonable assumptions or forecasts
- No, or limited, scenario planning or sensitivity analysis has been undertaken
- Budget re-forecasts may not be carried out on a regular basis to reflect changes which may occur to plans, or to predict the outturn where expenditure in some areas differs from expectations
- Financial plans may not be subject to effective consultation, review or approval

SCOPE OF REVIEW:

The scope of our review is to assess whether:

- Financial plans are based on reasonable assumptions and forecasts and accurate, reliable information;
- Financial plans are developed in a timely manner with appropriate consultation, review and approval arrangements;
- Scenario planning and sensitivity analysis has been carried out to ensure budgets are flexible and robust enough to meet organisational requirements and respond to funding changes; and
- Budget reforecasts are carried out on a regular basis to reflect changes which may occur to plans, or to predict the outturn where expenditure in some areas differs from expectations.

However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit.

APPROACH:

Our approach was to conduct interviews to establish the controls in operation for each of our areas of audit work. We then sought documentary evidence that these controls are designed as described. We evaluated whether these controls to identify whether they adequately address the risks.

FOR MORE INFORMATION:

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