

West College Scotland

FINANCE AND GENERAL PURPOSES COMMITTEE

**TUESDAY 25 SEPTEMBER at 3.30 p.m. in
Abercorn 2, Paisley Campus**

AGENDA

Member are invited to take a short tour of the Oakshaw and Abercorn buildings prior to the meeting. If those wishing to take part can meet at the main reception in the Renfrew Building at 3.00pm.

General Business

1. Apologies
 2. Declaration of Interests
 3. Minutes of the meeting held on 8 June 2018
.1 Actions arising from the Minutes
 4. Matters arising from the Minutes
(and not otherwise on the agenda)
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| Enclosed | JH |
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Main Items for Discussion and/or Approval

- | | | |
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| 5. Committee Membership, Remit and Meeting Dates | Paper 5 | GM |
| 6. Monitoring of Regional Outcome Agreement | Paper 6 | DA |
| 7. Vice Principal Update Report | Paper 7 | DA |
| 8. Year end 31 July 2018 Outturn Update | Verbal | AR |
| 9. 2018-19 Budget and 5 Year Financial Planning | Paper 9 | DA/AR |
| 10. College Finance System – Update Report | Paper 10 | DA/AR |
| 11. College Cyber Action Plan – Update Report | Paper 11 | DB |
| 12. Corporate Governance – Accountability Report 17-18 | Paper 12 | AR |
| 13. Annual Review of Financial Regulations | Paper 13 | AR |

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| 14. Internal Audit Report – Procurement and Tendering | Paper 14 | AR |
| 15. Strategic Risk Register Review | Paper 15 | AR |

Items for Information

- | | | |
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| 16. Annual Update Report – 2017-18 Taxation Matters, Banking Arrangements and Bad Debt Write Off | Paper 16 | AR |
| 17. Audit Scotland Report – Scotland’s Colleges 2018 | Paper 17 | DA |
| 18. 2017-18 Accounts Direction for Scotland’s Colleges | Paper 18 | AR |
| 19. External Audit Planning Memorandum 2017-18 | Paper 19 | AR |
| 20. Internal Audit Plan Update 2018-19 | Paper 20 | AR |
| 21. Schedule of Business 2018-19 | Paper 21 | AR |
| 22. Any other business | | |

Next meeting:

Tuesday 20 November 2018 at 2.00 p.m. Abercorn 2, Paisley Campus followed by the Joint Audit / Finance and General Purposes Committee meeting at 4.00 p.m.

Gwen McArthur
Secretary to the Committee

FINANCE AND GENERAL PURPOSES COMMITTEE

MINUTES: 8 June 2018

Present: Jim Hannigan (in the Chair), Audrey Cumberland, John Leburn, Keith McKellar.

Attending: David Alexander (Vice Principal Operations), Alan Ritchie (Director of Finance and Estates), David Black (Director of IT), Vivienne Mulholland (Head of Finance and Student Funding), Gwen McArthur (Secretary to the Committee).

Apologies: Angela Wilson.

FPM184 DECLARATION OF INTERESTS

Audrey Cumberland and David Alexander declared an interest as Trustees of West College Scotland Foundation. David Alexander also declared an interest as a member of the Council of the Scottish Funding Council (SFC) and Chair of the SFC Audit and Compliance Committee.

FPM185 MINUTES

The minutes of the meeting held on 6 March 2018 were approved.

FPM186 ACTIONS

The Committee noted a report on actions taken since the last meeting, and in particular the following matter:

Technology One Finance System (FPM170.3) – the Committee noted that the implementation date of the new Technology One finance system was planned for 1 August 2018 for all operational matters. It was the intention to complete the year-end process using the existing system (Symmetry) and then move the required information to the new system. The External Auditors had confirmed that they were satisfied with this arrangement.

FPM187 VICE PRINCIPAL UPDATE (FPM173)

The Vice Principal Operations provided the Committee with an update on a range of matters relating to the financial position of the College and IT development. This included an analysis of the 2018-19 final funding allocation from SFC – see FPM190 below.

FPM188 OVERVIEW OF COLLEGE PENSION SCHEMES (FPM138)

The Committee received the annual report which provided an overview of the pension schemes currently in operation within the College. It was noted that the number of staff in the pension schemes had increased. [REDACTED]



FPM189 MANAGEMENT ACCOUNTS TO 30 APRIL 2018 (FPM176)

The Committee received the Management Accounts for the 9 month period to 30 April 2018. The Management Accounts presented forecast a financial deficit of [REDACTED] and an underlying operating break even position after accounting adjustments. In considering some of the key risks it was noted that the College was taking action as appropriate. It was noted that the College was forecasting achievement of its credit target for 2017-18 and the Strategic Risk Register had been updated in light of the risks identified. It was also noted that discussions with the arms-length West College Scotland Foundation had taken place and a transfer from the College to the Foundation might require to be made before the end of the session.

The Committee **approved** the Management Accounts for the period to 30 April 2018, and **agreed** that the Board of Management be asked to approve a donation of funds to the arms-length West College Scotland Foundation should this be required by 31 July 2018. **[Action DA]**

FPM190 2018-19 BUDGET AND FINANCIAL STRATEGY (FPM174)

.1 Funding Allocation from SFC for 2018-19

The Vice Principal Operations provided the Committee with an overview of the final funding allocations from SFC for 2018-19. This showed a significant change from the initial funding allocations that had been released earlier in the year. It was noted that:

- There would be an overall reduction in credit activity of [REDACTED] compared to 2017-18.
- While the College had received an overall increase in the level of resource much of this funding was related to specific purposes, such as the additional [REDACTED] for high priority estates maintenance, which had to be spent in a particular way.
- The above two factors meant that there was an overall reduction in core operational SFC funding levels.
- While the College would receive additional funding of [REDACTED] for high priority estates maintenance, the funding for operational maintenance had been reduced by [REDACTED]. Previously operational maintenance funding had been used for front line expenses, including the provision of ICT infrastructure and kit.
- Net depreciation funding, which had previously been applied to meet key priority areas, would now require to be applied to meet core operational costs including ICT and annual pay uplifts.

The Committee was disappointed at the level of funding provided and noted that a number of other colleges were also facing similar financial challenges. It was not known at this stage if the additional funding for high priority estates maintenance would continue, or if it was for this year only. The Committee was aware that the outcomes of national bargaining were being funded for 2018-19 but the position beyond this required to be confirmed by the SFC. The conflation of national harmonisation of pay and conditions and any agreed annual pay awards was a major concern to the College as it would have a disproportionate effect on a minority of colleges in the sector, with West College Scotland being one of them. The College was facing a potential funding gap of ██████ between now and the end of July 2019. While some savings could be made through efficiencies and not spending on certain items/projects, the main impact on savings would be made through reducing staffing costs, given that these accounted for over 70% of the total College budget. In light of this the decision had been taken to implement a Voluntary Severance (VS) scheme which had just been launched with a closing date of 18 June 2018. It was the hope that some staff savings could be effected before the end of July and so ██████ had been set aside from the 2017/18 funding to help meet these costs. However, additional funding from SFC would be required if the College was to operate this scheme into next session and achieve the savings that were required.

In discussion the concern was expressed that the Board needed clarity around the funding position and an assurance that the College could balance its budget. Currently the College was being asked to reduce its expenditure year on year, but there would come a point where the College could not deliver its outcomes without having to re-size the College and make it smaller. The Board would need sight of an action plan which showed how this would be addressed, the milestones along the way, and how the College would achieve a balanced budget. However, it was noted that the College Executive were currently in discussions with the SFC and had prepared such a plan for negotiation with them. It was vital that the College had a sustainable operational cost base for the future and so a meeting with the SFC had been scheduled for the following week. A report on the outcomes of this meeting would be made to the Board at its meeting on 18 June and the action plan would be shared with the Board at the appropriate time. **[Action: AC; DA]**

.2 2018-19 Budget and Financial Strategy

The Committee received a paper setting out the proposed budget for 2018-19 and the 5 year financial strategy to 2022-2023. The Director of Finance and Estates presented an overview of the main points emerging, some of which had already been considered – see FPM190.1 above. It was noted that the College had not been provided with baseline assumptions for use within the 5 year strategy by the SFC and so projections were based on information available at this time. The College was aiming to achieve a financial break even

position each year, but this would require making savings of ██████ in 2018-19 and ██████ across the five-year period to 2022-2023. The College was unlikely to be able to achieve such significant savings year on year and so discussions with SFC were underway to find a sustainable way forward. However, it was acknowledged that the SFC only confirmed funding 1 year in advance, and quite often notification of this was not received until late on in the session, e.g. for 2018-19 the final funding allocation had only been announced on 18 May for a financial year that started on 1 August. This made it extremely difficult to plan ahead and particularly so if the final funding allocation had been significantly changed from earlier indications. Discussions with SFC now were, therefore, essential to determine if SFC would provide any additional funding to help the College achieve a balanced budget both for the coming year and also in the longer term so that a sustainable future could be achieved.

The Committee welcomed the information provided and confirmed its support for the Executive to lead the discussions with SFC in order to find a solution to the financial challenges facing the College. It was considered that it would be helpful if a short presentation, similar to the one made at this meeting, could be provided to the Board so that it was clear about the overall financial position and the key messages emerging.

In light of the above discussion the Committee

RECOMMENDS to the Board that, subject to the outcomes of discussions with SFC and sight of the action plan agreed with the SFC,

- i. the Budget for the Students Association in 2018-19 be set at ██████ (which represented a small increase on the budget for 2017-18);
- ii. the overall College Budget for 2018-19 be approved as presented;
- iii. the five year Financial Strategy and the assumptions underpinning this be noted as presented.

[Action: DA; AR]

FPM191 2017-18 SFC RESOURCE RETURN (FPM135)

The Committee noted the Resource Return for the fiscal year 1 April 2017 – 31 March 2018 which had been sent to the SFC.

FPM192 COLLEGE CYBER ACTION PLAN: PROGRESS REPORT (FPM178)

The Director of IT updated the Committee with progress in relation to IT security and meeting the Scottish Government's Public Sector Action Plan on Cyber Resilience. In discussion the following points were noted:

- The College's Cyber Action Plan was being progressed by a small team led by the IT Directorate which provided regular updates on progress to the Senior Management Team (SMT).
- SERIC had been scheduled to make further support visits in advance of the final Cyber Essential Plus Assessment in October.

- A 'BRAG' coding system had been adopted to show progress and it was anticipated that all actions would be complete by October.
- A grant of ████████ had been received from the Scottish Government to meet the Cyber Essentials pre-assessment costs.
- Further information from the Scottish Government was awaited on awareness raising training packages for staff. Once this was available it was anticipated that on-line training would be available for staff.
- Some planned upgrades to College systems would be made shortly in order to further improve cyber security.

The Committee welcomed this update and would receive a further report on progress at its next meeting. **[Action: DB]**

FPM193 INCHINNAN/OAKSHAW PROJECT (FPM170.2)

The Committee noted that the Inchinnan/Oakshaw project had been completed within budget. The members of the Estates Committee had visited the refurbished areas of the Oakshaw building and had been pleased with this development. The Estates Committee had also received a report on lessons learned from this project which would be helpful for future projects. It was **agreed** that the members of the Finance and General Purposes Committee would visit the areas refurbished through this project prior to its next meeting in September. **[Action: GMcA]**

FPM194 ANNUAL REPORT ON GOVERNANCE COMPLIANCE AND ROA OUTCOMES 2017-18

The Committee noted the annual report on governance compliance and also how this Committee was meeting the requirements in relation to relevant areas in the Regional Outcome Agreement (ROA) 2017-18. The Committee welcomed this report.

FPM195 STRATEGIC RISK REGISTER (FPM180)

The Committee noted a copy of the information that Mott MacDonald had provided at the Risk Management Training Workshop on 26 March 2018.

The Committee considered the Strategic Risk Register which had been revised in light of the recent workshop held with Mott MacDonald. A dashboard had been added to the front page, a referencing system had been introduced and risk graphs had been included. Also the risk register had been updated recently by the Senior Management Team (SMT). In light of the recent funding announcement from SFC, Risk 1 now had a higher risk rating than before and steps were being taken to mitigate the risk involved. Consideration would also be given to setting out a risk appetite statement for the College and further information on this would be brought through the Committees next session.

The Committee noted and welcomed the revised strategic risk register and particularly the dashboard. It was suggested that it might be helpful if the dashboard could also indicate the movement of each risk, i.e. whether higher, lower or static. This would be considered for inclusion on the dashboard to be presented to the Board of Management. **[Action: AR]**

FPM196 EXTERNAL AUDIT PLANNING MEMORANDUM

The Committee noted the External Audit Planning Memorandum 2017-18 which had already been approved by the Audit Committee.

FPM197 SCHEDULE OF BUSINESS 2017-18

The Committee noted its schedule of business for 2017-18.

FPM198 DATES OF MEETINGS IN 2018/19

The Committee noted that it would meet on the following dates in session 2018/19:

- 25 September 2018
- 20 November 2018 **at 2.00 p.m.**
- 5 March 2019
- 4 June 2019

All Tuesdays at 4.00 p.m. except the November meeting which starts at 2.00 p.m. and is followed by the Joint meeting with the Audit Committee at 4.00 p.m.

FPM199 NEXT MEETING

Tuesday 25 September 2018 at 4.00 p.m. at the Paisley Campus.

Finance & General Purposes Committee: Meeting of 8 June 2018

Actions from the Minutes

Date of Meeting	Min Ref	Matter for Action	Responsible Person	Action Taken	Timescale (where applicable)
8 June 2018	FPM189	Management Accounts – Board to be asked to approve transfer to WCS Foundation if required by 31 July 2018	D Alexander	Board considered and approved this request at its June 2018 meeting	Complete
	FPM190.1 174	Funding Allocation from SFC for 2018-19 – i. Committee’s concerns around funding to be raised at Board meeting in June; ii. Action plan to address funding challenges to be shared with Board at appropriate time	A Cumberland D Alexander	i. Board discussed funding allocation from SFC for 2018-19 at its June meeting ii. Action Plan to be developed and shared with Committee and Board at appropriate time	i. Complete ii. Future meeting
	FPM190.2 174	2018-19 Budget and Financial Strategy – Board to be asked to approve proposed budget for 2018-19 and to note the five year Financial Strategy	D Alexander A Ritchie	Board approved the proposed Budget for 2018-19 and noted 5 year Financial Strategy	Complete
	FPM192 178	College Cyber Action Plan – further progress report to be provided to next meeting	D Black		September meeting
	FPM193 170.2	Inchinnan/Oakshaw Project – Committee to tour refurbished areas in Oakshaw building prior to next meeting	G McArthur	Tour of refurbished areas in Oakshaw to take place at 3.00 p.m. on 25 September 2018	September meeting
	FPM195 180	Strategic Risk Register – consideration to be given to including movement of each risk on dashboard	A Ritchie	Movement of each risk including in report provided to Board at its June meeting. Board welcomed this information	Complete

		Actions from previous minutes			
21 Nov 2017	FPM151 140	SFC Financial Forecast Return – further financial modelling undertaken and FFR submitted to SFC following approval by Board. Reports on spend to be provided as appropriate, including information/feedback from SFC when available	D Alexander A Ritchie	SFC issued revised guidance regarding FFR returns. Currently being analysed and report to be brought to September meeting	September meeting
	FPM154.3	Dialogue with SFC – Committee to be informed of progress with discussions with SFC	A Cumberland D Alexander	Committee updated on discussions with SFC at June meeting	Complete

GMcA/27.06.18

**TITLE: COMMITTEE REMIT, MEMBERSHIP AND DATES OF MEETINGS
IN 2018/19**

Background: The Committee is invited to review its remit which is set out in the attached paper.

The membership of the Committee and dates of meetings are also provided in the attached paper for information.

Action: The Committee is asked to consider its remit, and to note its membership and dates of meetings in 2018/19.

Lead: Gwen McArthur, Secretary to the Committee.

Status: Open

TITLE: MONITORING OF REGIONAL OUTCOME AGREEMENT

Background: The Board of Management have agreed that each Committee should monitor progress on areas of the Regional Outcome Agreement (ROA) for which they have responsibility and provide a report to the Board in June 2019.

Action: The Finance and General Purposes Committee is asked to:

- note the background information provided in relation to the Regional Outcome Agreement process;
- note the key objectives of the West College Scotland Regional Outcome Agreement, which covers the period to 31 July 2020; and
- consider and agree the processes in place to enable monitoring of required ROA outcomes and to support provision of the required report to the Board of Management in June 2019.

Lead: David Alexander, Vice Principal Operations

Status: Open

TITLE: VICE PRINCIPAL UPDATE/OVERVIEW REPORT

Background: This paper provides the Finance and General Purposes Committee with updates in relation to:

- Changes and matters of consideration arising from the Office of National Statistics (ONS) reclassification of the college sector in April 2014
- 2018/19 SFC funding allocations
- Ongoing West College Scotland engagement with the SFC
- Voluntary severance
- National bargaining
- Information Technology developments

Action: The Finance and General Purposes Committee is invited to consider and note the report for information.

Lead: David Alexander, Vice Principal Operations

Status: Open

TITLE: COLLEGE CYBER ACTION PLAN – PROGRESS REPORT

Background: The Finance and General Purposes meeting of 6 March 2018 considered the key actions within the Scottish Government’s Public Sector Action Plan on Cyber Resilience and how the College was intending to respond to these.

The Committee agreed that the College should seek to achieve Cyber Essentials Plus accreditation by October 2018 and that reports on progress would be provided at subsequent meetings.

The first progress report was presented at the Finance and General Purpose meeting of 8 June 2018. This report provides a further update.

Action: The Finance and General Purposes Committee is asked to consider the progress made to date in implementing the College Cyber Resilience Plan in order to achieve Cyber Essentials Plus Accreditation by October 2018.

Lead: David Black - Director, IT

Status: Open

TITLE: CORPORATE GOVERNANCE – ACCOUNTABILITY REPORT 2017-18

Background: As part of the year end audit process the Board of Management are required to consider and approve the Corporate Governance Statement which is included within the Accountability Report section of the annual accounts. Best practice is that this statement should be considered as a separate item in advance of the financial statements approval process.

This report presents the draft Accountability Report section for review by the Finance and General Purposes Committee in advance of the finalisation of the annual report and accounts. The format of the report is based upon guidance issued by the SFC (*Agenda item 15*).

Action: The Finance and General Purposes Committee is requested to review and consider the draft Accountability Report in advance of the final annual report and accounts being presented to the Joint Audit / Finance and General Purposes Committee in November.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open

TITLE: ANNUAL REVIEW OF FINANCIAL REGULATIONS

Background: The Finance and General Purposes Committee remit includes the requirement to *'advise the Board of Management on key issues of the College's financial and resource management including regular review of finance policies, procedures and regulations'*

This report highlights to the Committee a number of proposed changes to the Financial Regulations.

Action: The Finance and General Purposes Committee are requested to consider the proposed amendments to the College Finance Regulations and approve the revisions to the Board of Management.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open

TITLE: INTERNAL AUDIT REPORT – PROCUREMENT AND TENDERING

Background: As part of the internal audit programme for 2017-18 Scott Moncrieff conducted a review of procurement and tendering. The report was presented and considered by the Audit Committee in September 2018. The recommendations made within the report will be added to the College Rolling Audit Action Plan to allow the Audit Committee to monitor the College progress in addressing the recommendations made.

This report presents the findings of that review to the Finance and General Purposes Committee for their information and consideration.

Action: The Finance and General Purposes Committee is asked to consider the contents of the report.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open

TITLE: RISK MANAGEMENT - STRATEGIC RISK REGISTER

Background: Under the Corporate Governance Code the Board of Management is tasked with ensuring a framework of risk management and control is in place. This paper presents to the Finance and General Purposes Committee the considerations of the College Senior Management Team (SMT) in relation to the College Strategic Risk Register.

Action: The Finance and General Purposes Committee is requested to review and approve the Strategic Risk Register and in doing so consider:

- The risks included in the register;
- The risk ratings both pre and post mitigation;
- Whether any other risks should be considered for removal; and
- Whether any new risks should be considered for inclusion.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open

TITLE: **ANNUAL UPDATE REPORT 2017-18: TAXATION MATTERS, BANKING ARRANGEMENTS AND BAD DEBT WRITE OFF**

Background: In accordance with the remit of the Finance and General Purposes Committee this report presents an update in relation to College taxation matters, banking arrangements and bad debt write off for 2017-18.

Action: The Finance and General Purposes Committee is asked to note the content of the report.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open

TITLE: **AUDIT SCOTLAND REPORT – SCOTLAND’S COLLEGES 2018**

Background: Audit Scotland published their annual report of the college sector - *Scotland's Colleges 2018* – on 21 June 2018. This provided an update on developments taking place within the College sector and, where possible, assessed their impact.

Action: The Finance and General Purposes Committee is asked to consider:

- the Audit Scotland report, and the recommendations arising from this;
- whether there is a need to revise/update the College risk register in light of the report recommendations; and
- whether any actions require to be progressed by the Finance and General Purposes Committee at this time based on the report.

Lead: David Alexander, Vice Principal Operations

Status: Open

TITLE: **ACCOUNTS DIRECTION FOR SCOTLAND'S COLLEGES 2017-18**

Background: The SFC issue mandatory guidance for the preparation of the annual report and accounts each year. The guidance for 2017-18 was issued on 13 July 2018 and this paper provides the Committee with an overview of the detailed requirements.

The deadline for the approval of the 2017-18 annual report and accounts to be submitted to the Scottish Funding Council remains as 31 December. Two copies of the annual report and accounts also require to be sent to the Auditor General for Scotland by the same deadline.

Action: The Finance and General Purposes Committee is requested to note the content of the report.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open

TITLE: 2017-18 AUDIT STRATEGY MEMORANDUM

Background: The purpose of this report is to present to the Committee the external auditor's Audit Strategy Memorandum for the audit of the 2017-18 financial statements. The Finance and General Purposes Committee and Audit Committee have joint responsibility for approving the College Annual Financial Statements. The Audit Strategy Memorandum 2017-18 was presented to the Audit Committee on 24 May 2018 for consideration and the attached document reflects this.

The Audit Strategy Memorandum document provides the Committee with an overview of the external auditor's (Mazars LLP) preliminary audit planning procedures in relation to the financial statements of the College for the year ended 31 July 2018. The memorandum sets out the external auditors intended approach to the audit of the College and provides an overview of significant risks and key judgement areas in section 4.

In section 5 the memorandum notes the four wider scope areas upon which the auditors require to make a judgement:

- financial sustainability;
- financial management;
- governance and transparency; and
- value for money.

Mazars have set their fee for the audit at [REDACTED]. This fee is within the fee range set by Audit Scotland of between £26,091 and £31,889.

Action: The Finance and General Purposes Committee is requested to note the content of the 2017-18 Audit Strategy Memorandum.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open

TITLE: INTERNAL AUDIT ANNUAL PLAN 2018-2019

Background: The Audit Committee meeting of September 2018 considered a draft internal audit plan covering the period until 31 July 2020, at which point the current internal audit contract with Scott Moncrieff will terminate. In line with previous Audit Committee agreement, the level of internal audit activity has been set annually at 55 days.

This report presents the 2017-18 internal audit plan as approved by the Audit Committee in September 2018. The plan is being brought to the Finance and General Purposes Committee for information and to note the intended work to be undertaken during the year.

Action: The Finance and General Purposes Committee is requested to note the content of the approved Internal Audit Annual Plan 2018-19.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open

TITLE: SCHEDULE OF BUSINESS 2018-19

Background: This paper outlines how the Schedule of Business for 2018-19 enables the Finance and General Purposes Committee to fulfil its' remit.

Action: The Finance and General Purposes Committee is requested to note the content of the report.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open