



**Board of Management
Meeting of 05 December 2016**



NOTICE OF MEETING

A meeting of the Board of Management will take place at 1500 hours on Monday 05 December 2016 in Room G10 at Aberdeen City Campus.

MEMBERS OF THE BOARD OF MANAGEMENT

Mr. D Anderson
Ms. A Bell
Ms. S Cormack
Mr. D Duthie
Mr. J Gall
Mr. I Gossip
Prof. J Harper
Mr. J Henderson
Ms. C Inglis
Ms. S Masson
Mr. R McGregor
Ms. L McIntyre
Mr. K Milroy (Chair)
Mr. D Russell
Ms. A Simpson
Mr. A Smith
Mr. R Wallen
Ms. K Wetherall

IN ATTENDANCE

Ms. P May, Secretary to the Board of Management
Ms C Mackie, Minute Secretary
Liz McIntyre, Principal & Chief Executive

IN ATTENDANCE FOR AGENDA ITEM 2

Mr. P Hykin, IT Director
Mr. S Matthew, Head of IT and Technical Services
Mr. C Sutherland, InfoSec

IN ATTENDANCE FOR AGENDA ITEMS 9.2 AND 9.3

Ms A MacDonald, Audit Scotland
Mr. R Scott, Vice Principal – Finance

05 December 2016

Agenda

1 Apologies for absence

2 Presentations (no papers)

- Information Security
- Future of NESCol IT

3 Declarations of any Potential Conflicts of Interest in relation to any Agenda Items

4 Minutes of previous meetings

- 4.1 Minute of the meeting of 03 October 2016 (paper enclosed)
- 4.2 Minute of the Planning Event of 18 and 19 November 2016 (paper enclosed)

5 Matters arising from previous meetings (paper enclosed)

6 Report to the Board by the Regional Chair (paper enclosed)

7 Report to the Board by the Principal (paper enclosed)

8 Reports by Chair and Committee Chairs

- 8.1 Meetings of Standing and Ad Hoc Committees (paper enclosed)

9 Matters for decision

- 9.1 Action Learning Project 2015-16 (paper enclosed)
- 9.2 Annual Report by the Audit and Risk Committee to the Board of Management, 2015-16 (paper enclosed)
- 9.3 Financial Statements for the Year to 31 July 2016 (paper enclosed)
- 9.4 Partnership for Change (paper enclosed)

10 Matters for discussion

- 10.1 High Level Strategic Risk Register (paper enclosed)
- 10.2 Draft Outcome Agreement 2017-18 (paper enclosed)
- 10.3 Draft Access & Inclusion Strategy (paper enclosed)
- 10.4 Report by the Governance Steering Group (paper enclosed)
- 10.5 Report by Investment and Project Committee (paper enclosed)
- 10.6 Partnership Opportunities in Construction (paper enclosed)

11 Matters for information

- 11.1 Childcare (paper enclosed)
- 11.2 Investors in People (paper enclosed)
- 11.3 National Collective Bargaining (oral update)

12 Summation of Business and Date of Next Meeting

Reserved Item of Business

13 Matter for discussion

- 13.1 Meetings of Standing and Ad Hoc Committees – Reserved Items of Business

14 Summation of Reserved Item of Business

Draft Minute of Meeting of 03 October 2016

The meeting commenced at 1400 hours.

PRESENT – D Anderson, A Bell, S Cormack, D Duthie, J Gall, I Gossip, J Henderson, C Inglis, S Masson, R McGregor, K Milroy (Chair), A Simpson, A Smith, R Wallen, K Wetherall.

IN ATTENDANCE – P May, P Kesson

1. Apologies for Absence

Apologies were received from J Harper and D Russell.

2. Minute of previous Meeting

The Minute of Meeting held on 19 July 2016 was approved.

3. Matters arising from previous Meeting

The Board noted a paper providing information on matters arising.

Information was provided on Estates Strategy – Masterplans; Fellowship; and Governing Bodies, Equality and Diversity.

4. Report to the Board by the Regional Chair

The Board noted a report providing information on: the induction process for the new Principal; National College Board Induction Workshops 2016-17; Scotland's Colleges 2016 annual report; Impact and Success of the Programme of College Mergers in Scotland; Gender Action Plan; and Learning for All: Measures of Success.

The Interim Letter of Guidance for 2017-18 was tabled and noted.

Mr Milroy informed Members that Mr Wallen would demit the post of Principal on 09 December 2016. Members agreed the proposed arrangements for a retirement dinner for Mr Wallen following on from the meeting of the Board on 05 December 2016.

Ms Inglis joined the meeting at this time.

5. Report to the Board by the Principal

The Board noted a report providing information on: Audit fieldwork arrangements; site of the former Balgownie Centre; Estates Development Strategy – Outline Business Case; Engineering Technologies, Fraserburgh Campus; Beacon Award Assessment visit; RGU Strategic Planning Group; and SQA Qualifications Committee.

Mr Wallen informed Members that the assessors who visited the College for the Beacon Awards had been highly impressed by the College's BYOD scheme. Mr McGregor was thanked for arranging an excellent programme of activities for the assessors.

Mr Wallen provided information on the RGU Strategic Planning Group.

Mr Wallen informed the Board that arrangements are being made to display the College's Queen's Anniversary Awards Medals.

Members recorded their thanks to all those involved in the recent and very successful Awards Ceremony held at the Fraserburgh Campus.

6. Reports by Chair and Standing Committee Chairs

6.1 Meetings of Standing and Ad Hoc Committees

Members were informed that approved minutes of meetings of Standing Committees that had been held since the last meeting of the Board of Management had been circulated in hard copy to Members as appropriate.

Mr Milroy invited Members to comment or request further information on the business transacted in the Standing Committees and Ad Hoc Committees of the Board of Management.

There were no matters arising.

7. Matters for Decision

7.1 North East Scotland College Position relating to National Collective Bargaining

The Board considered information which would provide them with an opportunity to consider what the College should be seeking to achieve through the process of national collective bargaining and the related work on the "workforce for the future" for the College sector.

Information was provided on the approach adopted by the College over many years of local bargaining; the current position; and issues relating to national collective bargaining.

After some discussion Members agreed the set of issues to be observed in the course of national negotiations as presented in the paper.

Mr Wallen provided further information on the current dispute over the level of pay award to support staff for 2016-17. Members were advised that the second day of industrial action, called by UNISON, had no impact on the daily working of the College.

In response to a matter raised by Ms Masson on the issue of flexible working, Mr Wallen said that this was a matter for consideration at a local College level.

It was noted that Ms Hart, in her role as the College's representative on the Employers' Association, would refer back to the Board if proposals were made as part of national negotiations that were not in line with the College's interests.

It was agreed that the Human Resources Committee would keep national collective bargaining developments under review and bring matters to the attention of the Board as appropriate.

7.2 Review of Governance Manual

The Board considered proposed changes to its Governance Manual, noting that the amendments are to reflect the requirements of the revised Code of Good Governance for Scotland's Colleges, published in September 2016.

Members adopted the amended Governance Manual. Mr Milroy advised that the Manual would continue to be considered regularly by the Board's Governance Steering Group and that any future amendments would be brought back to the Board for consideration as appropriate.

It was noted that the Governance Steering Group would consider in due course, model schemes of delegation and standing orders circulate to the sector by the Good Governance Steering Group.

7.3 Equality and Diversity Champion

Members considered and approved the proposed role description for the Board of Management's new Equality and Diversity Champion.

Mr Duthie proposed, seconded by Mr Gossip, that Ms Bell be appointed to the role of Board Champion. Ms Bell accepted the role.

7.4 Remuneration Committee

Mr Milroy advised Board Members that this paper had been deferred to a future meeting as the matter had not yet been discussed with the staff concerned. He asked Members to notify the Remuneration Committee if they had any comments or suggestions on the revised draft Policy.

Mr Milroy thanked Ms Inglis for the work undertaken on the draft Senior Staff Pay Policy.

8. Matters for Discussion

8.1 Updated Code of Good Governance for Scotland's Colleges

The Board considered the updated Code of Good Governance for Scotland's Colleges, published in September 2016.

Members noted that the Code has been updated to reflect the findings of the Cabinet Secretary's Governance Task Group that reported in March 2016.

Members noted the changes and supporting comments.

8.2 Board Evaluation Processes

The Board considered the evaluation processes adopted to monitor and strengthen its effectiveness.

Information was provided on: the background to the process; Regional Chair's Annual Appraisal by Vice Chair; Annual Committee Chair Development meetings; training plans; external effectiveness review; and Secretary to the Board's Annual Appraisal.

After some discussion Members confirmed that they were comfortable with the way forward for the external effectiveness review. It was noted that the Governance Steering Group would review the matter further and share their thoughts with the Board at its meeting in December.

Mr Milroy commented that a similar format could be adopted to that currently used in internal audits with a report, commentary, and then management response.

The Board agreed the evaluation processes adopted to monitor and strengthen its effectiveness and agreed that the matter be discussed in more detail in due course.

8.3 Board Planning Event

Members considered arrangements for the Board's Planning Event on 18 and 19 November 2016.

Information was provided on: venue for the event; invited guests; programme for the event; and a pre-dinner briefing by an official of the Scottish Government.

In adopting the proposed arrangements Members noted that in session 1 the wording at the end of the sentence would be changed to also include the consideration of opportunities; and session 7 relating to the Students' Association would be rescheduled to the Friday afternoon due to Ms Simpson's unavailability on the Saturday morning.

8.4 New College Quality Arrangements 2016-17

The Board considered information on the new arrangements for improving and assuring the quality of provision and services for the academic year 2016-17.

Information was provided on the success of the College in the pilot scheme; and the arrangements proposed to take place over a 2 year cycle starting in August 2016.

Mr Wallen summarised the College's use of an external Validation Panel to support the development of new quality arrangements as part of the Action Learning Project, and commented that the continuation of this approach would be beneficial.

8.5 Risk Registers

The Board considered the College's High Level Strategic Risk Register and the College's Operational Risk Register.

It was agreed that further consideration should be given to the proposal to merge the 'demand for College provision' risk into the 'curriculum' risk of the High Level Strategic Risk Register. It was also agreed that a risk relating to effective transition arrangements for the Principal's role should be added to the Operational Risk Register under the 'Corporate' heading.

Mr Duthie raised the issue of security of the College's IT systems and it was agreed that Mr Matthew, Head of IT, be asked to give a short presentation to Members at the December meeting of the Board.

8.6 Internal Audit Programme, 12 months to 31 July 2017

The Board considered and approved the Internal Audit Programme for the financial reporting period for the 12 months to 31 July 2017.

Members noted that the Programme had been considered and approved by the Audit and Risk Committee at its meeting in September 2016.

8.7 Report by the Investment and Project Committee

The Board considered the work of the Investment and Project Committee.

Mr Milroy reported on the business conducted by the Committee at its meeting held on 19 July 2016 at which the project to redevelop engineering technologies training facilities at the Fraserburgh Campus; and matters related to the sale of the former Balgownie Centre were discussed. Mr Milroy said that the College's advisors had recommended that no further marketing of the site takes place in the interim.

Mr Milroy also reported on the business conducted by the Committee at its meeting held on 13 September 2016 at which the project to redevelop engineering technologies training facilities at the Fraserburgh Campus was discussed. He confirmed that the project at Fraserburgh is on time and within budget, had been exceptionally well managed, and no major issues have been identified.

9. Matter for Information

9.1 Developing Scotland's Young Workforce Conference

Ms Simpson provided Members with a summary of a recent Conference for Developing Scotland's Young Workforce, and a parliamentary reception, which she had recently attended.

Ms Simpson commented that the quality of the speakers at the Conference had been very good and she considered her attendance at the event to be very worthwhile.

Mr Milroy thanked Ms Simpson for her attendance at the events.

Other Business

1. Students' Association

Mr Wallen raised an additional item of business relating to the legislative requirement to enrol Students' Association Sabbatical Officers on a College course and confirmed that the College would implement this as required.

2. Fellowship Award

Ms Bell asked for it to be noted that she wished to propose a member of the Score Group for the 2017 Fellowship Award Scheme.

10. Summation of Business and date of next Meeting

The Secretary gave a summation of business conducted. The next meeting of the Board of Management is scheduled to take place on Monday 05 December 2016 at 1400 hours.

Reserved Items of Business

11. Matters for Discussion

11.1 Meetings of Standing and Ad Hoc Committees – Reserved Items of Business

11.2 Aberdeen Skills and Enterprise Training Limited – Annual Report by Chair

11.3 Regional Chair's Annual Appraisal by Vice Chair

12. Summation of Reserved Items of Business

The Secretary gave a summation of the reserved items of business.

The meeting concluded at 1542 hours.

Draft Minute of 18 November 2016

The Planning Event commenced at 1300 hours.

PRESENT: D Anderson, A Bell, S Cormack, D Duthie, J Gall, J Harper, J Henderson, C Inglis, S Masson, R McGregor, K Milroy (Chair), A Simpson, A Smith, R Wallen, K Wetherall

IN ATTENDANCE: D Abernethy, S Betty, N Cowie, J Davidson, E Hart, A MacPherson, P May, L McIntyre, R Scott, J Thorne

APOLOGIES FOR ABSENCE: A Russell, I Gossip

Chair's Introduction

Mr Milroy welcomed attendees to the Planning Event and emphasised its importance in setting the College's direction of travel. Mr Milroy reflected upon the Board's journey taken pre and post-merger, commenting that NESCol had managed the process well with good pace throughout.

It was noted that the Board and Senior Management Team (ST) are acutely aware of the challenges the organisation is facing but that the Event will provide attendees an opportunity to discuss how they can be navigated.

It was also noted that the College is facing a time of change with Principal Wallen retiring at the end of the calendar year. Mr Milroy welcomed Ms McIntyre, Mr Wallen's successor, highlighting that the Event would provide her with an overview of the College and key issues.

SESSION 1: THE CURRENT CONTEXT

Attendees received a presentation from Mr Wallen 'Regional Overview'. Mr Wallen noted that the current planning context is very challenging and that the College needs to consider new approaches. A discussion was held around the Scottish Funding Council's (SFC) current funding formula and its impact on NESCol. Attendees were advised that the SFC is working towards a new more transparent funding model for the future.

During a plenary discussion the following points were noted:

- Scenario planning should be undertaken to ascertain if the College has capacity to meet any new or emerging skills needs should the economy in the North East improve.
- In relation to referencing uncertainty in the Oil & Gas sector, as well as uncertainty around Brexit, it was agreed that the complexities of these situations should be reflected in the College's Outcome Agreement and Strategic Plan.
- It was noted that any cost reduction exercises should be carried out with careful consideration to ensuring that the College won't be affecting its ability to react and take advantage of any regional upturns/opportunities, should they arise.
- Mr Milroy noted that ONE is a key body in promoting the development of the North East. It was agreed that, once in post, Ms McIntyre should continue to develop the College's relationship with ONE as appropriate.
- In noting the background reading that had been issued in advance of the Event, it was agreed that it is important for the College to keep up to date with developments relating to the City Region Deal, the new Regional Skills Strategy, the Learning and Skills Journey and the Scottish Government's Enterprise and Skills Review.

SESSION 2: THE FUTURE FINANCIAL POSITION

Attendees received a presentation from Mr Scott on 'Financial Challenges'. Mr Scott commented that as future funding was unknown a number of assumptions have been made for planning purposes.

The presentation covered the following key areas:

- Funding trends
- The emerging budget position, 2016-17
- The emerging budget position, 2017 onwards
- Dealing with the consequences – key questions and possible actions for the Board to consider.

In response to a query as to whether or not there were consequences that the Board weren't aware of following the continued decrease in funding, Mr Wallen and Mr Scott advised that the merger process allowed the College to make significant efficiencies meaning that initial funding cuts were dealt with successfully. It was however noted that further cuts were becoming increasingly difficult to manage in a way that does not impact on resources or service delivery e.g. backlog maintenance is increasing.

Attendees split into three groups to discuss what the Board is and is not prepared to consider in order to achieve a break-even budget. A plenary session was then held with each group noting key messages discussed:

Group 3

- Importance of maintaining attainment and retention rates
- Review of which subjects are delivered where, and the use of technology in delivery to maintain access
- Prioritise key curriculum areas – certain subjects are required to support regional needs but others address areas of national specialism e.g. tv and radio broadcasting.

Group 2

- Consider additional merger discussions across the sector (e.g. one College for Scotland)
- Consider opportunities to commercialise the estate
- Potential growth of the 2+2 model due to its proven success and in support of DYW
- Increase offer of distance/e-learning
- Engagement with City Region Deal – improve alignment, funding opportunities
- Explore opportunities for new/alternative funding
- Focus on areas of strength and areas of specialism – leave others to offer additional curriculum areas
- Consider new partnering opportunities for sponsorship and commercial activities
- Explore opportunities for R&D and innovation funding
- Consider Fife College model for renewables
- Ensure operations of ASET are not endangered.

Group 1

- Generation of ideas to address funding issues needs to be considered at sector level as well as at local College level
- Continuing to meet the needs of the North East whilst addressing Scottish Government strategies and priorities can create conflict
- Define strategic needs and agree priorities
- Within Outcome Agreement, define exactly what it is the College is prepared to do to make NESCol's intentions and situation clear to the SFC.

SESSION 3: THE FUTURE OF THE STUDENTS' ASSOCIATION

In introducing the session, Mr Milroy reconfirmed the Board's commitment to ensuring that effective arrangements are in place to support the Students' Association (SA) and to ensure that there is a strong learner voice across the College.

Ms Simpson in her role as Chair of the Students' Association Joint Review Group summarised the work of the Group to date, noting that the intended outcome of the review was to ensure there is a strong and sustainable SA. Attendees were advised that the Group was considering options relating to structures and the best use of funding, taking into account approaches adopted by other college SAs. Attendees were advised that the Review Group would report its findings and recommendations in Spring 2017.

Attendees received a presentation from the SA President and SA Depute President – 'Shaping the work and the environment of the College with active and aware students'.

Board Members congratulated the SA on how far they have come since merger in terms of work undertaken and plans for further development. Attendees agreed that the presentation highlighted useful themes and areas for consideration for the Joint Review Group.

Board Members were advised that they could submit any comments they wish to share in relation to the Joint Review Group to Ms Simpson.

SESSION 4: COLLEGE PROVISION

Attendees received a presentation from Mr Davidson on 'College Provision'.

The presentation covered the following key areas:

- Curriculum planning
- Course viability
- Growth areas
- Curriculum challenges
- Teaching methodologies
- Barriers to change.

Presentation followed by group discussions and summarising plenary discussion.

Discussion Groups:

Attendees split into three groups to discuss, in the current financial context, what courses should the College deliver, where and how. A plenary session was then held with each group noting key messages discussed:

Group 1

- Consider timetabling adjustments e.g. extended opening hours
- Help to facilitate oil & gas recovery e.g. maintain promotion of engineering as a career option
- Use under-utilised staff to go into schools to promote oil & gas related options
- Be mindful that the College should remain relevant to employers, don't only use KPIs to determine offerings
- Enhance and encourage further relationships between schools, local authorities and employers
- Use of work placements in "blended learning"
- Further promotion of Foundation Apprenticeships to key stakeholder groups
- The College needs to actively take key messages to schools, parents and employers.

Group 3

- Consider desire of students outside of city, especially Fraserburgh and Peterhead, to attend classes in Aberdeen – possible implications for what is offered where
- Don't run courses due to their high SFC price banding; student and regional needs should be the priority
- Consider further partnerships to provide the College access to other facilities for delivery e.g. better use of public sector buildings
- Sustainability is important but the College also needs headroom for innovation.

Group 2

- Importance of highly motivated and enthusiastic staff to ensure there is effective student engagement
- Consider utilisation of 'dead' space in order to generate income e.g. art and design areas to have studio and practice spaces
- Consider the potential to regenerate any underutilised areas
- Consider non-traditional approaches to lectures
- Be mindful that the use of VC or online learning isn't always suitable - consider the option of blended learning instead?
- Stop promoting programmes and start promoting pathways instead
- Reduce the number of different course, by allowing a broader range of unit options in a smaller offering of courses
- Don't strive to make cost savings if it will impact on the student learning experience
- Be smart about the use of feedback from Class Reps
- Consider whether or not the College has the capacity to adequately enter/visit schools
- Consider whether the marketing of the College and its courses is as effective as it could be
- Consider current curriculum offering and identify where adjustments can be made
- Ensure MPs are aware of the struggle faced by individual colleges, and the sector as a whole in relation to funding
- The College should be mindful of the human element involved in any changes, as the Board have a duty of care to all staff.

In closing the session, Mr Milroy noted the following common themes highlighted by the three groups:

- Marketing
- Curriculum review
- Course viability
- A Board appetite for change.

The business of day 1 concluded at 1650 hours.

Draft Minute of 19 November 2016

The Planning Event reconvened at 0940 hours.

PRESENT: D Anderson, A Bell, S Cormack, J Gall, I Gossip, J Harper, J Henderson, C Inglis, S Masson, R McGregor, K Milroy (Chair), R Wallen, K Wetherall

IN ATTENDANCE: D Abernethy, S Betty, N Cowie, J Davidson, E Hart, A MacPherson, P May, L McIntyre, R Scott, J Thorne

APOLOGIES FOR ABSENCE: D Duthie, A Russell, A Simpson, A Smith

Prior to the start of Session 6, Mr Milroy commented on the very informative input from Mr Griffin at the dinner held the previous evening.

SESSION 5: NON SFC INCOME GENERATION, COMMERCIALITY & EMPLOYER ENGAGEMENT

Attendees received a presentation from Mr Cowie on 'Non SFC Income Generation, Commerciality and Employer Engagement'.

The presentation covered the following key areas:

- Financial positions and outlook
- Risk
- Non-SFC income
- Fee income and SDS-related activity
- Sponsorship
- Other opportunities
- Regional issues – oil and gas, Regional Skills Strategy and CPP priorities, and Regional employer demand and workforce planning
- National issues – Apprenticeship Levy and Collab Group and other commercial opportunities
- NESCol External Engagement Strategy review
- SFC key priorities.

Before splitting into two discussion groups, Mr Cowie highlighted a number of considerations for attendees, including:

- Internal value creation e.g. use of estates during “downtime”, income generation from the student body
- International activity e.g. queries received by the SMA, are there opportunities there through increased use of web technologies?
- Use of Apprenticeship Levy to grow FAs, MAs and Graduate Apprenticeships
- Consideration of Workforce Planning Initiatives
- Opportunities for sponsorship
- The new Regional Skills Strategy – expected to focus on employer engagement, partnership working, employer growth and supporting the eventual upturn in oil and gas
- Opportunities for further discussions with NHS Grampian and Shell regarding staff training.

Attendees were also advised that the SMT had agreed that the External Engagement Strategy should be reviewed. Mr Cowie noted that the impact of Employer Engagement Manager had been very positive.

The two groups were asked to discuss: ambition and targets, approaches and resources, and the future of employer engagement. A plenary session was then held with both groups noting key messages discussed:

Group 2

- Consider expansion of SDS work and work with employers
- Consider how to generate increased margins when working with large employers on smaller areas of focus
- Consider the staff used to provide training to employers – does the impact justify removing them from teaching in curriculum areas ?
- Access to seed corn funding for initiatives similar to the new scaffolding centre (It was noted that the NES FE Foundation would discuss this at its next meeting)
- Work with NHS to more closely address their training needs through the Apprenticeship Levy
- Be mindful not to generate income at the expense of students and the College's core business – delivering the curriculum.

Group 1

- Consider the culture of the College – is there the capacity to properly resource ideas?
- Consider creating dedicated creative spaces to explore and present ideas to generate income e.g. staff to present to the Board
- Identify champions for leading on ideas
- Consider ring-fencing money for enterprise activities
- Arrange employer engagement event in the new year to identify any missing provision in the region
- Establish standing agenda item at team meetings to discuss arising opportunities
- Consider seed corn funding and use of reserves from the Foundation
- Consider introducing an entrepreneurial focused or commercialisation award in the Staff Excellence Awards
- Explore RGU's shared interest in collaborating on developments relating to commercialisation
- Encourage cross-College approaches to generating ideas.

Ms Wetherall left the Event at this time.

SESSION 6: NATIONAL COLLECTIVE BARGAINING AND THE WORKFORCE OF THE FUTURE

Attendees received a presentation from Ms Hart and Ms McIntyre on 'National College Bargaining and Workforce for the Future'.

The presentation covered the following key areas:

- The NRPA
- Current status of National Collective Bargaining
- Challenges ahead
- The Learning and Skills Journey
- What the future will look like – Workforce for the Future.

Before a plenary discussion was held, the following comments were noted:

- The current situation in terms of National Collective Bargaining presents a risk of 'paralysis' in relation to policy development
- Consider organic development of the workforce to allow the College to adapt to future needs
- Consider the use of an outcome-focussed models in working practices, evidence-based collaboration, self-managed teams and the further development of cultures in the workplace
- Board Member expertise and experiences of employment and different workforces and workplaces could lend to ideas for how to develop future approaches for the College.

The following lists key points from plenary discussion on risk related to National Collective Bargaining:

- Uncomfortable position for Boards due to the loss of control, decisions taken at a national level remove the ability to react to regional needs and labour market changes
- The future expectation may be that pay awards must be set in line with Public Sector Pay Policy
- The College must continue to communicate and promote aims for workforce of the future
- The College should protect what it has achieved – high efficiency and a strong set of staff T&Cs.

Following a proposal from Ms McIntyre to start considering flexibility within NESCol's current T&Cs, the Board agreed to support a dialogue with staff to explore a review of arrangements. It was noted that pilots with volunteer teams could be held to ascertain the impact on service delivery.

It was noted that a 12 month notice period was required for withdrawing from the NRPA, Ms McIntyre commented that it would be unwise for an individual college to do this and that it would need to be a sector-wide decision. It was also noted that National Collective Bargaining may need to be reassessed by the sector following the announcement of the draft Scottish budget.

Board Members agreed that they had received National Collective Bargaining updates at both Board and HR Committee meetings. It was noted that these updates would continue as this is a significant area of risk which the Board must manage.

SESSION 7: EQUALITY OUTCOMES

Attendees received a presentation from Ms Hart on 'Equality Outcomes'.

The presentation covered the following key areas:

- Equality Act 2010 and Public Sector Equality Duty
- General and specific duties
- NESCol's Equality Outcomes and progress to date
- Key upcoming dates and actions.

The recent appointment of the Board's new Equality and Diversity Champion was noted.

It was noted that arrangements for a joint Board training session with RGU on unconscious bias were being discussed.

Members were advised that the Outcome and Mainstreaming Report and Gender Pay Gap Report would identify recommendation for improvements.

SESSION 8: PLANNING 2017-18

Attendees were asked to consider how the Event's discussions should be reflected in the College's key planning documents. The following lists issues which should be referenced:

Outcome Agreement

- Continually monitoring to respond to the regional economic environment
- Strengthening of the student voice further with the SA working alongside the College on learner engagement initiatives
- Reviewing the range of provision and where and how it is delivered
- Considering potential new models of delivery
- Reviewing the College's centres of delivery – number of centres, new partnerships to access properties free of charge for delivery of courses

- Developing new approaches to marketing and promotion
- Improving employer engagement
- Considering the working arrangements for the future – increased flexibility
- Seeking contract opportunities through the Apprenticeship Levy
- Defining the College's current financial position and the possible implications of decreasing funding allocations.

It was agreed that the inclusion of the above should clearly state to the SFC what the College is intending to do and also consider in order to meet the challenges of the current financial context.

Members were advised of the timescales for key stages in the development of the Outcome Agreement for 2017-18.

High Level Strategic Risk Register

Members noted the following amendments:

- Commercial issues risk – reword to reflect downturn is a reality
- Curriculum issues risk – revisit wording to reflect current key risk – financial and consider mentioning political implications of changing how and or where the curriculum is delivered
- Staffing issues risk – refer to National Collective Bargaining position and loss of flexibility
- Demand for College provision issues – amend to reference commercialisation/employer engagement.

It was agreed that the 'After Mitigation Matrix' should be amended to show 'Finance' as a higher risk and 'IT' as a lower risk than currently presented.

Strategic Plan 2015-18

It was agreed that the review of the Plan should be undertaken at the proposed next Planning Event in May 2017.

It was noted that there may be a lack of references with regards to innovation and flexible/blended approaches in learning and teaching, and this should be considered at the point of review.

SESSION 9: REVIEW OF PLANNING EVENT

Attendees agreed that the Event had been positive, engaging, fruitful and rich in discussion. Attendees commented that the coverage of issues was good and that they didn't feel any key areas had been missed.

It was noted that papers and presentations were very informative and members of the Senior Management Team were thanked for their input.

Mr Milroy recorded his thanks for the Event arrangements.

Attendees commented that both venues – RGU and Norwood House Hotel – were superb.

Mr Wallen noted that the Event's discussions had been really useful, especially in terms of the development of the next Outcome Agreement.

Ms McIntyre thanked both Mr Milroy and Mr Wallen for the invitation to attend the Event and noted that it had given her a good sense of the College and the Board's direction of travel.

Closing remarks by the Chair

Mr Milroy thanked all attendees for their contribution to the very worthwhile Event.

The event ended at 1255 hours.

Matters Arising from the Minute of the Previous Meeting

1 Introduction

- 1.1 This paper is to update the Board of Management on matters arising from the minute of the meeting of 03 October 2016.

2 Matters Arising

- 2.1 The following provide an update on matters discussed at the last meeting of the Board of Management:

5. Report to the Board by the Principal

Members were previously advised that the College had been shortlisted for a Beacon Award 2016-17 - Jisc Award for the Effective Use of Technology in FE. The winners of the Awards were announced at the AoC Annual Conference on 16 November 2016. Unfortunately the College did not win on this occasion but to be shortlisted for a Beacon Award which celebrate best practice at UK FE colleges is a significant achievement.

7.2 Review of Governance Manual

A further update on work to update the Board's Governance Manual has been included as part of Agenda Item 10.4.

7.3 Equality and Diversity Champion

Since being appointed as the Board's Equality and Diversity Champion, Ms Bell has met with the Vice Principal – Human Resources to discuss the College's approach to equality and diversity and how best to contribute to this agenda. Ms Bell has also attended a meeting of the College's Equality and Diversity Strategy Group.

7.4 Remuneration Committee

The Chair of the Remuneration Committee met with staff who will be covered by the proposed new Senior Staff Pay Policy on 03 November 2016. The Chair explained the rationale behind and the proposed implementation of the new Policy and members of staff were provided an opportunity to ask questions. Discussions on the Policy continue and Members will be updated in due course.

8.2 Board Evaluation Processes

Information relating to the upcoming External Effectiveness Review has been included as part of Agenda Item 10.4.

8.4 New College Quality Arrangements 2016-17

The College's HMI Margaret Rose Livingstone will attend the Board Meeting scheduled for 20 February 2017 to provide Members with a presentation on the new arrangements.

8.5 Risk Register

The College's High Level Strategic Risk Register has been reviewed and amended to reflect the discussions held at the recent Board Planning Event, and has been included as Agenda Item 10.1.

Other Business – Students' Association

The President and Depute President of the NESCol Students' Association have been enrolled as students as required in line with legislation (The 1992 and 2005 legislation specifies that in order to be a student member of a Board of Management of an incorporated college or of a Regional Board that person must be a student, both when nominated and for the duration of their appointment as a board member).

11.3 Regional Chair's Annual Appraisal by the Vice Chair

At the last meeting it was noted that clarification of the role of the Senior Independent Person was required. The Vice Chair will be attending a College Development Network Networking Workshop for Senior Independent Members of Boards in the College Sector scheduled to take place on 07 December 2016.

3 Recommendation

3.1 It is recommended that the Board note the contents of this paper.

Rob Wallen
Principal

Pauline May
Secretary to the Board of Management

Report to the Board by the Regional Chair

1. Introduction

- 1.1 The purpose of this paper is to update the Board of Management on recent developments in the FE sector and at the College.

2 Good Governance Steering Group

- 2.1 The Regional Chair has been appointed as the Chair of the sector's Good Governance Steering Group.

3 SQA Fellowship

- 3.1 NESCol's Principal and Chief Executive, Rob Wallen received the SQA Fellowship Award at the SQA Star Awards held at the Assembly Rooms, Edinburgh on 11 November 2016.



- 3.2 The Fellowship, SQA's highest honour, was presented in recognition of his dedication to education and training,

4 ASET Governance

- 4.1 The Regional Chair attend a meeting of the Board of Directors of ASET held on 27 October 2016 to discuss proposed changes to existing governance arrangements for the College company. Discussion on this matter are continuing and Members will be updated on the proposals in due course.

5 New Governance Hub

- 5.1 CDN has launched a new on-line learning Governance Hub for all Board Members and Board Secretaries across Scotland.
- 5.2 The Hub currently contains a wide range of publicly available information and three modules forming an on-line learning section:
 1. Material used during the 2015-16 National Induction Workshops (accessible to Board Secretaries and those members who have attended the Workshops)
 2. On-line Board Member Remuneration Committee Training
 3. Materials produced by and available to the CDN Board Secretary Network (accessible by Board Secretaries only).

The number of modules will increase over time as the sector decides on its training needs and as the 2016-17 Induction Workshops are rolled out.

- 5.3 The Secretary to the Board will shortly register all NESCol Board Members on the Hub to enable access and will contact Members with individual log-in details.

6 Community Planning Partnerships (CPPs)

- 6.1 Both local CPPs – Aberdeen City and Aberdeenshire - are currently reviewing their structures. As the College is a member of the CPPs and a member of the Board of Management is required, in line with statutory requirements, to serve the Board of each CPP. The Regional Chair has been nominated to join the Board of the Aberdeen CPP. Nominations have not yet been requested for the Aberdeenshire CPP.

7 College Development Network (CDN) – Appointment of Chief Executive

- 7.1 Jim Metcalfe, currently Head of Development and Practice at the Carnegie UK Trust, has been appointed as the next Chief Executive of CDN. Mr Metcalfe will take up the appointment on 04 January 2017. Further information on the appointment can be found at <http://www.collegedevelopmentnetwork.ac.uk/cdn-appoints-jim-metcalfe-as-new-ceo/>

8. Attendance at Meetings

- 8.1 The Regional Chair has attended various meetings since the last Board Meeting, including:
 - Colleges Scotland Board Meeting
 - Delivering Highly Effective Boards – Workshop for Public Body Board Chairs.

9 Recommendation

- 9.1 It is recommended that the Board note the contents of this report.

Ken Milroy
Regional Chair

Report to the Board by the Principal

1 Introduction

- 1.1 The purpose of this paper is to provide the Board of Management with information relating to significant recent developments.

2 AoC Beacon Awards

- 2.1 North East Scotland was one of two colleges shortlisted for the JISC-sponsored AoC Beacon Award for the Effective Use of Technology. Unfortunately the College did not win the award, which went to Reading College.

3 Queen's Anniversary Prizes

- 3.1 A submission entitled 'Developing and delivering an integrated regional curriculum' has been submitted for a Queen's Anniversary Prize.
- 3.2 The two Queen's Anniversary Prize medallions awarded to Aberdeen College are now in the display cabinet in the corridor near the former Boardroom at the Aberdeen City Campus.
- 3.3 The Queen's Anniversary Prize medallion awarded to Banff & Buchan College has not been located. An enquiry has been made to the goldsmith who made the original as to the cost of a replacement.

4 College Development Network (CDN) Awards

- 4.1 The CDN Awards dinner was held in Glasgow on Tuesday 22 November 2016. The College was highly commended in the Developing a Regional Curriculum category.

5 Project Search

- 5.1 Project Search – a programme run by a partnership of North East Scotland College, the University of Aberdeen and Inspire – is the first programme in the North East of Scotland to be awarded the DYW Gold Standard. The year-long programme prepares young people with additional needs to entry into work, and has had an outstanding record of success over the past few years.

6 Staff Excellence Awards

- 6.1 The second annual series of North East Scotland College Staff Excellence Awards took place on 17 November 2016. Awards were made in eight categories:
- Excellence in Customer Service
 - Excellence in Partnership Working
 - Equality Champion
 - Excellence in Teaching
 - Best Team
 - Rising Star
 - Unsung Hero
 - Excellence in Leadership.
- 6.2 Each award was sponsored by one of the companies that provides contracted services to the College.

7 Support Services

- 7.1 The Leadership Foundation has presented its final report on the review of opportunities to share services across the 3 Scottish Funding Council funded institutions in the North East (North East Scotland College, the Robert Gordon University (RGU) and the University of Aberdeen).
- 7.2 The institutions are considering the report. Its findings will be reported shortly to the institutions respective governing bodies.

8 Legion Scotland

- 8.1 The Vice Principal – Finance, Roddy Scott, and a colleague met with the Chief Executive of Legion Scotland and 2 officials from Aberdeenshire Council to discuss whether the College's Gordon Centre might provide a temporary location for a support centre for current and former members of the armed forces to be run by a consortium of charities. This would be one of five such centres that Legion Scotland intends to open across Scotland. The proposal for Aberdeen is at the most advanced stage of development.
- 8.2 Any agreement to allow the use of the Gordon Centre for this purpose would be on the basis that there was no cost to the College and that the lease would stipulate that the Centre would be vacated when the College needed it for decant accommodation in connection with refurbishment work on other College campuses.

9 Smoking

- 9.1 The College is taking further action to try to prevent smokers congregating anywhere near entrance doors to College buildings. This will involve improved signage indicating areas where smoking is not permitted, more visible intervention by security guards, an information campaign for staff and students, and liaison with the Students' Association.

10 CISCO

- 10.1 The College is already branded as a CISCO academy, which allows us to deliver CISCO vendor qualifications to our HND students. Contact has been made with regional managers of CISCO to see what appetite they have for working with the College to further encourage young people to move into careers in computing and support the work of the College in practical ways – in a way that they do with some other colleges – such as George Brown College in Toronto (a fellow member of the RC 2020 group that the College recently joined and which this College's principal visited recently).

11 Scottish Television

- 11.1 The College, in partnership with RGU, is working with Scottish Television to support STV's new regional channel for North East Scotland – one of five regional channels being established in Scotland. There will be opportunities for students of the College to have placements with STV. This will not only involve students from the College's Creative Industries TV course, but could also involve students on management, events management, marketing and other similar courses.
- 11.2 The HR and Marketing Director of STV will visit the College in the New Year to discuss the detailed working arrangements.
- 11.3 The partnership element with RGU is very welcome. (As a development of the partnership, it may be that the development of a one-year BA in Commercial Programme Making (or some such title) could be developed as an articulation destination from the HND Creative Industries TV – along the lines of the one-year BA in Commercial Photography which is the articulation destination from HND Photography).

12 Food and Drink

- 12.1 An outline proposal has been made to the University of Aberdeen and Opportunity North East (ONE) about the College working with the Rowett Institute to support small and medium enterprises in the food and drink sector (one of ONE priority areas). Using the skills of staff in the two organisations the range of support could include: product design/improvement; market research; marketing; packaging design. Other partners could also be involved if the proposal finds favour with ONE.

13 Laboratory Skills

- 13.1 At the suggestion of Dr Deborah O'Neil, Chief Executive of NovaBiotics, an outline proposal has been developed for a laboratory skills programme to be delivered by the College to science undergraduates or recent graduates to assist in making them more employable.

14 Practical Engineering workshop skills for undergraduates

- 14.1 Following discussions between OPITO and the Principals of the two local universities and the College about the extent to which university provision prepares individuals for work in the oil and gas sector, a suggestion has been made to both universities that the College could deliver an enhanced programme of practical workshop skills for undergraduates in the early years of their degree programmes.

15 Community Planning and the Community Empowerment Act (Scotland) Act 2015

- 15.1 Regulations and guidance have now been published to implement community planning arrangements under the Community Empowerment (Scotland) Act 2015. Legislation relating to community planning will begin coming into force on 20 December 2016. Near final guidance and regulation has now been produced to help support those who wish to take part in community planning and it is intended that the Scottish Government will publish the final version of this guidance once Parliament has scrutinised and approved the locality planning regulation; a regulation that is required to enable Community Planning Partnerships (CPPs) to prepare locality plans.
- 15.2 In Aberdeen City the College has, in conjunction with others, been involved in the creation of a Local Outcome Improvement Plan (LOIP) and several Locality Plans. This work is progressing well and it would seem that Aberdeen City CPP is ahead of most Scottish CPPs with this work. In Aberdeenshire the CPP arrangements are considerably less advanced and have until recently not involved the College in any substantive discussions relating to the development of LOIPs or Locality Plans. This said, discussions are now ongoing to ensure that the College is represented fully, at all levels, in future Aberdeenshire CPP discussions.
- 15.3 It is anticipated that once the College's CPP arrangements with Aberdeenshire Council become more established an update report will be submitted to the Board of Management for consideration.

16 Technology Enhanced Learning: University of Aberdeen School of Education

- 16.1 The College is committed to promoting the greater and more effective use of new technologies within the curriculum. In the current financial context it is not possible to release innovative staff from teaching to take part in activities to help promote new approaches amongst their colleagues as we have done in the past — for example when we first introduced the VLE about ten years ago. Discussions have been held with the Head of the University of Aberdeen School of Education with a view to the School providing support for the College in this area, with a very positive response. A further meeting is being scheduled in the near future.

17 Inverurie

17.1 Discussions are taking place with officials of Aberdeenshire Council regarding the inclusion in the design of the new Inverurie Academy of a discrete facility for the delivery of College programmes for school pupils. A further meeting is scheduled for 14 December 2016.

18 Recommendation

18.1 It is recommended that the Board note the contents of this report.

Rob Wallen
Principal

Meetings of Standing and Ad Hoc Committees

1. Introduction

- 1.1. The purpose of this paper is to assist the Board of Management to consider the business conducted at meetings of the Board's Committees.

2. Background

- 2.1. The Board's Governance Manual states that "Minutes of meetings of Committees of the Board shall be presented to the next available meeting of the Board".
- 2.2. The inclusion of this item of business as part of the agenda of meetings of the Board of Management provides the Chair and Committee Chairs the opportunity to bring matters considered at meetings of standing and ad hoc committees to the attention of Members and to afford Members the opportunity of asking the Chair and Committee Chairs for further information on business that has been transacted.
- 2.3. The approved minutes of meetings held since the last meeting of the Board of Management have been circulated in hard copy to Members as appropriate.
- 2.4. Members have the opportunity to discuss matters designated as 'reserved items of business' as a separate item in this agenda.

3. Recommendation

- 3.1. It is recommended that the Board consider business conducted at meetings of the Board's Committees.

Rob Wallen
Principal

Action Learning Project 2015-16

1. Introduction

- 1.1. The purpose of this paper is to provide the Board of Management with an update on the Action Learning Project and to consider the College's Annual Self-Evaluation Report for 2015-16.

2. Background

- 2.1. As part of its quality-related Action-Learning Project the Scottish Funding Council (SFC) sought to develop a new college-led process for reviewing the quality of College provision in Scotland. North East Scotland College (NESCol), along with South Lanarkshire and Ayrshire Colleges were identified to pilot and develop a new approach to quality improvement.
- 2.2. In partnership with Education Scotland [ES] and SFC, the College drew on internal and external intelligence throughout the academic term, and a final report was produced in October 2015. The outcome of that report was fully endorsed by ES and SFC, as well as an external Validation Panel who stated that the evidence collected was comprehensible and credible.
- 2.3. The College's Board of Management fully endorsed the Annual Self-evaluation Report for 2014-15 in November 2015.
- 2.4. The Report identified several excellent practices that existed across the College together with four key areas where further development was required.
- 2.5. The Annual Self-evaluation Report for 2015-16, attached as Appendix 1 to this paper, gives an update on progress toward addressing the areas where further improvements were required and briefly outlines the new College Quality Arrangements for academic term 2016-17.
- 2.6. At the time of writing, the Report has been circulated to the Validation Panel for endorsement that the Report is an accurate reflection on the evidence presented to them in relation to the College's activities during 2015-16. An update on feedback from the Validation Panel will be provided at the meeting on 05 December 2016.

3. Recommendation

- 3.1 It is recommended that the Board of Management note this information provided in this paper, and if so minded, approve the Annual Self-evaluation Report for 2015-16.

Rob Wallen
Principal

NORTH EAST SCOTLAND COLLEGE

ACTION LEARNING PROJECT

PROGRESS REPORT and OUTCOMES

2015-16

1.0 INTRODUCTION

In academic term 2014-15 North East Scotland College was invited to be one of three colleges piloting a new approach to the review of college provision.

The Scottish Funding Council [SFC] established the three pilots as an “Action-Learning Project” with a view to exploring whether such an approach could be rolled out across the college sector in Scotland.

In partnership with Education Scotland [ES] and SFC, the College drew on internal and external intelligence throughout the academic term, and a final report was produced in October 2015. The outcome of this was fully endorsed by ES and SFC and the College’s Board of Management.

As part of this process, the evidence that was assembled and the resulting report were all subject to the scrutiny of a Validation Panel that included representatives of:

- Aberdeen & Grampian Chamber of Commerce
- Aberdeen City Council
- Aberdeenshire Council
- Education Scotland (HMI)
- Education Scotland (student member)
- Robert Gordon University
- Scottish Funding Council
- University of Aberdeen

At the end of the project, and in the judgement of the Validation Panel, the process that the College followed was sound, the evidence collected was comprehensive and credible and the judgements reached were appropriate.

The report in October 2015 identified several excellent practices that existed across the College together with four key areas where further development was required.

This report gives an update on progress toward addressing the areas where further improvements were required and briefly outlines the new College Quality Arrangements for academic term 2016-17.

2.0 BACKGROUND

The aims of the Action Learning Project were to:

Integrate

- Integrate performance monitoring of outcome agreements with the quality of learning and teaching.

Develop regional approaches

- Establish evaluation and performance reporting which made appropriate use of core national performance information and reflecting on the regional context.

Ownership

- Strengthen college ownership and responsibility for self-evaluation and improvement planning of outcomes and quality, as the route to real quality improvement;
- Establish regional approaches which took account of governance

Challenge

- Ensure that appropriate challenge was built into college self-evaluation by embedding independent, external feedback into the College's evaluation processes;
- Enable SFC, and other stakeholders to have annual, validated assurance that the College was performing well on all aspects of their work, and that action was being taken on any areas for improvement

As part of the Action Learning Project the College identified the following **key actions for improvement** in its Self-evaluation Report for 2014-15:

1. NESCol will look to improve successful completion rates for full-time learners, particularly those on FE programmes.
2. Self-evaluation reports vary in quality and staff do not analyse consistently the reasons underlying poor performance and a review of the process and awareness raising is required.
3. NESCol will work closely with the Students' Association to ensure the Learner Voice is fully captured.
4. A full review of how equality data is collected and utilised to advance equality is required.

3.0 SELF-EVALUATION PROGRESS REPORT ON AREAS FOR IMPROVEMENT

3.1 NESCol will look to improve successful completion rates for full-time learners particular those on FE programmes

The number of learners who successfully completed their programme in 2015-16 has improved significantly at all levels as shown in the tables below:

FE Full-Time	Early Withdrawal	Further Withdrawal	Partial Success	Completed Successfully
2013-14	6%	15%	13%	66%
2014-15	8%	18%	12%	62%
2015-16	7%	16%	10%	67%

HE Full-Time	Early Withdrawal	Further Withdrawal	Partial Success	Completed Successfully
2013-14	4%	12%	11%	72%
2014-15	4%	12%	13%	72%
2015-16	3%	11%	9%	77%

FE Part-Time	Early Withdrawal	Further Withdrawal	Partial Success	Completed Successfully
2013-14	1%	4%	15%	80%
2014-15	1%	4%	33%	66%
2015-16	2%	4%	17%	77%

HE Part-Time	Early Withdrawal	Further Withdrawal	Partial Success	Completed Successfully
2013-14	1%	3%	14%	82%
2014-15	1%	3%	14%	82%
2015-16	1%	3%	15%	81%

Completed Success rates in FE full-time courses rose from 62% to 67% in 2015-16. An increase of 5% on the previous academic term and a 1% increase on the target of 66% which was agreed with the SFC.

Completed Success in HE full-time courses also rose from 72% to 77 in 2015-16. An increase of 5% on the previous academic term.

Completed Success rates in FE part-time courses rose from 66% to 77% in 2015-16. An increase of 11% on the previous academic term.

Completed Success rates in HE part-time courses in 2015-16 was 81%.

3.2 Self-Evaluation Reports varied in quality and staff do not analyse consistently the reasons underlying poor performance and a review of the process and awareness raising is required

Curriculum teams have made good use of high quality learner retention, attainment and progression data to inform programme evaluations and clear actions were identified where improvement was required. Curriculum teams also had a strong focus on the performance of their programmes and each had a clear understanding on where improvements had to be made.

A more systematic approach to the review of curriculum performance was introduced for each of the schools. The Senior Management Team held meetings with each of Directors of Curriculum, and their Faculty Managers and Curriculum Quality Managers to monitor and review performance. These meetings were held in November, February and May with a clear focus on improving attainment. Withdrawal rates have reduced and attainment has significantly improved across subject areas.

This systematic approach also saw each school being assigned a Senior Lecturer in Quality Development to work with academic teams in developing their own self-evaluation reports and in most cases, there is now consistency in the quality of the reports being produced.

In order to develop an appropriate and sustainable action plan for improving student experiences and outcomes, each of the Schools have produced a SWOT analysis based on the review of Programme and Faculty self-evaluation reports. The strengths, weaknesses, opportunities and threats that relate to each School were identified with associated actions.

Each year, support teams are also required to produce a team self-evaluation report to identify strengths and areas for improvement relating to their areas of service provision within the College. This ensures an ongoing evaluation of service standards, and allows the College to record, analyse and effectively evaluate key points. It also allows each of the teams to identify any good practice and to share this across the College. It also helps teams to strengthen their practices for the following year.

Services to support learners are effective and managed well. Learners benefit from effective support early in the application and admissions stage and throughout their college programme. Team working is strong within student support areas with both support and curriculum teams working well together to ensure that the support learners receive is effective. This is reflected in the self-evaluation reports.

Going forward for 2016-17, support teams will also take a systematic approach in reviewing their own performance and will meet with the Senior Management Team three times a year.

3.3 NESCol will work closely with the Students' Association to ensure the Learner Voice is fully captured

The Framework for the Development of Strong and Effective College Students' Associations sets out a sector-agreed framework for how colleges and students' associations can work in partnership to develop strong and effective students' associations.

It sets out a shared vision for students' association development and a set of standards and indicators which offer students' associations and colleges a structure and guidance to help them to jointly plan their development. The Framework <http://www.saframework.co.uk> sets out several key principles and themes to help develop and implement and good progress has been made in this area.

The College is committed to providing students with a high quality, rewarding educational experience. It recognises the importance of engaging with students in a variety of ways, listening to their views and acting promptly to address any issues which they raise. Examples of the methods used to capture the Learner Voice include the following:

- Attending discussion group meetings with the Vice Principal, Learning & Quality
- Attending focus group meetings with members of the Quality team
- Meeting with other College managers and academic staff throughout the year as part of the Course Committee meeting structure
- Visits to College areas by the Board of Management and where appropriate meeting staff and students on these visits
- Completion of satisfaction surveys at key points in the academic year
- Completion of suggestions or comments on service delivery
- Implementation of extracurricular events such as those connected with Enterprise in Education or participation in volunteering opportunities
- The continued development of the concept of Students' Association led user groups to complement other forms of evaluation of each College's services.

The College also recognises the importance of an active Students' Association in any student engagement process and actively promotes engagement with the wider College environment. Sabbatical Officers represent students on the College's Board of Management and are supported by a Student Association Manager.

The Students' Association has close links with the Class Representative system and played an active role in delivering training to the elected Representative throughout academic term 2015-16. The class representatives liaise well with academic teams to provide valuable feedback for the evaluation of programmes and services.

Sabbatical Officers participated in a series of peer led reviews to gather feedback from learners and the results discussed as part of the Colleges Quality Improvement and Assurance Group. This will be further developed in academic term 2016-17.

3.4 A full review of how equality data is collected and utilised to advance equality is required

NESCol is committed to providing a learning and working environment which advances equality, diversity and inclusion and where everyone is respected, valued and supported. Since the October 2015 report, the College has made very good progress in advancing equality. The College's Equality Outcomes have four themes:

Improving Data

To improve the collection, reporting and use of data across all protected characteristics for both staff and students, taking the relevant actions identified, to advance equality of opportunity and meet the requirements of the Public-Sector Equality Duty.

Advancing Engagement

To improve the way, we involve staff, students and external partners in mainstreaming equality and diversity.

Advancing Knowledge

To promote awareness and advance understanding of equality and diversity across the College.

Improving the Experience

To ensure that staff and students across all protected characteristics feel, valued, respected and supported.

The following hyperlink will take you to the College's Action Plan, which aims to deliver the Equality Outcomes and details the progress to date on student-related actions:

[https://nescol.atlassian.net/wiki/display/ALP/Equalities?preview=/10616867/68583508/Equality%20Outcomes%20-%20Progress%20Update%20\(Oct%2016\).pdf](https://nescol.atlassian.net/wiki/display/ALP/Equalities?preview=/10616867/68583508/Equality%20Outcomes%20-%20Progress%20Update%20(Oct%2016).pdf)

In November 2014, the College was accepted to take part in the Equality Challenge Unit's *"Attracting Diversity – Equality in Student Recruitment in Scottish Colleges"* project. This 2.5-year project supports the College in the review and benchmarking of our data to appropriately assess underrepresentation, while setting specific and achievable targets in relation to improving participation of underrepresented equality groups. Two areas of underrepresentation have been identified: Men into Care and Women into Computing. Action plans are in place to take these forward.

Considerable improvements have also been made in the equality data that is now available to curriculum teams.

The College is also participating in another ECU project to improve staff data. Again, considerable advancements have been made in the collection and reporting of staff data and the College has recently undertaken a further exercise to encourage staff to disclose protected characteristics.

A final mainstreaming and equality outcomes report, including a gender pay gap and occupational segregation report, will be presented to the Board of Management in February/March 2017 prior to publication in April 2017.

4.0 EXCELLENT PRACTICE

Several examples of excellent practice have been identified across the College including:

Curriculum Breadth, Depth and Regional Spread

- North East Scotland Aberdeen and Aberdeenshire Pathways document has been well-received: <http://www.nescol.ac.uk/sites/default/files/documents/course-listings/north-east-scotland-aberdeen-and-aberdeenshire-pathways.pdf>
- Inter-disciplinary practice within music, drama and media CICBE: <https://nescol.atlassian.net/wiki/pages/viewpage.action?pagelId=13992021>
- Various examples of excellent practice within Service Industries teams: <https://nescol.atlassian.net/wiki/pages/viewpage.action?pagelId=13992026>
- Maritime Academy social impact, and excellence in facilities and resources: <https://nescol.atlassian.net/wiki/pages/viewpage.action?pagelId=14615297>

Learner Experience, Outcomes and Destinations

- Excellence in the development of Learning Technologies (including BYOD 4, Technology Enhanced Learning Strategy and the Digital Strategy Group): <https://nescol.atlassian.net/wiki/display/ALP/Learning+Technologies>
- Excellence in strengthening and developing student engagement and feedback: <https://nescol.atlassian.net/wiki/display/ALP/Student+Engagement+and+Feedback>
- Wider learner achievement across all schools and subject areas: <https://nescol.atlassian.net/wiki/pages/viewpage.action?pagelId=2654564>

Access and Equality

- The continued strengthening of equality and diversity work: <https://nescol.atlassian.net/wiki/display/ALP/Equalities>
- Successful running and promotion of *Girls Into Energy*: <https://nescol.atlassian.net/wiki/pages/viewpage.action?pagelId=2654369>
- Corporate Parenting work: <https://nescol.atlassian.net/wiki/display/ALP/Corporate+Parenting>
- Student Services Self-evaluation Report and appendices highlight excellence in the continued monitoring of trends and quality improvements: <https://nescol.atlassian.net/wiki/display/ALP/3.+Support+Team+Self-Evaluation+Documentation>

Leadership, Vision and Direction

- Regional Estates work and plans for the future: <https://nescol.atlassian.net/wiki/display/ALP/Regional+Estates+Development>
- External accreditations and recognition: <https://nescol.atlassian.net/wiki/display/ALP/External+Accreditations>
- Newsroom/KeyComms as a vast development in internal communication and information outlets: <https://nescol.atlassian.net/wiki/pages/viewpage.action?pagelId=2654429>
- Staff Excellence Awards as excellence in employee recognition and rewards: <https://nescol.atlassian.net/wiki/pages/viewpage.action?pagelId=2654429>

5.0 KEY ACTIONS

The following key actions have been identified for further improvement;

1. Building on the success of the Action Learning Project [ALP], NESCol will respond to the new and emerging priorities of the new arrangements to ensure a continued regional approach that will bring about further improvements around the key principles of the new quality arrangements while building on our capacity for improvement.
2. Whilst the number of learners who have successfully completed their programmes of study has improved significantly, NESCol will look to improve successful completion rates in the few subject areas where completed success is still low.
3. As part of the new College Quality Arrangements, NESCol will update the Annual Programme Review self-evaluation templates to reflect the key principles outlined in the arrangements document.
4. NESCol will look to improve the collection, reporting and use of data across all protected characteristics for both staff and students, taking the relevant actions identified, to advance equality of opportunity and meet the requirements of the Public-Sector Equality Duty.
5. NESCol is committed to providing students with a high quality, rewarding educational experience and will work closely with the Student Association to ensure a shared vision and set of standards are implemented to fully embed the *Framework for the Development of a Strong and Effective Student Association*.

Annual Report by the Audit and Risk Committee to the Board of Management, 2015-16

1. Introduction

- 1.1. The purpose of this paper is to enable the Board of Management to consider the Annual Report to the Board presented by the Audit and Risk Committee in respect of the year to 31 July 2016. This is the financial reporting period for which financial statements have been prepared for audit in accordance with the requirements set by central authorities.

2. Background

- 2.1. The Scottish Funding Council (SFC) has established a Financial Memorandum between the SFC and colleges. Compliance with the terms of the Financial Memorandum is a requirement of the conditions of grant set by the SFC.
- 2.2. The Financial Memorandum sets out a number of 'mandatory requirements' upon boards of management. The presentation by the Committee of an Annual Report to the Board is part of the Board's arrangements for governance and oversight and also enables the Board to demonstrate compliance with the SFC's requirements.

3. Report presented by the Audit and Risk Committee

- 3.1. The Committee presents to the Board of Management its Annual Report to the Board, which is attached as Appendix 1 to this paper.
- 3.2. The Report was adopted by the Committee at its meeting on 15 November 2016.
- 3.3. The Committee has received reports from external and internal auditors that evidence the satisfactory outcome of the programmes of audit work undertaken and the strength of control systems in the period.

4. Recommendation

- 4.1. It is recommended that the Board consider and, if so minded, adopt the Annual Report to the Board by the Audit and Risk Committee given in the appendix to this paper.

Rob Wallen
Principal

Roddy Scott
Vice Principal - Finance



**Audit and Risk Committee
Report to the Board of Management
2016**

1. Introduction

- 1.1. The Audit Committee presents this report for consideration by the Board of Management. The report is part of the Board's arrangements for governance and oversight that fulfill the Board's obligations set out in the Financial Memorandum between the Scottish Further and Higher Education Funding Council (SFC) and the Board of Management of North East Scotland College, in particular those 'mandatory requirements' relating to audit and accounting, which are detailed in **annex 1** to this report.
- 1.2. The report covers the business conducted by the Committee in the period 1 August 2015 to 31 July 2016.
- 1.3. The Committee at its meeting on 15 November 2016 adopted the report for presentation to the Board of Management.

2. Appointment of Auditors – External Audit

- 2.1. Under the Public Finance and Accountability (Scotland) Act 2000, authority to appoint external auditors of colleges transferred to central authorities. The Auditor General for Scotland appointed Audit Scotland to be external auditor of the Board of Management for the period 1 August 2011 to 31 July 2016. The appointment is solely as external auditor of the Board of Management of North East Scotland College. EY (formerly known as Ernst and Young) has been appointed as external auditor for the 5-year period 1 August 2016 to 31 July 2021.
- 2.2. The Board retains authority to appoint the external auditor of its wholly owned trading subsidiary – Aberdeen Skills and Enterprise Training Limited (ASET). Henderson Loggie was appointed as external auditor of ASET for 3 years as a result of a competitive tender process undertaken in 2015. At its Annual General Meeting in 2016, the Company confirmed the appointment of Henderson Loggie as external auditor for the 12-month reporting period to 31 July 2016.

3. Appointment of Auditors – Internal Audit

- 3.1. The Board of Management of North East Scotland College appointed Wylie and Bisset as internal audit service provider in 2014 to provide services until 31 July 2017, with an option to extend the appointment for a further 2 years.

4. Adequacy and Effectiveness of Internal Control Systems

- 4.1. The Audit Committee has assessed the adequacy and effectiveness of the College's internal control systems.
- 4.2. Wylie and Bisset has reported to the Board of Management:
“ We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes.

In our opinion North East Scotland College did have adequate and effective risk management, control and governance processes to

manage its achievement of the College's objectives at the time of our audit work. In our opinion, the College has proper arrangements to promote and secure value for money. We would however note the 'weak' conclusion provided on the payroll audit. Further details are noted within section 3 of this report. Further details are noted within section 3 of this report. Our fieldwork was carried out between November 2015 and May 2016."

Source: Wylie and Bisset Report to the Board of Management 2016, Internal Audit Service Provider's Annual Report.

- 4.3. The Internal Audit Annual Report was presented to the Committee by Wylie and Bisset and adopted at the Committee meeting on 13 September 2016. It is attached as **annex 2** to this report.
- 4.4. The reports presented by the internal audit service provider give the level of assurance sought by the Audit and Risk Committee to enable the Committee to reach the view that internal control systems are adequate and effective.
- 4.5. Further internal audit fieldwork was carried out on payroll in October 2016, which provided the Committee with assurance that the recommendations and actions agreed to address the findings of the review of payroll undertaken in May 2016 had been implemented.

5. Significant Matters identified by Internal Auditors

- 5.1. The Committee and the internal audit service provider have established arrangements for grading the outcomes of internal audit reviews. The internal auditor grades the areas reviewed as:
 - Strong – controls were satisfactory, no significant weaknesses were found, some minor recommendations were identified;
 - Substantial - controls were largely satisfactory although some weaknesses were identified, recommendations for improvement were made;
 - Weak - controls were unsatisfactory and major systems were weaknesses identified that require to be addressed immediately.
- 5.2. In 2015-16, the internal auditor reviewed 16 areas (2014-15 – 15 areas) and graded the areas reviewed as: 'strong' in 10 areas (2014-15 – 10 areas); 'substantial' in 5 areas (2014-15 – 2 areas); and 'weak' in 1 area (2014-15 – 3 areas).
- 5.3. The Committee and the internal audit service provider have established arrangements for grading recommendations arising from the programme of internal audit review. Recommendations are graded as 'high', 'medium' and 'low' priority (with 'high' representing matters requiring urgent attention).
- 5.4. In 2015-16, the internal auditor made 10 'high priority recommendations (2014-15 – 15). These are summarized on page 7 of the Internal Auditor's Report to the Board of Management (annex 2), together with management responses.

6. Value for Money Programme

- 6.1. The internal audit programme for the period 1 August 2015 to 31 July 2016 addressed value for money issues. The programme was designed to address arrangements to ensure that the College secures economy, efficiency and effectiveness in carrying out its activities. Most internal audit assignments contain an element of value for money review.

7. Reports by External Auditors

- 7.1. Audit Scotland carried out the external audit of North East Scotland College for the 16-month reporting period to 31 July 2015. This was the fourth year of the organisation's 5-year appointment as external auditor. The organization previously carried out the external audits of the financial statements of Aberdeen and Banff & Buchan Colleges. Audit Scotland issued an unqualified audit opinion on the consolidated financial statements of the College.
- 7.2. Henderson Loggie carried out the external audit of ASET, the Board's wholly owned subsidiary company, for the 16-month reporting period to 31 July 2015. Henderson Loggie issued an unqualified audit opinion on the financial statements of the ASET.
- 7.3. Copies of the financial statements containing the auditors' opinions and reports on audit findings have been circulated to Members of the Board under separate cover and have been provided to the appropriate central authorities in accordance with set timescales.
- 7.4. Audit Scotland's report to the Board of Management and the Auditor General for Scotland for 2014-15 is attached as **annex 3** to this report.

8. Key Administrative Information

- 8.1. Audit Committee membership in the period 1 August 2015 to 31 July 2016 comprised:
- Mr. Anderson
 - Ms. Bell
 - Ms. Cormack
 - Mr. Duthie
 - Mr. Russell
 - Ms. Simpson
- 8.2. Committee Convenor
- Ms Bell
- 8.3. Committee Vice-Convenor
- Ms S Cormack
- 8.4. In addition, the following Members may attend and participate in meetings, but may not vote on matters at issue:
- Chair of the Board of Management (office held by Mr. Milroy);
 - Convenor, Finance and General Purposes Committee (office held by Mr Gossip); and,
 - Mr. Wallen - Principal and Chief Executive.
- 8.5. Attendance at Meetings
- The Committee has met on 6 occasions during the reporting period. Members' attendance is analysed as:

<u>Members of the Committee</u>	<u>Meetings Attended</u>	<u>Percentage Attended</u>
Mr. Anderson	6	100%
Ms. Bell	6	100%
Ms. Cormack	4	67%
Mr. Duthie	5	83%
Mr. Russell	5	83%
Ms. Simpson	4	67%

Members in Attendance

Mr. Milroy	6
Mr. Gossip	6
Mr. Wallen	4

Appropriate staff of Wylie and Bisset or Audit Scotland attended meetings. Mr. Scott attended all meetings of the Committee as Vice Principal Finance.

8.6. Conduct of Business

The Committee has met throughout the reporting period. Six meetings have been held.

<u>Meeting</u>	<u>Business Conducted</u>
15 Sept. 2015	Consideration of: the Internal Auditor's report to the Audit Committee for 2014-15; reports on the implementation of recommendations to address the findings of internal audit reviews of human resources and payroll; the internal audit programme for 2015-16; and information on the impacts of the reclassification of colleges.
17 Nov. 2015	Consideration of: the Committee's annual report to the Board of Management for 2014-15; the draft audited financial statements of North East Scotland College for the 16 months to 31 July 2015; the draft report to the Auditor General and Board of Management on the audit of those financial statements; detailed scopes of work for the internal audit programme for 2015-16; audit certification of year-end returns to central authorities; information on the impacts of the reclassification of colleges; the appointment of an external auditor of the College for the 5-year period to 31 July 2021; and assurance on governance arrangements.
26 Jan. 2016	Consideration of: reports on follow up internal audit work arising from the reviews of human resources and payroll; detailed scopes of work for the internal audit programme for 2015-16; and; information on the impacts of the reclassification of colleges. The Committee also held its annual meeting with external and internal auditors.
15 March 2016	Consideration of: reports on various internal audit reviews; the external audit plan for 2015-16; information on the impacts of the reclassification of colleges; and the Report by the Public Audit Committee of the Scottish Parliament, addressing matters related to the Auditor General's Report on the audits of Scottish Colleges;
17 May 2016	Consideration of: reports on various internal audit reviews; information on the impacts of the reclassification of colleges; and Reports by the Auditor General on the audits of Edinburgh and Glasgow Clyde Colleges and the Glasgow Colleges Regional Board; and, the appointment of an external auditor of the College.
19 July 2016	Consideration of: reports on various internal audit reviews; and information on the impacts of the reclassification of colleges; information on College policies; and, the outcome of the audit of the North East Scotland College Students Association.

8.7. Minutes of meetings of the Committee were circulated to Board Members and, at meetings of the Board of Management, Members were provided with the opportunity to obtain further information on the business conducted by the Committee.

8.8. The Committee held a joint meeting with the equivalent Committees of Robert Gordon University and the University of Aberdeen on 30 September 2015. The meeting considered the regulatory framework in which the institutions deliver their service, approaches to risk and current and future key challenges.

9. Measurements of Performance – External Audit

9.1. The external auditor of the Board of Management was Audit Scotland.

9.2. The Committee was satisfied with the standard of service provided by Audit Scotland as external audit service provider to the College.

9.3. The external audit of the Board of Management and its subsidiary companies was completed on schedule. The fee charged for the external audit of the College for FY2014-15 was £43,875 (FY2013-14 - £35,500).

9.4. The fee charged for the audit of ASET for 2014-15 was £7,000 (FY2013-14 - £4,650).

9.5. The increase in the fee reflects the additional audit requirements arising from the change in the financial reporting period from 12 to 16 months.

10. Measurements of Performance – Internal Audit

10.1. The internal audit programme was completed on schedule and within budget. The fee charged for internal audit services in 2015-16 was £32,150 (2014-15 was £30,650). The amount of audit work undertaken in delivering the core programme in 2015-16 was 70 days (2014-15 - 70 days). In 2014-15, additional work was undertaken to review the data held in the Human Resources/Payroll system. This was at a cost of £11,500.

10.2. The Committee was satisfied with the standard of service provided by Wylie and Bisset as internal audit service provider to the College for 2015-16, as it was in previous years. All internal audit assignments were undertaken in accordance with the plan for the period and completed within set deadlines, key performance measures were met in full.

11. Events since 31 July 2016

11.1. The membership of the Committee changed at the end of July 2016. Mr. Gossip, Mrs. Inglis and Mr. Smith joined the Committee and Ms. Cormack left the Committee. Mr. Gossip was appointed to Chair the Committee.

11.2. The Committee has met on 2 occasions since 31 July 2016.

<u>Meeting</u>	<u>Business Conducted</u>
13 Sept 2016	Consideration of: the Committee's Terms of Reference; implementation of recommendations made in the internal audit report on payroll; the internal auditor's report on the programme of audit work for the 12 months to 31 July 2016; the programme of internal audit work for the year to 31 July 2017; information on the impact of the reclassification of colleges; the College's participation in the National Fraud Initiative; the report on Scotland's Colleges published by

Audit Scotland; and the SFC report on the Impact and Success of the Programme of College Mergers in Scotland.

15 Nov 2016 Consideration of: the Committee's Annual report to the Board of Management; the draft audited financial statements of North East Scotland College for the 12 months to 31 July 2016; the draft reports to the Auditor General and Board of Management on the audit of those financial statements; the internal auditor's report on the implementation of recommendations made in the internal audit report on payroll; internal audit assignment plans for the programme for 2016-17; and reclassification.

12. Conclusion

- 12.1. The Committee has obtained assurance that internal control systems are adequate and effective. This is based on the evidence provided by the results of the internal audit service provider in the 12 months to 31 July 2016 and the external auditor's unqualified opinion on the financial statements for the 16-month reporting period to 31 July 2015.
- 12.2. The Committee is satisfied that, on the basis of the information provided to it by internal auditors, arrangements operate to allow the College to secure value for money.
- 12.3. The Committee is satisfied that the Board has complied with the 'mandatory requirements' set by the Scottish Further and Higher Education Funding Council and has discharged its responsibilities in relation to audit and accounting.
- 12.4. The Committee is satisfied with the performance of Audit Scotland as external auditor to the College for the 12-month reporting period to 31 July 2015 and Wylie and Bisset as internal auditor to the College for the 12 months to 31 July 2016.

Ian Gossip

Convenor

Audit Committee

16 November 2016

MANDATORY REQUIREMENTS PLACED ON BOARDS OF MANAGEMENT BY THE SCOTTISH FUNDING COUNCIL (SFC)

(Extract from the Financial Memorandum between the SFC and colleges)

Audit and accounting

Introduction

24 These new requirements are effective from 14 October 2008. However, institutions may also adopt the new requirements retrospectively so as to have effect from any date after 1 August 2007.

This allows institutions to apply the new requirements in relation to the 2007-08 financial statements. The new requirements replace the codes of audit practice published in September 1999 (in respect of the university sector) and July 2000 (in respect of the college sector).

25 The Council's *Accounts direction* brings together the provisions of the *Financial memorandum* with other formal disclosures that we require colleges and universities to make in their financial statements or in the associated notes. A mandatory requirement of the *Accounts direction* is that all colleges and universities will comply with the requirements of the *Combined code*, in so far as they apply to the further and higher education sectors. By incorporating aspects of the Higgs and Smith guidance, the *Combined code*'s requirements encompass aspects of internal control and audit.

Role and responsibility of the governing body

26 The Council requires that the governing body must establish an audit committee.

27 The governing body must secure an effective internal audit service.

Internal audit

28 Where an institution contracts out its internal audit service, to maintain independence and objectivity the same organisation must not provide both internal and external audit services to the same institution.

29 The internal audit service must extend its review over all the financial and other management control systems, identified by the audit needs assessment process. It must cover all activities in which the institution has a financial interest, including those not funded by the Council. It should include review of controls, including investment procedures, that protect the institution in its dealings with organisations such as subsidiaries or associated companies, students' unions, and collaborative ventures or joint ventures with third parties.

30 Where an institution contracts out its internal audit service the criteria used for the selection process must be fair, reasonable and well documented. Due account should be taken of the guidance set out in paragraphs 10.2-10.3 of the *Handbook for members of audit committees in higher education institutions*.

Value for money

31 The institution must have a strategy for systematically reviewing management's arrangements for securing value for money.

32 As part of its internal audit arrangements, the institution must obtain a comprehensive appraisal of management's arrangements for achieving value for money.

External Audit

33 The external auditor should be entitled to receive all notices of and other communications relating to any meeting of the governing body which any member of the governing body is entitled to receive. They should also be entitled to attend any such meeting and to be heard at any meeting which they attend, on any part of the business which concerns them as auditors.

34 The external auditor must also be entitled to attend the meeting of the governing body or other appropriate committee at which the institution's annual report and financial statements are presented.

35 The external auditor is expected to attend, as a minimum, any meetings of the audit committee where relevant matters are being considered, such as planned audit coverage, the audit report on the financial statements and the audit management letter. It is the responsibility of the Secretary to the audit committee to notify the external auditor of such meetings.

36 The external auditors, notwithstanding responsibilities to their clients, are expected to cooperate fully with any enquiries or routine monitoring that the Council undertakes.

37 The institution must not in any way limit the Council's access to the institution's external auditors.

North East Scotland College

Internal Audit 2015/16

Annual Report

August 2016

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1 INTRODUCTION

North East Scotland College
Annual Report 2015/16

The provision of Internal Audit Services is covered by the Financial Memorandum issued by the Scottish Funding Council ("SFC").

The Financial Memorandum sets out that the internal auditors are required to produce an Annual Report on the internal audit activities addressed to the Board of Management and the Principal.

The Financial Memorandum also sets out that the Annual Report should be considered by the Audit Committee prior to the Audit Committee producing its annual report to the Board of Management.

This Annual Report has been drawn up in accordance with the Financial Memorandum.

A copy of this report requires to be submitted to SFC not later than 31 December following the financial year end to which it relates.

2 EXECUTIVE SUMMARY

North East Scotland College
Annual Report 2015/16

Opinion

Overall Opinion

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes.

In our opinion North East Scotland College did have adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives at the time of our audit work. In our opinion, the College has proper arrangements to promote and secure value for money. We would, however, highlight the 'weak' conclusion on the payroll audit. Further details are noted within Section 3 of this report. Our fieldwork was carried out between November 2015 and May 2016.

The overall findings and conclusion of each report are highlighted in Section 3. As can be seen from the summary in Section 3 all areas included in the Operational Plan for 2015/16 are complete.

In forming our opinion above, we have carried out the following work:

- a review and appraisal of financial and other controls operated by the College;
- a review of the established policies and procedures adopted by the College;
- an assessment of whether or not the internal controls are reliable as a basis for producing the financial accounts;
- a review of accounting and other information provided to management for decision making;
- compliance and substantive audit testing where appropriate;
- a review of the College's procedures in place to promote and secure value for money.

The analysis of performance indicators for the internal audit work carried out in the year is included at section 5.

2 EXECUTIVE SUMMARY

North East Scotland College
Annual Report 2015/16

Basis of Opinion

As the Head of Internal Audit at North East Scotland College we are required to provide the Board of Management and the Principal with an opinion on the adequacy and effectiveness of the College's risk management, control and governance processes. In giving our opinion it should be noted that assurance can never be absolute. The most that we can provide to the Board of Management is reasonable assurance that there are no major weaknesses in the College's risk management, control and governance processes. In assessing the level of assurance given, we have taken into account:

- All audits undertaken during the period ended 31 July 2016;
- Any follow-up action taken in respect of audits from previous periods;
- Any significant recommendations not accepted by management and the consequent risks;
- The effects of any significant changes in the College's objectives or systems;
- Matters arising from previous reports to the Board of Management;
- Any limitations which may have been placed on the scope of internal audit;
- The extent to which resource constraints may impinge on the head of Internal Audit's ability to meet the full audit needs of the College;
- What proportion of the College's audit need has been covered to date;
- The outcomes of our quality assurance processes.

3 AUDIT FINDINGS

North East Scotland College
Annual Report 2015/16

Summary of Work Undertaken

The following table summarises the audit work undertaken in 2015/16. The grading structure used in our reports can be found in Appendix A.

Area	Planned Days	Actual Days	Status	Overall Conclusion	High Priority Recommendations	Medium Priority Recommendations	Low Priority Recommendations
Budgetary & Financial Controls	4	4	Complete	Strong	-	-	-
Income Collection & Credit Control	5	5	Complete	Strong	-	-	1
Management of Contract Managed Services	5	5	Complete	Strong	-	-	-
Enrolments, Attendance and Applications	3	3	Complete	Strong	-	-	3
Strategic & Business Planning	4	4	Complete	Strong	-	-	-
Freedom of Information	4	4	Complete	Strong	-	1	2
Departmental Review – Service Industries	5	5	Complete	Strong	-	-	-
Aberdeen Skills & Enterprise Training Ltd	5	5	Complete	Strong	-	-	3
Data Protection	4	4	Complete	Substantial	-	2	2
Human Resources	4	4	Complete	Substantial	-	2	4
Departmental Review – Organisational Services	5	5	Complete	Strong	-	-	-
Total carried forward	48	48			-	5	15

3 AUDIT FINDINGS

North East Scotland College
Annual Report 2015/16

Summary of Work Undertaken

Area	Planned Days	Actual Days	Status	Overall Conclusion	High Priority Recommendations	Medium Priority Recommendations	Low Priority Recommendations
Total brought forward	48	48			-	5	15
Payroll	4	4	Complete	Weak	7	4	1
IT Systems	5	5	Complete	Substantial	-	3	2
Marketing	3	3	Complete	Strong	-	-	-
Follow Up – HR & Payroll	2	2	Complete	Substantial	1	3	1
Follow Up	2	2	Complete	Substantial	2	2	2
Audit Management	6	6	Complete	N/A	N/A	N/A	N/A
Total	70	70			10	17	21

3 AUDIT FINDINGS

North East Scotland College
Annual Report 2015/16

High Priority Recommendations

The following high priority recommendations were raised in the year:

Area	Finding	Recommendation	Management Response
Follow Up Review – HR & Payroll (HR Data Verification Exercise, 2014/15)	<p>Original Finding</p> <p>Through our review we found that there is no standard format for the College's HR document provided to staff (employee contracts, matching across letters, appointment letters etc.). As a result, the information provided to employees is inconsistent as the documentation does not always provide all relevant information. (grade, scale point, F.T.E salary, pro-rated salary and F.T.E figure).</p> <p>We found that some of these contain job grade, spinal point within the grade, annual salary, F.T.E figure etc. however we found occasions where only the spinal point was stated with no grade being specified, only the annual salary was stated with no record of the grade or spinal point and where there was no mention of the employees working weeks, working hours or F.T.E figures.</p> <p>As a result it is difficult to obtain the complete picture from documentation with the HR team often having to rely on other sources to piece together information.</p> <p>Finding from our 2015/16 Follow Up</p> <p>Through our discussions with the Head of HR, we understand that the College are in the process of collating information on best practice within the sector. This will shape a new suite of HR documentation which will address the recommendations included within our original finding.</p>	<p>We recommend that the College develops a standard format for each piece of documentation issued to staff and ensure that these contain all relevant information. This will ensure that a complete picture can be identified.</p>	<p>Payroll and HR are currently reviewing the format of documentation to streamline the process, ensure consistency and ensure that all required information is passed from HR to Payroll.</p>

3 AUDIT FINDINGS

North East Scotland College
Annual Report 2015/16

High Priority Recommendations

Area	Finding	Recommendation	Management Response
Follow Up Review (BCP Review, 2012/13)	<p>Original Finding</p> <p>During discussions with staff, it was noted that whilst they have considered various options in terms of recovering their service in the event of a disaster (including contingency in the event that key resources were not available), very few of these plans have been documented as part of the BCP. We noted that key IT infrastructure design documentation is held by a third party contractor. At present there is no formal agreement in respect of how this would be made available to the College in the event of a disaster. There is a risk that recovery of college activities are unduly delayed due to a lack of documented supporting plans and procedures.</p> <p>Finding from our Follow Up 2013/14</p> <p>From our discussions with college personnel we note that there has been no further work undertaken to update the BCP as recommended due to merger activity.</p> <p>Finding from our 2014/15 Follow Up</p> <p>The NESCOL Emergency Response, Continuity and Recovery Plan is nearing completion. From our review of the draft plan we are satisfied that on finalisation of the plan, this recommendation will be implemented.</p> <p>Finding from our 2015/16 Follow Up</p> <p>A working draft of the NESCOL Business Continuity Plan has been made available to relevant staff members and is due to be finalised in April 2016. From our review of the draft plan we are satisfied that it contains all sections required within a business continuity plan.</p>	We recommend that the plan is completed as soon as possible.	It will be finalised as soon as possible.

3 AUDIT FINDINGS

North East Scotland College
Annual Report 2015/16

High Priority Recommendations

Area	Finding	Recommendation	Management Response
Follow Up Review (BCP Review, 2012/13)	<p>Original Finding</p> <p>The current version of the BCP was created in 2008 and has not been updated since. Its content was primarily created by the former Principal, informed by discussion with various staff throughout the College. The document is still in draft and some sections are not complete. At present there is no dedicated team tasked with creation and on-going maintenance of the BCP. We note that the College has recently been through a significant period of change, however the implications of these changes have not yet been reflected within the BCP. Consequently the College does not currently have an up to date BCP. The usefulness of the existing BCP is therefore limited and there is a risk that recovery of College services in the event of a disaster would be inefficient and/or unnecessarily delayed.</p> <p>Finding from our Follow Up 2013/14</p> <p>From our discussions with college personnel we note that there has been no further work undertaken to update the BCP as recommended due to merger activity.</p> <p>Finding from our 2014/15 Follow Up</p> <p>The College is currently in the process of finalising its Emergency Response, Continuity and Recovery Plan – it is anticipated that this will be completed by Spring 2015.</p> <p>Finding from our 2015/16 Follow Up</p> <p>We understand that the College is planning an exercise in which it will test its Business Continuity Plan at the beginning of February 2016 with further desktop exercises planned for March 2016. Once feedback has been received from these exercises the College hopes to finalise its BCP in April 2016.</p>	<p>We recommend that the College goes ahead with these planned exercises and continues to run refresher exercises to ensure that all relevant staff gain experience in responding to disaster scenarios.</p>	<p>The Crisis Management Team desk-top activity is scheduled for March 2016.</p>

3 AUDIT FINDINGS

North East Scotland College
Annual Report 2015/16

High Priority Recommendations

Area	Finding	Recommendation	Management Response
Payroll – Team Spirit – Users and Passwords	<p>We identified that HR and Payroll staff with access to Team Spirit are able to view all passwords for all users on the system which allows them to access the system as any other user, as we witnessed during our visit. This includes access to the "Supervisor" account which is a "super user" account that has elevated privileges which allows full access rights to make changes to the Team Spirit system. This weakness compromises the systems audit trail and breaches the privacy of user passwords which in turn breaches Data Protection regulations, as well as the College's IT Acceptable Use Policy and Security Policy. We also noted that there are 3 active user accounts named "Spare" on Team Spirit, which again devalues the systems audit trail if used. Further to this we identified through a sample review of audit log files that the Activ Payroll (payroll bureau) user account appears to have been used on several occasions to make adjustments to employee files. Through discussion with the Payroll team we were informed that Activ would not ordinarily make any adjustments to employee files, so it would appear that this user login has been used by a NESCOL member of staff.</p>	<p>We recommend that the College ensure that no passwords on Team Spirit can be viewed by any other user. We also recommend that the College disable any user accounts that should are not and should not be in use.</p>	<p>Passwords for Teamsprit and Teamsprit Self Service have been secured within limits of the system.</p> <ol style="list-style-type: none"> 1. All passwords within Teamsprit and Self-Service are now encrypted. This means that only employees can see their passwords and are not visible to any other NESCOL employees. 2. The supervisor account will now sit with the Head of HR and any transactions that require supervisor access (for example running system logs) will be done with both the Head of HR and the Payroll & Pensions Officer present. Access to the password for the supervisor account will be limited to Vice Principal HR and Head of HR. The security settings within Teamsprit will mean that the Head of HR going into the system as supervisor could potentially reverse the password encryption, hence the requirement for two people to be present when then account is used. 3. The spare accounts have been disabled. 4. Activpay have been informed that they will no longer be asked to make adjustments to NESCOL's payroll and these will all be done by the HR Payroll Team with appropriate authorisation.

3 AUDIT FINDINGS

North East Scotland College
Annual Report 2015/16

High Priority Recommendations

Area	Finding	Recommendation	Management Response
Payroll – Manual Adjustment Errors	<p>During our review we witnessed the processing of the May 2016 pay run. During this process the Aberdeen Payroll/HR team demonstrated that there had been several manual adjustments made to employee salaries by Fraserburgh campus for which they had no notification or backup.</p> <p>The adjustments are made as a result of paper timesheets or claim forms being submitted which should no longer be in use from September 2015, however are still being accepted. Adjustments are also made if the Payroll team (Fraserburgh Campus) do not agree with the self-service claim. Instead of returning to the employee and authoriser for correction a resubmission, the team will manually adjust the claims themselves without notification to the employee, authoriser or Payroll team (Aberdeen Campus).</p> <p>The Payroll team (Aberdeen Campus) requested a list of adjustments made by Fraserburgh campus which they received during our visit but after the pay run process had been completed. The Payroll team carried out a full review on all manual adjustments made by Fraserburgh which showed that there had been 2 overpayments and</p> <p>10 underpayments to employee salaries. We were informed by the Aberdeen campus that there have been previous requests in the past for this backup from Fraserburgh Campus but they have never received it.</p>	<p>We recommend that the College ensure that no manual adjustments are made to employee salaries unless the correct procedures and authorisation process is followed. We also recommend that the College inform all employees that they will no longer be receiving paper timesheets, expenses and overtime forms.</p>	<p>1. The number of travel expenses and time sheets submitted by paper is normally less than 10. The majority of these are travel expense claims for attending training courses. The approver for this budget is CPD and Teamspirit is unable to accommodate two approval routes. Therefore, NESCOL will continue to receive paper expense claims for travel relating to training. The Regional Chair is not on NESCOL's payroll and will require to submit paper timesheets. This also results in there being no approval route in self-service for the College Principal, requiring him to submit paper expenses claims signed off by the Regional Chair.</p> <p>2. Any travel or timesheet claims (both through Self-Service and paper) are being returned to the employee to be amended and approved by their line manager. No further manual adjustments are being made without proper written authorisation.</p> <p>3. The over and underpayments identified have all been rectified in June's payroll. It has been identified that claims through Self-Service have been run every month, three months in arrears. This could possibly have led to claims being double counted or missed. Procedures have been revised to minimise the risk of this happening again.</p>

3 AUDIT FINDINGS

North East Scotland College
Annual Report 2015/16

High Priority Recommendations

Area	Finding	Recommendation	Management Response
Payroll – Audit Log Files	Through discussions with HR and Payroll we were provided with a demonstration to show that the audit logs that detail user changes made to employee files on the Team Spirit system appear to have been moved, deleted and/or amended. The college were aware of the issues due to an ongoing review. These files are produced by the system which is configured to output the files into the shared finance drive which the Finance and Payroll team have access to. We were unable to determine whether the files have been manually amended or whether this is a configuration output issue with the system.	We recommend that the College ensure that the audit log files are stored as "read-only" in a restricted location. The College should also ensure that the files are being backed up to a location that no staff have access to and that they can be recovered instantly if needed. We also recommend that the College thoroughly review and test the audit log files to ensure there are no issues with the output configuration on the system.	HR is working with IT to establish a new secure Payroll folder with limited access. This will include a secure read only secure file. All monthly reports from Activpay will be sent to this file. Data and System logs will also be saved to this file as detailed in response to number 1. The system and data logs are now locked so that no filtering can occur, can only be accessed by the supervisor as detailed above and will be available in read only format. This process will be undertaken in three stages: Stage 1 – June payroll reports will be manually moved to the new secure drive and available as read only. Stage 2- All future payroll reports will automatically be directed to the secure drive and available as read only. Stage 3- All historical reports will be archived as read only.

3 AUDIT FINDINGS

North East Scotland College
Annual Report 2015/16

High Priority Recommendations

Area	Finding	Recommendation	Management Response
Payroll – Change of Details	Through our review of payroll amendments, we identified 1 instance from 10 tested where an amendment was made to an employee by the Fraserburgh Payroll team without notifying HR. There was no change of details form in place and no authorisation. This amendment was discovered after the salary had been paid in the pay run carried out during our visit. Through review of this adjustment we can confirm the adjustment made was to reduce the salary for an overtime payment that was put through at an increased rate due to the recent Pay Award in April 2016. We also identified another instance where salary adjustments were made (Aberdeen Campus) to an employees pay which did not have a change of details form. We were able to view an email trail between the Payroll Officer and Employee, which ended in an email to the Head of HR informing them of the change, however there was no form and no authorisation for this change.	We recommend that the College ensure that any amendments to employee salaries are done through the correct procedure and authorisation process.	Stage 1 -Processing procedures around payroll adjustments were not being followed. These procedures have been re-stated and no adjustments are now being made without proper written authorisation. Stage 2 – Payroll processing procedures will be reviewed, revised and strengthened to ensure that all employees involved in payroll are aware and follow the appropriate authorisation requirements.

3 AUDIT FINDINGS

North East Scotland College
Annual Report 2015/16

High Priority Recommendations

Area	Finding	Recommendation	Management Response
Payroll – Team Spirit Configuration	<p>Through our review we identified what appears to be configuration issues with the HR and Payroll software, Team Spirit. We noted through sample testing that self-service claims such as overtime, expenses and timesheets were showing as not approved, although it appears some were approved. We reviewed an email that the Payroll team receives when a claim is approved and compared this to a specific claim on the system and noted that the system stated "N" for not approved, so it would appear Team Spirit is not showing a reliable audit trail for approved self-service claims.</p> <p>We were also informed by the Payroll team that the system does not always calculate Occupational Sick Pay correctly and does not calculate Maternity Pay correctly at all, resulting in the Payroll team having to manually override calculations on the system.</p>	<p>We recommend that the College report all system problems to Bond (software supplier) to request resolution for all configuration issues within the Team Spirit system, so that the College can ensure that there is a reliable audit trail in place for all calculations and approved claims.</p>	<ol style="list-style-type: none"> 1. Some of the errors are as result of managers not understanding how to process claims in Self-Service. We have issued a 'how to guidance' to provide more clarity for managers as well as instigating targeted training. System reports have been improved which will enable errors to be identified and quickly resolved. 2. The above does not remove the system error identified and this has been reported to Bond to investigate and minimise the problem. HR are also working with Bond to make the language used in Self-Service more user friendly and clearer for both employees and managers. 3. Discussions with Bond have been ongoing and there has been some improvement in relation to OSP but we have not been able to remove the requirement for a manual processing. It has been confirmed by Bond that TeamSpirit will always require some manual processing.

3 AUDIT FINDINGS

North East Scotland College
Annual Report 2015/16

High Priority Recommendations

Area	Finding	Recommendation	Management Response
Payroll – Access Control Review and Risk	Through review of our audit findings we believe the Payroll/HR departments would benefit from the implementation of an Access Control Policy, which would detail (after a formal review) the minimum access requirements needed to carry out the Payroll and HR duties and the authorisation process for allowing and denying access. The policy would also include third party access privileges, requirements and main contacts. This should detail the access controls for all HR and Payroll data, including Team Spirit, shared drives and physical files.	We recommend that the College carry out a formal review on access controls and implement a formal Access Control Policy and Procedures.	An HR Payroll Access Policy will be drafted. Third party access privileges is covered in NESCo's IT Security Policy.

3 AUDIT FINDINGS

North East Scotland College
Annual Report 2015/16

High Priority Recommendations

Area	Finding	Recommendation	Management Response
Payroll – Disturbance Testing	Through our review of disturbance mileage claims we identified that one employee is claiming and receiving double the disturbance mileage than what was agreed by the College. We note that the employee should be receiving 31 miles per day, however upon our investigation we can confirm that the employee is in fact claiming 62 miles per day, which is being approved and paid. This results in the employee receiving £27.90 per day for a mileage claim when they should only be receiving £13.95. Since the agreement's start date of February 2014, the employee has been overpaid by £4,188.11.	We recommend that the College carry out an investigation on disturbance mileage claims and ensure that any overpayments are recovered.	This issue was identified by the College before the internal audit and was reported to the internal auditors. The action to retrieve the overpayments was instituted before the matter was raised in the internal audit report.

4 BENCHMARKING

North East Scotland College
Annual Report 2015/16

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the year ended 31 July 2015.

Area	High	Medium	Low	Total
Budgetary & Financial Controls				
Average number of recommendations in similar audits	-	1	1	2
Recommendations at North East Scotland College	-	-	-	-
Income Collection & Credit Control				
Average number of recommendations in similar audits	-	1	1	2
Recommendations at North East Scotland College	-	-	1	1
Management of Contract Managed Services				
Average number of recommendations in similar audits	2	2	-	4
Recommendations at North East Scotland College	-	-	-	-
Enrolment, Attendance & Applications				
Average number of recommendations in similar audits	-	-	1	1
Recommendations at North East Scotland College	-	-	3	3
Strategic & Business Planning				
Average number of recommendations in similar audits	-	-	-	-
Recommendations at North East Scotland College	-	-	-	-
Departmental Review – Service Industries				
Average number of recommendations in similar audits	-	-	-	-
Recommendations at North East Scotland College	-	-	-	-

4 BENCHMARKING

North East Scotland College
Annual Report 2015/16

Area	High	Medium	Low	Total
Departmental Review – Organisational Services				
Average number of recommendations in similar audits	-	-	-	-
Recommendations at North East Scotland College	-	-	-	-
Data Protection				
Average number of recommendations in similar audits	1	2	1	4
Recommendations at North East Scotland College	-	2	2	4
Human Resources				
Average number of recommendations in similar audits	1	4	1	6
Recommendations at North East Scotland College	-	2	4	6
Payroll				
Average number of recommendations in similar audits	1	1	2	4
Recommendations at North East Scotland College	7	4	1	12
IT Systems				
Average number of recommendations in similar audits	1	7	5	13
Recommendations at North East Scotland College	-	3	2	5
Marketing				
Average number of recommendations in similar audits	-	1	2	3
Recommendations at North East Scotland College	-	-	-	-
Summary				
Average number of recommendations in similar audits	6	19	14	39
Recommendations at North East Scotland College	7	11	13	31

4 BENCHMARKING

North East Scotland College
Annual Report 2015/16

As highlighted above, North East Scotland College has an overall lower number of recommendations in comparison with the colleges it has been benchmarked against. The College does, however, have a higher number of high recommendations than colleges it was benchmarked against. Benchmarking information was not available for the other audits undertaken as these were bespoke to North East Scotland College.

5 KEY PERFORMANCE INDICATORS

North East Scotland College
Annual Report 2015/16

Analysis of Performance Indicators

Performance Indicator	Target	Actual
Internal audit days completed in line with agreed timetable and days allocation	100%	100%
Draft scopes provided no later than 10 working days before the internal audit start date and final scopes no later than 5 days before each start date	100%	100%
Draft reports issued within 10 working days of exit meeting	100%	100%
Management provide responses to draft reports within 15 days of receipt of draft reports	100%	100%
Final reports issued within 5 days of receipt of management responses	100%	100%
Recommendations accepted by management	100%	100%
Draft annual internal audit report to be provided by 31 August each year	100%	100%
Attendance at audit committee meetings by a senior member of staff	100%	100%
Suitably experienced staff used on all assignments	100%	100%

APPENDIX A GRADING STRUCTURE

North East Scotland College
Annual Report 2015/16

For each area of review we assign a grading in accordance with the following classification:

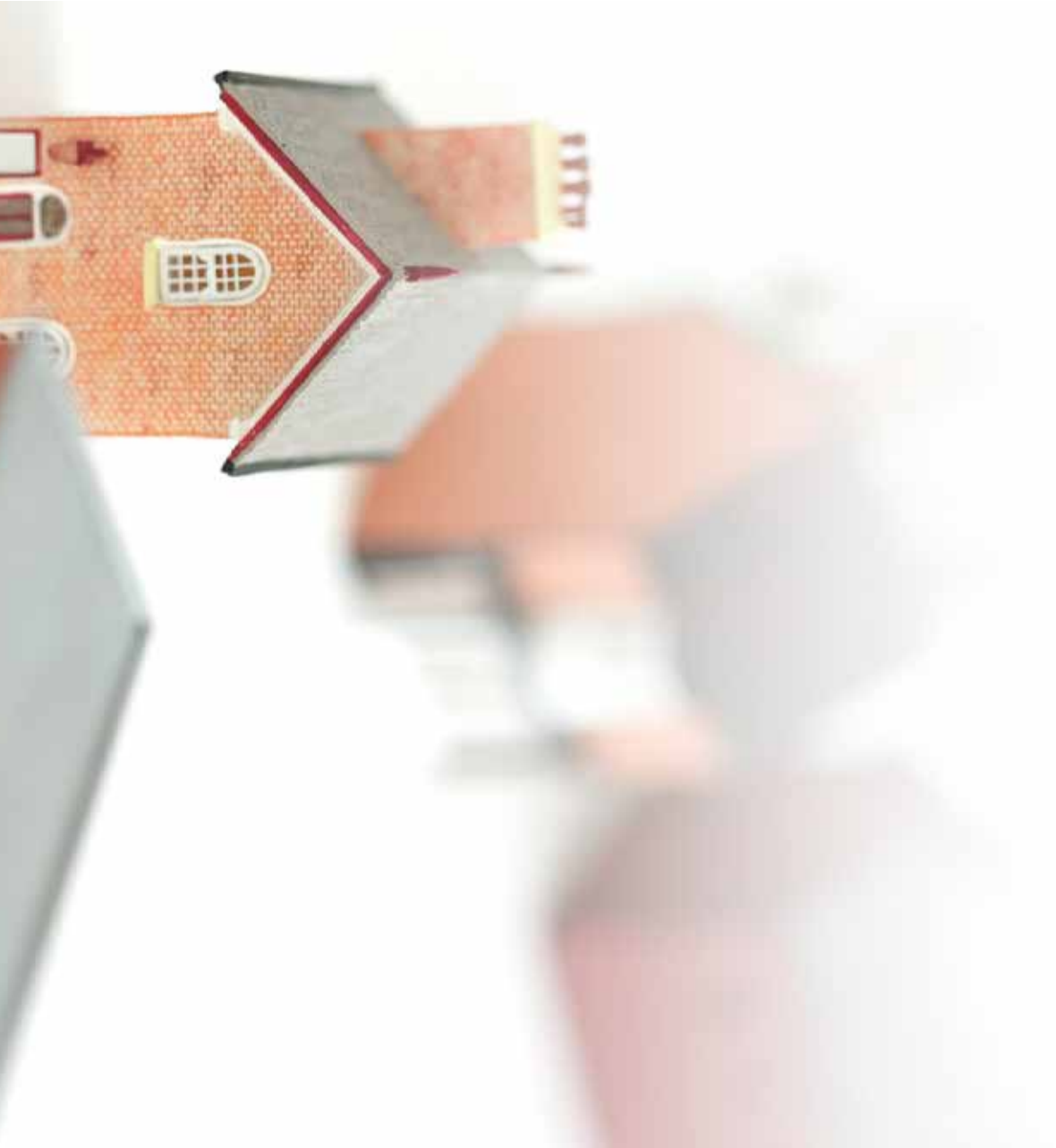
Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, some minor recommendations identified
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately

For each recommendation we make we assign a grading either as High, Medium or Low priority depending upon the degree of risk assessed as outlined below:

Grading	Risk	Classification
High	High Risk	Major weakness that we consider needs to be brought to the attention of the Audit Committee and addressed by senior management of the College as a matter of urgency
Medium	Medium Risk	Significant issue or weakness which should be addressed by the College as soon as possible
Low	Low Risk	Minor issue or weakness reported where management may wish to consider our recommendation



North East Scotland College Report on the 2014/15 Audit



Prepared for the Board of Management of North East
Scotland College and the Auditor General for Scotland

December 2015

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This report has been prepared for the use of North East Scotland College and no responsibility to any member or officer in their individual capacity or any third party is accepted.

This report will be published on our website after it has been considered by the Board of Management. The information in this report may be used for the Auditor General's annual overview report on further education audits published on its website and presented to the Public Audit Committee of the Scottish Parliament.

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Key messages

	<ul style="list-style-type: none"> • The independent auditor's report on the 2014/15 financial statements for North East Scotland College and its group is unqualified. • With the application of the Government Financial Reporting Manual, the accounts include a remuneration report for the first time. This has been prepared in accordance with the Accounts Direction.
	<ul style="list-style-type: none"> • While the college reported a deficit in respect of 2014/15, this is an accounting deficit which has arisen due to the treatment of funding for non-cash depreciation. This was an expected outcome in line with guidance and consequently, there is no impact on the audit opinion. • There are sound financial arrangements including financial regulations that are regularly reviewed and detailed monthly accounts which are considered by the board.
	<ul style="list-style-type: none"> • In general, the college had strong systems of internal control operating during the period, however a number of weaknesses were reported in respect of arrangements within human resources. Steps have been taken to review and strengthen procedures and these should be kept under review by the audit committee.
	<ul style="list-style-type: none"> • The college continued to offer a voluntary severance scheme. Arrangements around the operation of the scheme were strengthened during the period and these were largely found to operate satisfactorily.

Introduction

1. This report is a summary of our findings arising from the 2014/15 audit of North East Scotland College. It was a 16 month accounting period covering 1 April 2014 to 31 July 2015. The report is divided into sections which reflect our public sector audit model.
2. The management of North East Scotland College is responsible for:
 - preparing financial statements which give a true and fair view
 - implementing appropriate internal control systems and maintaining proper accounting records
 - putting in place proper arrangements for the conduct of its affairs
 - ensuring that the financial position is soundly based.
3. Our responsibility, as the external auditor of North East Scotland College, is to undertake our audit in accordance with Auditing Standards, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility for the preparation of financial statements which give a true and fair view.
5. **Appendix IV** is an action plan setting out our recommendations to address the high level risks we have identified during the course of the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that North East Scotland College understands its risks and has arrangements in place to manage these risks. The board and senior management team should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.
6. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
7. We are grateful for the cooperation and assistance we received during the course of the audit.

Audit of the 2014/15 financial statements

Audit opinion	<ul style="list-style-type: none">• We have completed our audit and issued an unqualified independent auditor's report.
Going concern	<ul style="list-style-type: none">• The financial statements of the college and its group have been prepared on the going concern basis. We are unaware of any events or conditions that may cast significant doubt on the college and its group to continue as a going concern.
Other information	<ul style="list-style-type: none">• We review and report on other information published with the financial statements, including the operating and financial review by the board of management, statement of corporate governance and internal control and the remuneration report. We have nothing to report in respect of these statements.
Group accounts	<ul style="list-style-type: none">• North East Scotland College has accounted for the financial results of its subsidiary in its group accounts for 2014/15. The overall effect of consolidating the balances on the group balance sheet was to reduce total reserves and net assets by £57,000.

Submission of financial statements for audit

9. From 1 April 2014, further education colleges were reclassified as public bodies and consequently, were brought within the central government framework. The year end was changed from 31 July to 31 March for financial year 2013/14 but following further consideration, the Scottish Funding Council and the Scottish Government decided to revert to a financial year aligned to the academic year for colleges. This meant that North East Scotland College was required to prepare accounts for a 16 month period covering 1 April 2014 to 31 July 2015.
10. From 2014/15, while colleges are required to use the Government Financial Reporting Manual (FRoM), the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education (the SORP) is still in place and largely takes precedence over the FRoM if there is a conflicting matter.
11. The introduction of reclassification and the FRoM impacted on the college's accounts in the following ways:
 - colleges must break even in each Scottish Government financial year
 - the ability to use accumulated reserves to fund future spending is no longer possible
 - grant in aid can only be drawn down when needed
12. We received the unaudited financial statements on 1 October 2015. At that point, a remuneration report and a planned revaluation of fixed assets had not been completed. A final remuneration report was received on 4 December 2015 but otherwise, the accounts were complete on 9 November 2015.
13. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the Audit Committee on 17 March 2015.
14. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. As such, the agreed fee for the 2014/15 audit which was set out in the Annual Audit Plan remains unchanged.
15. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which involved the highest level of judgement and impact on the financial statements and consequently had the greatest effect on the audit strategy, resources and effort.

Overview of the scope of the audit of the financial statements

We set out the audit work we proposed to undertake to secure appropriate levels of assurance.

16. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Materiality

17. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).

18. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

19. We summarised our approach to materiality in our 2014/15 Annual Audit Plan. Based on our knowledge and understanding of North East Scotland College we set our planning materiality at £680,000 (1% of gross expenditure). We report all misstatements greater than £10,000. Performance materiality was calculated at £136,000 to reduce to an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality level.

20. On receipt of the financial statements and following completion of audit testing we reviewed our materiality levels and concluded that they remained appropriate and no change was required to our approach.

Evaluation of misstatements

21. All misstatements identified during the audit have been amended in the financial statements. The impact of these was to increase the deficit on the Consolidated Income and Expenditure Account by £129,000 and reduce Net Assets by £341,000.

22. In addition we identified a number of presentational adjustments within the financial statements during the course of our audit. These were discussed with the Finance team who agreed to amend the unaudited financial statements accordingly.

Significant findings from the audit

23. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
 - The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
 - Significant difficulties encountered during the audit.
 - Significant matters arising from the audit that were discussed, or subject to correspondence with management.
 - Written representations requested by the auditor.

- Other matters which in the auditor's professional judgment, are **24.** During the course of the audit we identified the following significant issues that, in our view, require to be communicated to you.

Issue	Resolution
<p>1. Remuneration Report</p> <p>In accordance with FReM, a remuneration report disclosing pay and pension information for the college's management team was required for the first time in 2014/15. In addition to salary and pension benefit information, there was a requirement to provide accrued pension information and cash equivalent transfer values (CETVs). With the exception of CETVs, the college had provided all the necessary information. A request was made to the North East Scotland Pension Fund (NESPF) to provide the outstanding information. At the date of the Audit Committee (17 November 2015), the pension fund were awaiting a software update to enable them calculate the information requested. In the absence of this information, the college would not have complied with the Accounts Direction and the requirements of FReM in respect of the remuneration report and this would have resulted in a qualification of the opinion on the remuneration report.</p>	<p>NESPF provided the information on 3 December 2015 which we were able to verify. The college has therefore provided all the information required by the Accounts Direction and an unqualified opinion has been provided.</p>
<p>2. Revaluation of assets including componentisation</p> <p>The college's estate has been revalued at 31 July 2015 for the purposes of the accounts. At the date of the Audit Committee, we had only recently received the valuation report and the associated accounting entries from the finance team and consequently, we were still reviewing the relevant working papers.</p>	<p>We concluded our review of the working papers satisfactorily and there are no matters to report.</p>

Issue	Resolution
<p>3. Holiday pay accrual</p> <p>The Accounts Direction requires colleges to recognise an accrual for the untaken element at 31 July 2015 of short-term accumulating paid absences, in accordance with <i>IAS 19 Employee benefits</i>. Paid absences are periods during which an employee does not provide services to the employer, but benefits continue to be paid. Accumulating absences known as the untaken holiday accrual are those that are carried forward and used in future periods if the current period entitlement is not used in full, e.g. annual leave and flexitime balances. Only the movement of £62,598 between the current and previous year had been accrued at 31 July 2015, rather than the full amount (£623,218). This item also requires a prior year adjustment of £560,620 to reflect a comparative figure for 2013/14.</p>	<p>The revised accounts were amended to reflect this matter.</p>

Future accounting and auditing developments

25. A new Further and Higher Education SORP was approved in March 2014. While 2015/16 will be the first reporting year, comparative figures for 2014/15 and a restated opening balance sheet at 1 August 2014 will be required.
26. This SORP will bring college accounts into line with International Financial Reporting Standards and consequently, there will be significant changes in the primary statements with the introduction of a statement of comprehensive income and expenditure, changes to reserves and funds and a statement of financial position (i.e. a balance sheet)

Financial management and sustainability

Financial management

27. In this section we comment on the college's financial outcomes and assess the financial management arrangements.

Financial outcomes

28. North East Scotland College and its Group reported a deficit of £0.888m at 31 July 2015. More widely, the sector continues to face a variety of financial challenges in the year ahead, including the impact on pay and conditions decisions if National Collective Bargaining is implemented. There will also be a need to address property and other insurance arrangements within the sector. On reclassification, this matter was put on hold for an interim period but under government arrangements, the sector should move to self-insurance arrangements which will potentially have a significant financial impact.

29. As part of the government's accounting requirements, the college is required to provide a monthly cash flow and deliver against resource requirements. As part of this year's funding colleges received cash funding in respect of depreciation amounting to £854,000. As the cash had to be spent by 31 March, this put the college into an accounting deficit position once net depreciation was taken into

account. As this was an expected outcome and in line with SFC guidance, there is no impact on the audit opinion. The SFC did however provide guidance on how the cash received in respect of depreciation could be spent. As North East Scotland College did not need the cash for any of the specified categories, it was permitted to use the funds to make an advance payment to the North East Scotland Pension Fund in respect of the college's share of deficit funding.

Financial management arrangements

As auditors, we need to consider whether colleges have established adequate financial management arrangements. We do this by considering a number of factors, including whether:

- the finance officer has sufficient status within the college to be able to deliver good financial management
- financial regulations are comprehensive, current and promoted within the college
- reports monitoring performance against budgets are accurate and provided regularly to budget holders
- board members provide a good level of challenge and question budget holders on significant variances.

Based on our observations during the course of the 2014/15 audit, we drew the following conclusions:

- The Vice Principal, Finance is a member of the college's senior management team and provides regular support to the board of management, finance and audit committees.

- We reviewed the college's Governance Manual which includes standing orders, scheme of delegation and code of conduct, and the Financial Regulations. We concluded that both documents were comprehensive, current and subject to regular review.
- A monthly finance report comprising an income and expenditure account, student support funds statement, a balance sheet and a major capital projects statement is prepared and considered by the Finance Committee and the board on a regular basis. Reports contain robust information on variances and provide actual and budgeted spend to date and the full year forecast position.
- Based on our observations at the audit committee, there is a good level of challenge and questioning and this was particularly noted in relation to financial matters.

Governance

30. The board of management is responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements.

Corporate governance

31. In November 2013, North East Scotland College was formed. Over the following months, a new board and management team came into place. While there was significant continuity in the senior team, the severance scheme enabled a significant amount of experience to leave the college. During 2014/15, the new arrangements continue to become embedded and in terms of finance, systems from the former colleges were merged during the year.

Governance and internal control systems

32. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their board members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
33. Through its accountable officer or equivalent, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of

these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.

34. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:

- corporate governance and systems of internal control
- the prevention and detection of fraud and irregularity.

35. It is a requirement of the college's funding that they sign a Financial Memorandum with the SFC. The financial memorandum was refreshed during the year and the new terms and conditions were applied to colleges from December 2014. One of the conditions within the memorandum is that colleges are expected to comply with the principles of good governance as set out in the 2014 Code of Good Governance for Scotland's Colleges. With respect to section C of the Code covering accountability, we are satisfied that the college meets the requirements of the Code.

Audit Committee

36. Scrutiny of the effectiveness of the internal control processes within North East Scotland College is undertaken by the Audit Committee. The terms of reference for the committee were in line with the UK Corporate Governance Code 2010 (the Code).
37. The Code and the Accounts Direction from the Scottish Funding Council require colleges to include a governance statement within their financial statements. The statement confirmed that in the

opinion of the Board of Management, the college complied with the Code throughout the period ended 31 July 2015. We have reviewed the governance statement and have confirmed it is in line with the content required by the Accounts Direction and it reflects our understanding of North East Scotland College.

Internal control

38. The auditor evaluates significant financial systems and associated internal controls for the purpose of giving an opinion on the financial statements and as part of the review of the adequacy of governance arrangements. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.

39. Internal audit for the college is provided by Wylie & Bisset LLP. Generally, we seek to rely on the work of internal audit wherever possible and in respect of 2014/15, we concluded that reliance could be placed on their work. In their annual report for 2014/15, Wylie & Bisset LLP provided their opinion that based on the internal audit work undertaken during the year, the college had adequate and effective risk management, control and governance processes to manage its achievement of the college objectives.

40. However, internal audit reported significant concerns during the year in relation to internal audit work undertaken on Human Resource activities. The main areas were:

- An absence of documentation to support the calculation of a severance payment (this is covered in more detail on page 16)

- Seven payroll overpayments amounting approx. £9,600 which had arisen due to the relevant changes not being passed by Human Resources to the payroll team. The amounts involved had been recovered or appropriate recovery plans were in place.

- Sixty six errors in pay grades had been identified and while there was no impact on the amounts paid, there was a lack of confidence in the records held by Human Resources. As a result internal audit were commissioned to undertake a full data verification exercise which identified around 500 errors across spinal points and job grades. Internal audit had identified a number of salary overpayments. Human resources have agreed to undertake a self check in advance of further work by internal audit as part of their 2015/16 audit programme.

41. On receipt of the relevant internal audit reports, the audit committee sought explanations from the head of human resources and requested further reports from the service when queries could be clarified. In addition, related papers were considered by the Finance and HR committees and also by the Board. In our opinion, the audit committee gave these matters the priority they deserved and we also note that the Board of Management have also made appropriate disclosures on these matters in the 2014/15 governance statement.

Refer Action Plan, Recommendation 1

42. We placed reliance on the work of internal audit around human resources and pay related matters and are satisfied that appropriate action is being taken to address the areas of concern. Otherwise, we did not identify any material weaknesses in the accounting and internal control systems during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Risk Management

43. The college's risk management strategy, processes and risk register were kept under regular review by the Board of Management and the audit committee to ensure that risks were adequately managed by the college.

Prevention and detection of fraud and irregularities

44. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. We noted for example, standing orders, a prevention of fraud policy, whistle blowing policy and codes of conduct for board members and staff. Combined these are the standard suite of policies and procedures we would expect to find in an organisation with satisfactory arrangements in place.

Arm's-length foundation

45. By bringing further education colleges within the central government framework, certain restrictions were put on aspects of existing financial management arrangements, including:
- the ability to generate and retain income and reserves
 - use of existing reserves
 - access to capital funding and commercial borrowing.
46. In order to protect existing reserves and minimise the impact of reclassification on colleges' finances, a solution was reached with SFC in the form of arm's-length foundations. Across the further education sector, colleges have either established their own foundation as arm's-length vehicles or have opted to join a national foundation.
47. NES FE Foundation was constituted as a Scottish Charitable Incorporated Organisation which was approved by the Office of the Scottish Regulator (OSCR) in February 2014. The Foundation has 7 members, 4 of which are independent trustees including the chair.
48. The college approved the transfer of funds to the Foundation and by 31 July 2015, a total amount of £14m had been transferred. During 2014/15, the college received an award of £4.5m to develop the estate.

Performance

50. The college should have systems and processes to ensure that it can demonstrate that it is delivering value for money by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.

Severance payments

51. At 31 July 2015, the financial statements showed that the college incurred £3.1m in respect of exceptional restructuring staff costs. On conclusion of the 2013/14 audit, guidance notes in respect of the college's voluntary severance scheme were refreshed to ensure that appropriate evidence was considered and retained in respect of each case and that a clear audit trail was provided for cases where payments including any 'strain on the fund' payments were made which exceeded the value of a standard award under the voluntary severance scheme regulations.
52. The scheme required senior staff applications to be considered by the Board of Management. In reality, this was delegated to the Remuneration Committee. One senior staff application was received and we confirmed that it had been approved by the committee and that it was supported by a detailed business case setting out the cost implications. Other staff applications were to be considered by the senior management team (SMT) and we were able to confirm approval with SMT minutes in all cases.
53. Internal audit undertook a review of severance payments. Following their initial difficulty in obtaining a complete list of severance

payments made in the period, the auditors examined a sample of xx payments and confirmed that these had been calculated in accordance with regulations. There was no supporting evidence in

respect of one case where an amount of £9,561 had been paid. In general, severance is restricted to a maximum of one year's salary which amounted to £5,531 in this case. The audit committee

requested an explanation for the apparent increased payment and subsequently received a detailed report setting out the history of salary payments in respect of this case and a re-working of the calculation of the severance payment. In the absence of the original documentation, this piece of work sufficiently resolved the matter.

54. In our opinion, the audit committee acted promptly to pursue an explanation for the case where internal audit reported an absence of evidence. Based on the above actions and management representations, we are satisfied that the payment was appropriate and in accordance with regulations.

55. The college's current severance scheme is open until December 2015. It is critical that every step is taken by the board to ensure the necessary evidence is submitted when a case is being considered and retained afterwards to demonstrate the necessary audit trail.

Refer Action Plan, Recommendation 2

Budget and cash flow returns

56. With reclassification, colleges are required to submit monthly cash flow forecast returns to the Scottish Funding Council. These set out the cash requirement for the next month and therefore the allocation of grant, the college is seeking to draw down. Over the period since April 2014, the format, timing and information requirement of these returns has changed several times making it difficult for colleges to settle into a routine for completion and submission of the returns.

Appendix IV - Action plan

No/para	Issue/Risk/Recommendation	Management action/response	Responsible officer	Target date
1/41	<p>Human Resources</p> <p>Following recent internal audit reports, HR have agreed to carry out self-checks to confirm arrangements are operating correctly.</p> <p>Risk: incorrect payroll payments are made</p> <p>The audit committee continue to receive update reports until they are confident HR processes are operating effectively</p>	Internal audit are carrying out a follow up audit in this area as part of the 2015/16 audit plan. This will be considered by the Audit Committee on 26 January 2016.	Principal and Chief Executive	January 2016
2/55	<p>Voluntary Severance Payments</p> <p>It is critical that every step is taken by the board to ensure the necessary evidence is submitted when a case is being considered and retained afterwards to demonstrate the necessary audit trail</p> <p>Risk : it is not possible to demonstrate that payments comply with the college's approved severance scheme</p> <p>Recommendation: Checks are put in place to ensure that the appropriate paperwork is submitted and retained to provide the audit trail.</p>	Procedures have been established and operate to ensure that the appropriate paperwork is submitted and retained to provide the audit trail.	Principal and Chief Executive	In place

Financial Statements for the Year to 31 July 2016

1. Introduction

- 1.1. The purpose of this report is to enable the Board to consider, and if so minded approve, the draft Financial Statements of the Board of Management of North East Scotland College for the year to 31 July 2016, together with the Auditor's Report on the Statements.

2. Background

- 2.1. Scottish colleges were reclassified as public bodies on 01 April 2014. Consequently the financial reporting date of colleges was changed from 31 July to 31 March, then back to 31 July. This led to the last audited financial statements for the College being presented for the 16 months to 31 July 2015. The set of financial statements now presented are for the 12-month period to 31 July 2016.
- 2.2. The range of information provided in the statements has changed significantly as a consequence of the reclassification of colleges as public bodies.
- 2.3. These are the first statements presented under the new Statement of Recommended Practice (SORP), which reflects the changes to UK Generally Accepted Accounting Practice (GAAP) consequent upon the issue of Financial Reporting Standards (FRS) 100, 101 and 102.
- 2.4. The Scottish Funding Council has, as in past years, issued an Accounts Direction that requires colleges to prepare their financial statements under the SORP and provides guidance specific to incorporated Scottish colleges on specific mandatory disclosures. The SFC also requires colleges to comply with the Scottish Government's Financial Reporting Manual (FRoM) where applicable.

3. Financial Statements and Auditor's Report

- 3.1. Financial statements for the 12 months to 31 July 2016 are presented to the Board for consideration. These comprise the activities of North East Scotland College and its subsidiary companies from 01 August 2015 to 31 July 2016.
- 3.2. The statements have been reviewed by Audit Scotland, in its role as external auditor.
- 3.3. The auditor has expressed an unqualified audit opinion on the statements and the results for the period. This is set out in the 'Report to Those Charged with Governance', which is attached as Appendix 1 to this paper.
- 3.4. The Audit and Risk Committee considered the Financial Statements and Audit Scotland's Report, at a meeting on 15 November 2016.
- 3.5. The Financial Statements were approved at that meeting and are now presented to the Board of Management for consideration, and if so minded approval, together with the report presented by Audit Scotland on the findings of the external audit. The Statements are attached as Appendix 2 to this paper.
- 3.6. As in previous years, the auditor has sought a signed letter of representation prior to signing the audit certificate. The Principal and Chief Executive has signed this letter in respect of the Financial Statements for the year to 31 July 2016.

4. Publication of the Financial Statements

- 4.1. The Board of Management is required to present its financial statements for 2015-16 to the Scottish Funding Council and the Auditor General by 31 December 2016, together with a copy of the Auditor's Report and a number of other returns.
- 4.2. The Auditor General will then consider the financial statements and those of Scotland's other colleges and present the Scottish Parliament with a report on those statements. This is undertaken in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 – in particular Section 22 of the Act.
- 4.3. Typically the Auditor General's report is a summary of the performance of Scottish colleges. In exceptional circumstances separate reports are published on the performance of specific colleges. (For example, matters relating to severance arrangements and governance at Coatbridge College or the significant financial challenges facing Edinburgh College.)
- 4.4. These reports are normally published in March of the year following the financial reporting period under review. The Auditor General's reports on financial statements from 2014-15 were presented in March 2016 and colleges were notified by central authorities that their 2014-15 financial statements could be released to the public on 30 March 2016.
- 4.5. Colleges are expressly prohibited from releasing their financial statements until they have been given explicit permission to do so by central authorities. It is likely that permission to release financial statements for 2015-16 will not be forthcoming until late-March 2017.
- 4.6. In view of the potential for misinterpretation of the College's financial position, a position paper shall be prepared that will explain to stakeholders the differences between the College's underlying operating financial position and that reported under the accounting conventions used to prepare the financial statements.

5. Recommendation

- 5.1. It is recommended that the Board:
 - 5.1.1. consider the report presented by Audit Scotland on the audit of the Board's Financial Statements in respect of the year to 31 July 2016;
 - 5.1.2. consider and, if so minded, approve the Financial Statements for the year to 31 July 2016.

Rob Wallen
Principal

Roddy Scott
Vice Principal - Finance



North East Scotland College Report on the 2015/16 Audit



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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively (www.audit-scotland.gov.uk/about/).

Anne MacDonald is the engagement lead for the audit of North East Scotland College for the period 2011/12 to 2015/16.

This report has been prepared for the use of North East Scotland College and no responsibility to any board member or officer in their individual capacity or any third party is accepted.



This report will be published on our website after it has been considered by the Board of Management. The information in this report may be used for the Auditor General's annual overview report on further education audits published on its website and presented to the Public Audit Committee of the Scottish Parliament.

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Key messages

Audit of financial statements	<ul style="list-style-type: none">• The independent auditor's report on the 2015/16 financial statements for North East Scotland College and its group is unqualified.• With the application of the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) alongside the Government Financial Reporting Manual (FReM), there were changes in the presentation of the primary financial statements, different options were available for accounting for capital grants and the Board of Management's Operating and Financial Review was replaced by Performance and Accountability Reports. These matters have all been addressed in line with the requirements of the Scottish Funding Council's 2015-16 Accounts Direction.• In order to comply with FReM, a prior year adjustment has been included to reflect the Balgownie site in the revised accounts at market value. With the downturn in the local economy, market values have fallen over the last year and consequently, the consolidated statement of comprehensive income and expenditure includes a deficit on revaluation of £4.4m to reflect the impact of the downward valuation for the year to 31 July 2016.
Financial management and sustainability	<ul style="list-style-type: none">• While the college reported a deficit in respect of 2015/16, this is an accounting deficit which has arisen due to the treatment of funding for non-cash depreciation. In line with guidance, this was an expected outcome which also occurred in 2014/15 and consequently, there is no impact on the audit opinion.• The college has sound financial arrangements including financial regulations that are regularly reviewed and detailed monthly accounts which are considered by the Board.

 <p>Governance</p>	<ul style="list-style-type: none"> • In general, strong systems of internal control operated during the year although a number of weaknesses were reported in respect of payroll arrangements. Steps have been taken to review and strengthen procedures and these are being kept under review by the Audit and Risk Committee.
 <p>Performance</p>	<ul style="list-style-type: none"> • The college offered a voluntary severance scheme during 2015/16 and the operation of this scheme was found to operate satisfactorily. A sample of payments made during the year were examined by internal audit and were found to have sound audit trails and appropriate supporting evidence.

Introduction

1. This report is a summary of our findings arising from the 2015/16 audit of North East Scotland College. The report is divided into sections which reflect our public sector audit model.
2. The management of North East Scotland College is responsible for:
 - preparing financial statements which give a true and fair view
 - implementing appropriate internal control systems and maintaining proper accounting records
 - putting in place proper arrangements for the conduct of its affairs
 - ensuring that the financial position is soundly based.
3. Our responsibility, as the external auditor of North East Scotland College, is to undertake our audit in accordance with Auditing Standards, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility for the preparation of financial statements which give a true and fair view.

5. **Appendix I** is an action plan setting out our recommendations to address the high level risks we have identified during the course of the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that North East Scotland College understands its risks and has arrangements in place to manage these risks. The board and senior management team should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.
6. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
7. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

Our audit appointment

8. Audit Scotland is responsible for public sector audit in Scotland with audit appointments generally covering a five year cycle. The financial year 2015/16 is the final year of the current cycle. From 2016/17, the auditor of North East Scotland College will be Ernst and Young. In accordance with agreed protocols and International Standards on Auditing we will be liaising with the incoming auditors as part of this transition.

Audit of the 2015/16 financial statements

Audit opinion	<ul style="list-style-type: none"> We have completed our audit and issued an unqualified independent auditor's report.
Going concern	<ul style="list-style-type: none"> The financial statements of the college and its group have been prepared on a going concern basis. While there are significant financial challenges ahead, we are unaware of any events or conditions that may cast significant doubt on the college and its group's ability to continue as a going concern.
Other information	<ul style="list-style-type: none"> We review and report on other information published with the financial statements. In line with the 2015 SORP and FReM, this includes a performance report and accountability reports by the Principal and/or the Board of Management. These reports contain a governance statement and a remuneration report. We have no major concerns in respect of these statements.
Group accounts	<ul style="list-style-type: none"> North East Scotland College has accounted for the financial results of its subsidiary in its group accounts for 2015/16. The overall effect of consolidating the balances on the group balance sheet was to increase total reserves and net assets by £113,000.

Submission of financial statements for audit

9. In 2015/16, the 2015 SORP applied for the first time. It is based on FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland
10. The main change related to the classification and accounting of deferred capital grants. The 2007 SORP required capital grants to be deferred on the balance sheet while the 2015 SORP provides an alternative option of crediting capital grant to the consolidated statement of comprehensive income and expenditure. Consequently, grants received from the North East Scotland Further Education (NES FE) Foundation are now shown as income in the year of receipt rather than as deferred grants within creditors.
11. Changes in accounting treatment arising from implementation of the new SORP also affect comparative figures. It has therefore been necessary to make prior year adjustments which means the balance sheet for 2014/15 and the closing reserves for 2013/14 have been revised where appropriate. The impact of these changes on the financial statements has been explained in the accounting policies supported by note 33 to the financial statements.
12. In addition to the prior year adjustments, changes were made to the organisation of the financial statements, with, for example, the former Statement of Historical Cost Surpluses and Deficits and the Statement of Total Recognised Gains and Losses being replaced by the Statement of Changes in Reserves.

13. There were also significant changes to the other information contained within the accounts. The Accounts Direction required the inclusion of performance and accountability reports in accordance with FReM which replace the former Operating and Financial Review by the Board of Management and the Statement of Corporate Governance and Internal Control. These reports contain a range of information including a summary of the college's performance against strategic objectives, a governance statement and a remuneration and staff report.

Overview of the scope of the audit of the financial statements

14. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the Audit and Risk Committee on 15 March 2016.
15. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. As such, the agreed fee for the 2015/16 audit which was set out in the Annual Audit Plan remains unchanged.
16. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which involved the highest level of judgement and impact on the financial statements and consequently had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to

undertake to secure appropriate levels of assurance. The audit risks identified at the planning stage have been addressed and our findings and conclusions in respect of these risks are contained within the body of this report.

17. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Materiality

18. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).

19. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

20. We summarised our approach to materiality in our 2015/16 Annual Audit Plan. Based on our knowledge and understanding of North East Scotland College, we set planning materiality at 1% of gross expenditure. On receipt of the financial statements and following

completion of audit testing we reviewed our materiality levels and concluded that no major change was required to our approach.

21. In respect of the 2015/16 financial statements, materiality was set at £603,000. We report all misstatements greater than £30,000. Performance materiality was calculated at £301,000 to reduce to an acceptable level the probability of uncorrected and undetected audit differences exceeding our materiality level.

Evaluation of misstatements

22. Other than the amendments for the Balgownie site and the holiday pay accrual which have been reflected in the audited accounts and are explained in the table at paragraph 25, there were no significant changes to the financial statements.

23. We identified a number of presentational adjustments within the financial statements during the course of our audit. These were discussed with the Finance team and amended accordingly.

Significant findings from the audit

24. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
 - the auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures
 - significant difficulties encountered during the audit

- significant matters arising from the audit that were discussed, or subject to correspondence with management
- written representations requested by the auditor
- other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.

25. During the course of the audit we identified the following significant issues that, in our view, require to be communicated to you.

Issue

1. Revaluation of Balgownie site

The Balgownie site has been vacant and awaiting disposal for some time and was shown in the draft accounts as a current asset held for sale. At 31 July 2016, it was recorded at a book value of £1.075m. This accounting treatment complied with the 2007 SORP but FReM requires such assets to be carried at market value.

FReM also sets out a range of criteria to assist in determining if an asset is available for sale including an expectation that the sale be completed within 12 months. With the downturn in the local economy, a potential date for the disposal of the Balgownie site is unknown.

Resolution: A valuation at market value was obtained and the centre is reflected in the revised accounts at £5.6m for the current year and following a prior year adjustment, the previous year market value is included as £10m. We are satisfied with these adjustments.

2. Holiday pay accrual

The Accounts Direction requires colleges to recognise an accrual for the untaken element at 31 July 2016 of short-term accumulating paid absences. This is also in accordance with *IAS 19 Employee Benefits*. Paid absences are periods during which an employee does not provide services to the employer, but benefits continue to be paid. Accumulating absences known as the untaken holiday accrual are those that are carried forward and used in future periods if the current period entitlement is not used in full, e.g. annual leave and flexitime balances. Only the movement of £21,842 between the current and previous year had been accrued at 31 July 2016, rather than the full amount of £601,376.

Resolution: The revised accounts have been amended to reflect the full amount.

Issue	
3. Finance lease liability	<p>The college entered into a finance lease for a facility in Ellon with Aberdeenshire Council. The lease is for 60 years, however the associated costs have been allocated over a 5 year period. The difference in charge between the current amount and one based on the college's policy of allocating costs over the life of the lease is £76,450. Fixed Assets are therefore understated by £76,450, and expenses overstated by the same amount.</p> <p>Resolution: The lease has a break period after 5 years which was the reason the shorter write off period was used. The accounting policy has been amended to reflect that this finance lease is being accounted for over a shorter period. As the amount involved is not material, we are satisfied with this approach.</p>
4. Implementation of the 2015 SORP	<p>Note 33 to the financial statements sets out the impact on the college's prior year opening balances after implementing the new SORP. The main change has been the reclassification of £4.4m grants received from the NES FE Foundation as income received in the year rather than as a deferred grant to be used over the life of the relevant asset. In addition, the face of the balance sheet has changed significantly as total deferred grants of £46.7m which had previously appeared separately before reserves are (with the exception of foundation income above) included within creditors.</p> <p>Resolution: We are satisfied with the accounting treatment in the audited accounts following implementation of the new SORP.</p>
5. Income and hardship funds	<p>The college receives a range of funding from the Scottish Funding Council which we were able to reconcile with monthly cash flows and budget information. Due to the risk of material misstatement, we also felt it was appropriate to seek management representation on the matter to ensure no significant income had been omitted from the accounts. Also, in 2014/15, we found that balances in respect of hardship accounts had not been cleared since the new ledger was set up following the merger.</p> <p>Resolution: Management representations have been obtained with regard to completeness of income and in respect of hardship funds, we confirmed that relevant balances were addressed appropriately during the year and were no longer an issue.</p>

Financial management and sustainability

Financial management

26. In this section we comment on the college's financial outcomes and assess the financial management arrangements.

Financial outcomes

27. North East Scotland College and its Group reported a deficit of £2m for 2015/16. After taking actuarial losses in respect of pension liabilities and the deficit on revaluation of the Balgownie site, the overall deficit for the year was £11.1m. Additional challenges experienced during the year included increased demand for student support funds and the impact on pay and conditions following the implementation of National Collective Bargaining.
28. In the past the college received sufficient funding to cover student support but this year, expenditure exceeded the funding allocation and therefore the college was required to meet the additional cost.
29. Changes to pay and conditions continue to impact on the college. While a two year pay deal has been agreed with lecturers, there is ongoing negotiation to resolve the dispute with support staff. In overall, terms the additional cost of the agreed and proposed pay offers is currently around £400k.

30. The government's budgeting and accounting arrangements require the college to provide a monthly cash flow and break even against resource requirements. At 31 March 2016, the college reported an overspend of £577k against its resource limits.

31. As in the previous year, colleges received cash funding in respect of depreciation, a non-cash item, which has to be spent by 31 March and this puts colleges into an accounting deficit position once net depreciation is taken into account. In respect of 2015/16, this amounted to £1.009m for North East Scotland College but in line with Scottish Funding Council guidance, the deficit does not impact on our audit opinion as the outcome is the result of a technical accounting matter which was anticipated.

32. The Scottish Funding Council did however provide guidance on how the cash received in respect of depreciation could be spent and subsequently, the college was permitted to use it to meet additional student support funds and contribute towards the pay award and increased pension contributions.

33. In May 2016, the college received the first notification of its funding allocation for 2016/17. This was lower than expected especially when compared with other colleges and consequently, there is ongoing correspondence with the Funding Council. In the summer, the college agreed a balanced budget for 2016/17 on the basis that significant savings need to be delivered. While the college recognises that the current cost base and service delivery models are not sustainable, an estimate of the shortfall over the next 3 years assuming no change in current operations and funding is at least £6.5m.

34. Since reclassification the college has reduced costs across a number of areas. There is work ongoing with the two universities in the city to identify potential options for shared services. Early results have identified more opportunities for the universities than for the college. It will therefore be difficult to continue to deliver savings against a backdrop of reduced funding unless there is fundamental change. These matters are the focus of the Board's next planning day in November 2016.

Financial management arrangements

35. As auditors, we need to consider whether colleges have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
- the finance officer has sufficient status within the college to be able to deliver good financial management
 - financial regulations are comprehensive, current and promoted within the college
 - reports monitoring performance against budgets are accurate and provided regularly to budget holders
 - board members provide a good level of challenge and question budget holders on significant variances.
36. Based on our observations during the course of the 2015/16 audit, we drew the following conclusions:
- The Vice Principal, Finance is a member of the college's senior management team and provides regular support to the Board of Management and both the Finance and General Purposes and
 - Audit and Risk Committees. He therefore holds sufficient status.
 - We reviewed the college's Governance Manual which includes standing orders, scheme of delegation and code of conduct; and the Financial Regulations. We concluded that both documents were comprehensive, current and subject to regular review.
 - Monthly management accounts comprising an income and expenditure account, student support funds statement, a balance sheet and a major capital projects statement is prepared and considered by the Finance and General Purposes Committee and the Board on a regular basis. Reports contain robust information on variances and provide actual and budgeted spend to date with the full year forecast position.
 - With increasing financial challenges, the Board has recognised the need for longer term financial planning. There is some evidence of three year revenue plans and longer term costings for the estates strategy. Within its current self-evaluation action plan, the Board identified an aim to work towards developing 10-year financial plans. Recent Board planning days have also focused on the 'college in 10 years' time'.
 - Based on our observations at the Audit and Risk Committee, there is a good level of challenge and questioning and this was particularly noted in relation to financial matters.

Governance

37. The Board of Management is responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements.

Corporate governance

38. During the year, there were some changes in board membership and in July 2016, membership of the Board's committees was reviewed. There was however continuity in the Chair and Vice Chair of the Board and the college's Senior Management Team. The Principal did however announce his retirement in spring 2016 and following a successful recruitment campaign in the summer, the new principal takes up her post in December 2016.

Governance and internal control systems

39. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their board members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.

40. Through its accountable officer or equivalent, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs, including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged

with governance (including audit committees or similar groups) in monitoring these arrangements.

41. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:

- corporate governance and systems of internal control
- the prevention and detection of fraud and irregularity.

42. It is a requirement of the college's funding that they sign a Financial Memorandum with the Scottish Funding Council. The financial memorandum was refreshed during the year and the new terms and conditions were applied to colleges from December 2014. One of the conditions within the memorandum is that colleges are expected to comply with the principles of good governance as set out in the 2014 *Code of Good Governance for Scotland's Colleges*. With regard to section C of the Code covering accountability, we were satisfied that the college continued to meet the requirements set out in the good practice.

43. In June 2015, the college established a Governance Steering Group to support the Board in maintaining high standards of governance. The steering group met regularly during 2015/16 to consider a range of issues including responses to sector papers on governance, updates to the Board's governance manual, the Board's self-evaluation action plan and how the college might approach the external board evaluation required to be undertaken by March 2017 under the terms of the new Code of Good Governance for Scotland's Colleges. The new code applies from July 2016.

Audit and Risk Committee

44. Scrutiny of the effectiveness of the internal control processes within North East Scotland College is undertaken by the Audit and Risk Committee. The terms of reference for the Committee were extended during the year to include risk.
45. The Accounts Direction requires colleges to include a governance statement within their financial statements. We have reviewed the governance statement and have confirmed it is in line with the Accounts Direction.
46. As outlined earlier, a Performance Report is required as part of the financial statements in 2015/16 for the first time. Having considered the requirements of the Accounts Direction, we are satisfied there are no major omissions in the Performance Report. While detailed curriculum information has been included, there is, however, scope to provide more narrative on the results. It would also be helpful to include key performance measures monitored by the Board during the year.
48. Internal audit for the college is provided by Wylie & Bisset LLP. Generally, we seek to rely on the work of internal audit wherever possible and in respect of 2015/16, we concluded that reliance could be placed on their work. In their annual report for 2015/16, Wylie & Bisset LLP provided their opinion that based on the internal audit work undertaken during the year, they were satisfied that sufficient internal audit work has been undertaken to allow them to draw a conclusion as to the adequacy and effectiveness of the college's risk management, control and governance processes.
49. In their opinion, North East Scotland College did have adequate and effective risk management, control and governance processes to manage its achievement of the college's objectives at the time of the audit work they carried out. It was also felt that the college had proper arrangements to promote and secure value for money. However, internal audit's annual report also drew attention to a 'weak' conclusion which had been reported following payroll work undertaken during the year. On receipt of the relevant internal audit report, the Audit and Risk Committee received an update from Human Resources and a further internal audit visit was agreed.
50. In 2014/15, a number of weaknesses in controls were reported by internal audit in respect of human resources and payroll functions. At that time the issues related to overpayments arising because appropriate documentation had not been passed to the human resources team. In addition, a range of errors had been identified in the pay grades recorded in college records. These matters were resolved and corrective action taken to improve internal controls.

Refer Action Plan, Recommendation 1

Internal control

47. The auditor evaluates significant financial systems and associated internal controls for the purpose of giving an opinion on the financial statements and as part of the review of the adequacy of governance arrangements. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.

The matters now reported in respect of 2015/16 payroll matters related to different weaknesses and internal controls.

51. We considered the potential impact of internal audit's findings on our audit of the college's financial statements. Having considered the work of internal audit, we were satisfied that the areas of concern could be restricted to:

- overtime payments
- expense claims
- sick pay and maternity pay calculations.

52. In respect of overtime and expenses, manual adjustments had been made to documentation by the finance team as part of processing rather than returning the relevant paperwork to the appropriate line managers for correction. This generally meant there was an absence of appropriate audit trails and weaknesses in the relevant internal controls. We also noted that the payroll system could not deal with sick pay and maternity pay calculations properly and therefore manual workarounds were required. We carry out substantive testing as part of our audit approach and in respect of 2015/16, a sample of 30 payroll transactions was examined. While internal audit reported on significant weaknesses in internal control, we concluded that the scale of the amounts involved were not material to our overall audit opinion on the financial statements.

53. We placed reliance on the work of internal audit in respect of payroll and are satisfied that appropriate action is being taken to address the areas of concern. Otherwise, we did not identify any material weaknesses in the accounting and internal control systems during

the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Risk Management

54. The college's risk management strategy, processes and risk register were kept under regular review by the Board of Management and the Audit and Risk Committee to ensure that risks were adequately managed by the college.

Prevention and detection of fraud and irregularities

55. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. We noted for example, standing orders, a prevention of fraud policy, whistleblowing policy and codes of conduct for board members and staff. Combined, these represent the standard suite of policies and procedures we would expect to find in an organisation with satisfactory arrangements in place.

Performance

56. A college should have systems and processes to ensure that it can demonstrate that it is delivering value for money by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.

Severance payments

57. On conclusion of the 2013/14 audit, guidance notes in respect of the college's voluntary severance scheme were refreshed to ensure that appropriate evidence was considered and retained in respect of each case and that a clear audit trail was provided for cases where payments, including any 'strain on the fund' payments, were made which exceeded the value of a standard award under the voluntary severance scheme regulations.

58. The scheme required senior staff applications to be considered by the Board of Management. In reality, this was delegated to the Remuneration Committee. Other staff applications were to be considered by the senior management team.

59. The college ran a severance scheme between August and December 2015. Internal audit undertook a review of the scheme and examined a sample of 10 payments. No matters were identified

and in all cases, an appropriate audit trail existed including evidence of consideration by the colleges' senior management team.

College post-merger evaluation report

60. In Autumn 2015, the Scottish Funding Council began a round of post-merger evaluations. Each college was required to submit a self-evaluation which was considered alongside other Funding Council engagement with colleges including the outcome agreement process and financial health and quality monitoring.

61. In May 2015, the evaluation for North East Scotland College was published. It concluded that the merger could be regarded as 'very successful, particularly in terms of progress made by the college in creating a 'one college' culture'.

Transparency

62. Agenda papers and minutes for board and standing committee meetings are posted on the college's website on a timely basis.

While the minutes of the Audit and Risk Committee are included in the board papers, the committee agenda papers are regarded as reserved business and do not appear on the website. Overall, this demonstrates a good level of transparency with regard to the college's decision making processes.

Appendix I - Action plan

No/para	Issue/Risk/Recommendation	Management action/response	Responsible officer	Target date
1/46	<p>Performance</p> <p>The Performance Report includes detailed analysis of curriculum information but provides little explanatory narrative.</p> <p>Risk: <i>The information may not fully meet the expectations of the Accounts Direction.</i></p> <p>Recommendation: there is scope to provide more narrative on the results for the year and to provide a summary of the key performance measures monitored by the Board during the year.</p>	<p>The amount of narrative shall be increased in the Performance Report for the year to 31 July 2017.</p>	<p>Vice Principal Finance</p>	<p>December 2017</p>

Appendix 2 – Agenda Item 9.3 issued under separate cover

Partnership for Change

1. Introduction

- 1.1 The purpose of this paper is to allow the Board of Management to consider the Scottish Government's Partnership for Change.

2. Background

- 2.1 The Scottish Government is concerned to ensure a better gender balance on Boards by public sector organisations than was the case in the past.
- 2.2 As part of this they have developed an initiative called Partnership for Change.

3. Partnership for Change

- 3.1 The aim of the partnership is to make Boards commit to achieving a 50/50 gender balance by 2020.
- 3.2 This College, along with other public sector bodies, is being asked to make that commitment – as detailed in the email attached as appendix 1.
- 3.1 Attached as Appendices 2, 3 and 4 are other relevant documents.

4. Recommendation

- 4.1 It is recommended that the Board consider whether to make the commitment to working towards a 50/50 gender balance by 2020.

Rob Wallen
Principal

Monday, 7 November 2016 16:15:31 Greenwich Mean Time

Subject: Partnership for Change - Expression of Interest - North East Scotland College

Date: Friday, 4 November 2016 08:19:24 Greenwich Mean Time

From: 5050by2020@gov.scot (sent by Lesley.Cunningham@gov.scot <Lesley.Cunningham@gov.scot>)

To: Wallen, Rob

Dear Mr Wallen,

Thank you for expressing an interest in the Scottish Government's Partnership for Change. We are delighted that North East Scotland College are considering becoming a member and making a commitment to work towards 50/50 by 2020.

There are no formal requirements to become a signatory to the Partnership, other than your commitment to increasing diversity. We ask all members to sign-up to the following statement:

"Effective boards bring together diverse thinking and talent. So we welcome the opportunity to sign up to the Partnership for Change and commit to further the diversity of our Board, working towards 50/50 gender balance by 2020"

If you are happy to take this next step I would be grateful if you could email me with confirmation that North East Scotland College wish to sign up to the Scottish Government's Partnership for Change, and;

- A short paragraph telling us about your organisation and what you do
- A logo for your organisation and web address
- Any twitter account that you use

This information will allow us to list you as a partner on our website. We will also provide you with a copy of our 50/50 by 2020 logo should you wish to advertise this on your own website.

If you would like to discuss any aspect of the Partnership for Change before signing up please feel free to get in touch.

Lesley

Lesley Cunningham | Gender Equality Policy | The Equality Unit | Scottish Government
| Victoria Quay | Edinburgh | EH6 6QQ | T:0131 244 7977

Scotland believes in equality.

Visit onescotland.org and share your support
for the campaign on Facebook and Twitter



#equalscotland

onescotland.org



one
scotland
SCOTTISH GOVERNMENT



-----Original Message-----

From: ray@whitespacers.com [mailto:ray@whitespacers.com]

Sent: 12 October 2016 17:14

To: 50/50 By 2020 Mailbox

[One Scotland](http://onescotland.org/)

- [50/50 by 2020](http://onescotland.org/equality-themes/5050-by-2020/)
- [Disability](http://onescotland.org/equality-themes/disability/)
- [LGBTI](http://onescotland.org/equality-themes/lgbti/)
- [Race](http://onescotland.org/equality-themes/race/)
- [Religion](http://onescotland.org/equality-themes/religion-and-belief-equality/)
- [Gender](http://onescotland.org/equality-themes/gender-equality/)
- [Human Rights](http://onescotland.org/equality-themes/human-rights/)

Show Navigation

50/50 by 2020

Equality and diversity are key to Scotland's success. Historically, women have been under-represented in public and corporate leadership. As a nation that prides itself on fairness, we seek to create equal opportunities for all regardless of gender, disability, ethnic background, age, religion/belief or sexual orientation. However, there's also compelling evidence that having greater diversity of thinking and talent in the management team, and in organisations overall, leads to better performance. Put simply, both large and small businesses do significantly better when they have more gender balance in the boardroom and more diversity in the workforce.

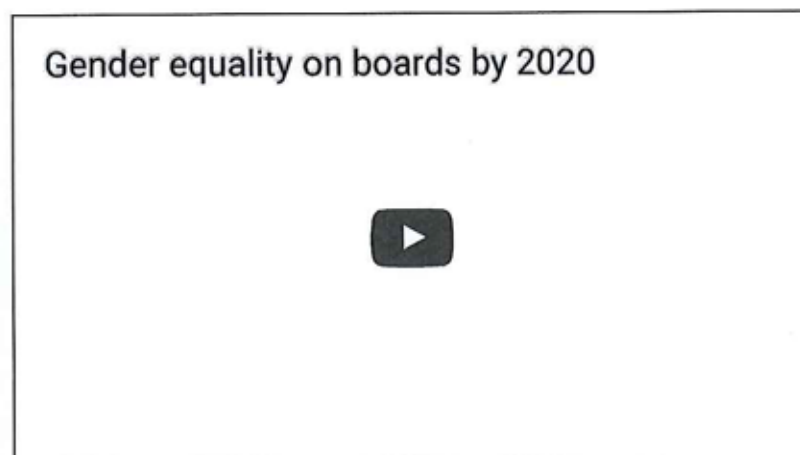
A fair and prosperous Scotland has no ceiling for ambition and talent and opportunities for all to flourish. It is perhaps not surprising that companies with a more modern, progressive, open-minded, meritocratic approach do better. They outperform their rivals by simply making the best use of all the talents at their disposal.

There is clear consensus that increasing diversity in the boardroom and in senior leadership encourages new and innovative thinking, maximises use of talent and leads to better business decisions and governance. The [Scottish Government's Programme for Government](http://www.scotland.gov.uk/About/Performance/programme-for-government) encourages public, private and third sector organisations to sign up to the **Partnership for Change** and to set a voluntary commitment for gender balance on their boards of 50/50 by 2020.

We want you to commit to making progress on gender balance by putting in place progressive practices in your business today and by signing up to the '**Partnership for Change**'. The **Partnership for Change** is a network of organisations and individuals who share a common ambition to improve diversity on boards and in senior leadership. By joining this network, organisations and individuals can share learning and experience in improving gender balance and diversity in the boardroom and beyond and access development opportunities to help bring talent to the boardroom, today and tomorrow. We

want people to set themselves a voluntary commitment to work towards gender balance on their boards by 2020 – 50/50 by 2020 – to demonstrate a real commitment to change.

Video of the 50/50 by 2020 Launch Event with the First Minister



You can join the **Partnership for Change** network by signing up here:

[Sign up here\[/equality-themes/5050-by-2020/sign-up-here/\]](#)

First Minister speaking at University of Glasgow, Successful Women at Glasgow event, 4 February 2015

“I firmly believe that you should succeed on your abilities and how hard you work and your gender, family or race should not hold you back from that. If you’re good enough you should be able to fulfil your dreams.”

The Scottish Government’s [Programme for Government](#) [<http://www.gov.scot/About/Performance/programme-for-government>] set out the ambition for improving diversity. Our [Scottish Business Pledge](#) [<http://www.scottishbusinesspledge.scot>] encourages private companies to tackle not only gender diversity but a range of progressive business practices which will help make Scotland more prosperous.

To find out more about support available in developing talent and creating a more diverse team [click here to access resources](#) [<http://onescotland.org/resources/5050-by-2020>]

Partners

A variety of organisations have already [signed up as partners](#) [[/equality-themes/5050-by-2020/partners/](#)] in the network.

By joining the **Partnership for Change** you are joining a growing number of organisations committed to working towards diversity in the boardroom and beyond. Partners are joining a network of organisations on a journey. Some sectors will have further to travel than others but by sharing learning and approaches and demonstrating through the **Partnership for Change** what is possible we can build momentum for change.

Partnership for Change



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See all of our partners >[\[/equality-themes/5050-by-2020/partners/\]](/equality-themes/5050-by-2020/partners/)

- [Sign up here](http://onescotland.org/equality-themes/5050-by-2020/sign-up-here/)[\[http://onescotland.org/equality-themes/5050-by-2020/sign-up-here/\]](http://onescotland.org/equality-themes/5050-by-2020/sign-up-here/)
- [Case Studies](http://onescotland.org/equality-themes/5050-by-2020/case-studies/)[\[http://onescotland.org/equality-themes/5050-by-2020/case-studies/\]](http://onescotland.org/equality-themes/5050-by-2020/case-studies/)
- [Partners](http://onescotland.org/equality-themes/5050-by-2020/partners/)[\[http://onescotland.org/equality-themes/5050-by-2020/partners/\]](http://onescotland.org/equality-themes/5050-by-2020/partners/)

Alliance Trust supports 50/50 by 2020

“There is still more work to be done to improve gender diversity on Boards in the UK, but I am encouraged that many companies are starting to tackle the issue and making a significant effort to affect change. At Alliance Trust, we fundamentally believe that a diverse workforce will create the optimum environment upon which our business will thrive and grow and are proud of our strong record of gender diversity at both the Board and Executive level. We are delighted to support this important movement and to add our commitment to improving gender balance on company Boards by 2020.”

Chief Executive of Alliance Trust Katherine Garrett-Cox

[Sign up now](#)

<http://onescotland.org/equality-themes/5050-by-2020/sign-up-here/>

The Commissioner for Ethical Standards in Public Life supports 50/50 by 2020

“The Commissioner welcomes the Scottish Government’s commitment to board diversity and views addressing the gender balance as a positive step towards achieving more diverse boards that broadly reflect the make-up of our society.”

Commissioner for Ethical Standards in Public Life Bill Thomson

[Sign up now](#)

<http://onescotland.org/equality-themes/5050-by-2020/sign-up-here/>

From: Ian.Thomson@gov.scot [mailto:Ian.Thomson@gov.scot]

Sent: 13 October 2016 16:01

To: johnconnell@nhs.net; garry.coutts@childrenshearings.org.uk; martin.cheyne@nhs.net; phil.jones8@nhs.net; linda.mckie@nhs.net; patricia.lombard@sportscotland.org.uk; jan.reyes@calmac.co.uk; james.mcgoldrick@sssc.uk.com; muir.russell@btinternet.com; terry.currie@nhs.net; esther.roberton@nhs24.scot.nhs.uk; denise.carroll@sepa.org.uk; skinniburgh@qmscotland.co.uk; garveyju@slab.org.uk; alison.wood1@nhs.net; davidgarbutt@nhs.net; linda.mctavish@btinternet.com; margaretcook@outlook.com; kajmckellar@aol.com; julia.harrison@strath.ac.uk; kewanderson@yahoo.co.uk; carolewilkinson@blueyonder.co.uk; sarah.luxton@snh.gov.uk; provost.forbes@virgin.net; Keith.Nicholson@revenuescotland.gsi.gov.uk; paul.edie@carecommission.com; julia.swan@nhs.net; willie@williemackieconsulting.co.uk; pauline.macpherson@edinburghcollege.ac.uk; angela.mccusker@btinternet.com; brian.johnstone01@gmail.com; Ken Milroy <kenm@aberdeenfoyer.com>; tony.jakimciw@talk21.com; carolewilkinson@blueyonder.co.uk

Cc: Victoria.Bruce@gov.scot; Evie.McLaren@gov.scot; Kirsty.Walker2@gov.scot; Robert.Boyter@gov.scot

Subject: Delivering Highly Effective Boards - workshop for public body Board Chairs - 11 October 2016 - follow up

Dear Colleagues,

Please find the following email sent on behalf of Vikki Bruce, Public Bodies Unit, Scottish Government.

Delivering Highly Effective Boards – workshop for public body Board Chairs – 11 October 2016

Thank you for attending the Chairs' event on Tuesday. We hope you found it informative. We welcomed the opportunity to discuss with you issues of interest to all of us. I include below a note on next steps.

Draft summary document:

We have captured the key themes discussed in a draft summary note. If you have any comments on this, please let us know – if possible by 31 October.

The NHS materials for Non-Executive Directors, to which David Garbutt referred, can be found at the following link: [NHS materials](#)

Succession planning guidance:

As discussed at the meeting I attach the final draft succession planning guidance and toolkit of resources to help with succession planning. These versions reflect some additional points raised on Tuesday. If you have any final comments on the succession planning guidance, or any materials to add to the toolkit, please let us know by 31 October. We'll send you links to the final versions thereafter.

Mentoring:

At the event Evie McLaren launched an initiative on mentoring where she asked for nominations of talented individuals on your Boards who are from groups that are under-represented at Chair level who would benefit from mentoring and Chair mentors. Please send us the contact details of any members of your Boards would be interested in participating in this initiative, and let us know if you'd be prepared to be a mentor if you have not done so already.

Board effectiveness research:

Thank you to all of you who offered to work with us to take forward the ground-breaking research on the impact of diversity on Board effectiveness mentioned by the Commissioner. We shall be in touch about this shortly.

Future events:

Finally, the feedback from the day suggests that attendees are keen to participate in future peer-learning and networking events. There was interest in organising a session to explore the relationships between Ministers and Chairs, and we shall be in touch shortly about this.

Thank you again for your contributions.

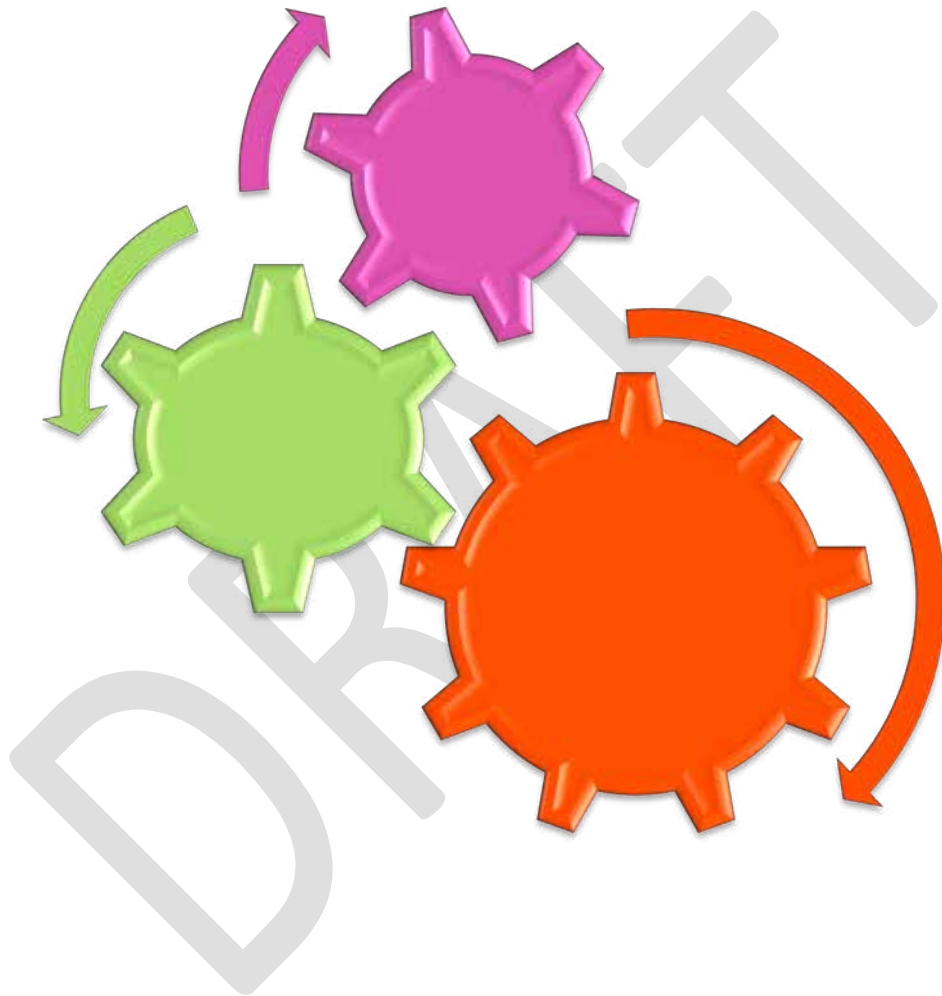
Best wishes

Vikki Bruce

Ian Thomson

Public Bodies Unit | Directorate for Local Government & Communities | Scottish Government |
Area 3J South | Victoria Quay | Edinburgh | EH6 6QQ |
☎ 0131 244 1528 : Extension 41528
☎ 07768 352959
✉: ian.thomson@gov.scot

Succession Planning Toolkit for Public Body Boards



Summary

This interactive toolkit has been developed, in response to feedback from public bodies, to complement the guidance on succession planning for public body Boards and to assist bodies to develop Board succession plans.

The toolkit provides information and examples of good practice, which will be updated on a regular basis. **It will be up to each public body to decide which elements of the toolkit (if any) are most likely to be of assistance to them at different points in time and to determine what is likely to work best for them in relation to succession planning. There is no requirement for public bodies to use any element of the toolkit.**

Please send to the Public Bodies Unit any materials that you hold that may be of interest to others, so that these can be included in this toolkit.

Tool 1	Succession plan checklist
Tool 2	Template Terms of Reference for a Succession Planning Committee
Tool 3	Examples of Skills Matrices and Skills Audits: <ul style="list-style-type: none"> • Scottish Children's Reporter Administration Board – Skills Matrix (August 2015) • National Galleries of Scotland Trustee Skills Matrix Grid (January 2016)
Tool 4	Details of Support Organisations
Tool 5	NDPB Case Study: <ul style="list-style-type: none"> • Highlands and Islands Enterprise Shadow Board Member Opportunity
Tool 6	Further reading

Tool 1 –Succession Plan checklist

The following checklist has been prepared outlining some of the elements that, subject to individual Boards' requirements, may be included in a succession plan.

Issue	To include?
<i>Analysis of current Board</i>	
Summary of skills audit of current Board	
Summary of gender composition of Board*	
<i>Strategic forward look</i>	
Summary of key outcomes of the long-term strategy/corporate plan	
Summary of skills needed to support delivery of the long-term strategy/corporate plan	
Overview of target groups with the skills and diversity that are needed	
<i>Action plan</i>	
<i>Increasing awareness</i>	
Board members write blogs or other communications pieces about their work	
Make use of technology (social media, video clips) to appeal to and engage with diverse groups	
Publish profiles of Board members on your public body's website, focusing on value added by their diversity	
Encourage Board members with protected characteristics to volunteer as role models and take part in relevant communications	
Encourage and support Board members to be visible and use their contacts or networks to promote Board positions and the work of the Board(s) they are on	
Promote the work of the Board and Board positions via staff	
Ensure that the Board's future needs are highlighted in regular corporate publications	
Engage with relevant equalities organisations to seek their advice on outreach and addressing potential barriers to participation	
<i>Training and development</i>	
Pilot a Board training position, or other development opportunity, such as a Board apprenticeship scheme, for prospective Board members, for example through the Institute of Directors' <i>Developing Board Experience</i> project, Women on Boards or Changing the Chemistry (CtC)	
Encourage attendance in training and development events organised by the Scottish Government	

Use co-option to build capacity in individuals, encourage diversity and identify skills	
Develop good candidates who apply for appointments, but are unsuccessful, by offering positive feedback and advice, mentoring, shadowing opportunities and co-options	
Identify potential Board members from members of Board committees and encouraging them to apply for Board positions, or other development opportunities	
Run targeted training events for people from currently underrepresented groups to familiarise them with the work of Board members and to enhance their capacity to apply successfully for Board positions	
Enlist Board members to mentor trainees and committee members who are interested in progressing onto a Board	
<i>Board structures and processes</i>	
Establish a process for evaluating the skills, knowledge and experience needed in future (e.g. setting up a Succession Planning Committee)	
Identify and remove any potential barriers to opportunities such as how Board papers are presented, timings of meetings etc	
Ensure that the Board is kept up to date with any new developments in equality and diversity relevant to its work	
Ensure Board members, including the Chair, who sit on selection panels participate in relevant training on how to recognise and manage diversity issues that arise during appointment rounds, for example how to mitigate the impact of unconscious bias	

* gender is the only protected characteristic about which information will be published for each Board according to the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 as amended

Tool 2 – Template Terms of Reference for a Succession Planning Committee

Some Boards may wish to set up a Succession Planning Committee. If they do, the following template Terms of Reference, that can be adapted to suit individual bodies' circumstances, may be of assistance.

Terms of reference for the Succession Planning Committee

The Board has established a Succession Planning Committee to support its work on Board appointments.

Purpose

Inclusive and diverse Boards are more likely to be effective, to be better able to understand their stakeholders and benefit from fresh perspectives, new ideas, vigorous challenge and broad experience.

The role of the Succession Planning Committee is to:

- lead on meeting the Board's responsibilities in relation to planning for succession through appointments and Board member development;*
- offer advice to the Board on future appointments and reappointments;*
- review and evaluate the skills, knowledge, expertise, diversity (including protected characteristics) of current Board members, and requirements of future members, on an annual basis; and*
- develop a succession plan that can be presented to the Board.*

Constitution

- 1. The Succession Planning Committee shall consist of the Chair, two Board members, the Chief Executive, an official from the Scottish Government sponsor team and other relevant staff as required –[N.B. the majority of the members of the committee should be independent non-executive members].*
- 2. The Chair of the Committee will be the Chair of the Board.*
- 3. The quorum required to be present at any meeting of the Committee shall comprise no fewer than three members.*
- 4. Officers attending the Committee will include [the Press and Communications Manager, HR Manager and Equalities lead]. Other officers may be invited to attend for all or part of any meeting as and when appropriate.*
- 5. The Committee will meet [at least annually]. The meeting will be timed to align with the Board planning cycle. The Committee will also convene on an ad hoc basis to deal with issues such as unanticipated Board member departures and changes to the operating environment.*
- 6. The Committee will report to the Board. A copy of the minutes will normally form the basis of the report.*
- 7. The Committee will review its own effectiveness and provide an overview report to the Board annually on the Committee's work and key considerations.*
- 8. The Succession Planning Committee may co-opt additional members for a period not exceeding one year to provide specialist input.*

Remit

1. *Review and evaluate skills, knowledge, experience and diversity (including in relation to protected characteristics) of the Board including the attributes required for all or the majority of Board members (both now and in the future).*
2. *Identify skills and diversity gaps and shortages in light of the body's long-term strategy.*
3. *Develop a succession plan in response to the skills and diversity needs that have been identified, and in so doing, ensuring that new members appointed to the Board reflect the needs identified, thus avoiding appointments being made in the image of the current Board members.*
4. *Consult and seek advice from the Public Appointments Team on ways of attracting the type of applicant required, identify and advise on different methods and approaches to recruitment including the application process, information pack and interviews.*
5. *Give consideration to participation of [users of services] in the recruitment process.*
6. *Consider recommending one or more committee members taking part in the assessment of applicants.*
7. *Keep the Board apprised of the committee's work and prepare an annual report to the Board.*
8. *Involve, as appropriate, the executive resources of the body such as HR and public relations professionals, to enhance and support appointment activity and to ensure that it is aligned with the body's brand, values and other corporate communications.*
9. *Adhere at all times to the Code of Practice for Ministerial Appointments and policy and seek as appropriate guidance and advice from the office of the Commissioner for Ethical Standards in Public Life in Scotland.*

General

1. *The work of the Committee needs to be fully informed by:*
 - *Strategic planning,*
 - *Business planning,*
 - *Risk register,*
 - *Information presented to the Board on its composition in accordance with the Equality Act 2010 (Specific Duties) (Scotland) Amendment Regulations 2016, and*
 - *Performance assessment (which will also be linked to external and internal audit).*

Tool 3 – Examples of Skills Matrices and Skills Audits

Examples of skills matrices and audits from public bodies are included, which may be of assistance to others when developing Board succession plans.

Scottish Children's Reporter Administration Board –Skills Matrix

List of skills required to maintain a balanced board

Generic skills for all board members to have:

1. The ability to successfully lead a diverse team (essential for chair, vice-chair and chair of sub-committees only).
2. Understanding of, and interest in, business development and business management.
3. Sound understanding of corporate governance and strategic planning.
4. Excellent interpersonal and communication skills.
5. Genuine interest and understanding of current children's welfare related issues in Scotland.
6. The ability to analyse complex information, challenge and probe.
7. Sound judgement.

Additional skills set that one or more individual members must have for the Board to be effective:

8. In-depth knowledge and expertise of local government, NHS and others' responsibilities in relation to:
 - The operation of child protection, youth justice and anti-social behaviour related services
 - The preparation of reports and implementation of decisions in relation to the Children's Hearings System (CHS)
 - Children's services planning structures, objectives and outcomes.
9. Understanding of and experience of budgetary and financial management processes including capital projects and procurement.
10. Knowledge and understanding of support to Children's Panel members.
11. Knowledge and understanding of the criminal justice system in Scotland, including practical court based experience.
12. An understanding of the range of social and health issues facing families and how they impact on the CHS.
13. Understanding of political and financial context in which board operates.
14. Diversity and equality confident.

Scottish Children's Reporter Administration Board

Skills Matrix

Name	Generic Skills							Additional Skills						
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Board Member	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓	✓	✓
Board Member	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓
Board Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Board Member	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓	✓	✓
Board Member	✓	✓	✓	✓	✓	✓	✓				✓	✓	✓	✓
Board Member	✓	✓	✓	✓	✓	✓	✓		✓			✓	✓	✓
Board Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Must have skills/experience for all board members:

1. To be able to see the bigger picture when considering issues and topics, this does not necessarily require direct experience of developing policy or strategy.
2. An understanding of what the Scottish Children's Reporter Administration (SCRA) is set up to do and how you can contribute to the work of the organisation.
3. Sound communication skills which includes confidence in questioning proposals, debating issues, and expressing your views, listening to others, speaking succinctly and remaining focussed.
4. Be able to work as a team, act collaboratively, appreciate the experience and views of other board members, and support collective decisions.
5. An understanding of the realities for children, young people and their families in Scotland.

Scottish Children's Reporter Administration Board - Other skills/experience

One or more individual board members must have for the Board to be effective. Applicants are not expected to have all of the other skills set out below but need to show they have at least one of them.

1. Bring relevant first hand life experience related to the work of SCRA.
2. An understanding of different ways of working, new organisational models, and business change.
3. Knowledge and experience of youth justice, the legal world and the court system.
4. An understanding of workforce issues, organisational development and the impact of change.
5. Awareness of rapid technological change, opportunities digital transformation offers, and ability to be forward looking.

August 2015

Scottish Children's Reporter Administration Board - Summary of Skills and Experience

Board Member	Skills and Experience
Board Member	<ul style="list-style-type: none"> • Management and leadership at senior level across different local authorities in England and Scotland • Child Care Social Work • Working in an NDPB • Governance • Working with Scottish Government • Teaching Adults • Education and Training and regulation of staff
Board Member	<ul style="list-style-type: none"> • Strategic Leadership • Scrutiny (of police at national level) • Working with Ministers and senior civil servants • How Police work • Motivation and Commitment • Sense of our responsibilities • People Skills • Negotiation • Different Views • Non-threatening challenge • Eye for Detail
Board Member	<ul style="list-style-type: none"> • Experience as a parent • Awareness as a parent • Local politician • Governance • Education and schools • Dealing with placement requests
Board Member	<ul style="list-style-type: none"> • Leadership and Management at a senior level • Creativity and Curiosity • Information and communications including digital • Directly working with children and young people • Children and young people focussed • Expertise in consultation and co-design • Being a volunteer at community level • Working with COSLA and Scottish Government • Experience from other Boards

Board Member	Skills and Experience
Board Member	<ul style="list-style-type: none"> • Leadership and Management at a senior level • Child related services • Being a parent • Corporate management, finance, HR, performance • Working COSLA and Scottish Government • Legal Training
Board Member	<ul style="list-style-type: none"> • Management and Leadership at a senior level • Finance Professional with expertise in Audit, IT and procurement. • Senior Executive in NDPB and University and College sectors
Board Member	<ul style="list-style-type: none"> • Career as Police Officer (27 years) • Experienced Non-Executive in various NDPBs and in the Third Sector • Former foster parent (8 years) • Former convenor of a Children's Hearings Children's Panel and of a Community Justice Authority • Former COSLA spokesperson with experience of working with Scottish Government • Former Elected Member and Deputy Leader of a Local Authority • Experience of many local community and youth projects • Member of Scotland Police Authority Board • Parent/grandparent
Board Member	<ul style="list-style-type: none"> • Working in the financial services sector • Managing staff and budgets • Performance management • Audit, regulation and compliance • Foster care

National Galleries of Scotland Trustee Skills Matrix Grid (January 2016)

Tool 4 – Details of Support Organisations for Board outreach activity

Changing the Chemistry

Changing the Chemistry (CtC) is a Scottish based charity whose members are multi-talented and drawn from a wide variety of backgrounds and experiences. CtC's aim is to **improve** board **effectiveness** and increase diversity **of thought**, on all types of Boards.

CtC has developed a toolkit to assist Chairs and Boards in gap analysis, self-assessment, Board development planning, defining competencies and ensuring high calibre appointments.

CtC is keen to work with Chairs and Boards to formally pilot the model (no fee charged). For a confidential discussion and more information please contact Neil Stevenson –

feedback@changingthechemistry.org

Website: <http://changingthechemistry.org/>

Institute of Directors (IOD) - Developing Board Experience Programme

This is an initiative developed by the Scottish Government and Institute of Directors to give prospective Board members a practical insight into how Boards operate and a clear picture of what is involved in being a member of a Board. It is designed for individuals - particularly women - who are judged to possess the skills, attributes and potential to be a member of a Board, but have little or no experience at Board level. Selected individuals will be allowed, on a pre-arranged and closely supervised way, to sit in on Board (and ideally sub-committee) meetings to observe first-hand how Boards work. This will build their understanding, confidence and capacity to fill appropriate Board positions in the future.

Contact: caroline.donaldson@kynesis.co.uk

Women on Boards

Women on Boards (WOB) exists to help women make the right connections and career choices to get to the top within their own company or to take on a board or committee role as a non-executive director (NED), trustee or governor. WOB operates from the principle that as talent is equally divided between men and women in the world, organisations in all sectors need to work towards a gender balance of 40:40:20 at board and leadership level in order to reach their full potential.

Website: www.womenonboards.net

Contact: contact@womenonboards.co.uk

Tool 5 – Case Studies

Highlands and Islands Enterprise Shadow Board Member Opportunity

Highlands and Islands Enterprise (HIE) is eager to ensure that the composition of its Board properly covers the full range of interests of its customers and stakeholders, and that membership is open to a true cross section of society. At present the HIE Board comprises 11 members, including the Chairman and Chief Executive. Only one is female.

In early 2014, in the knowledge that it would be looking to fill board vacancies the following year, HIE began discussions with Scottish Government about how it could bring a fresh approach to recruitment. As well as addressing the Board's gender imbalance as a specific issue, HIE aims to ensure that future recruitment to its Board is carefully designed to be as open and inclusive as possible to broaden the diversity of suitable applicants.

HIE is committed, as a minimum, to meet the national challenge for the boards of all organisations to achieve a gender balance of 50:50 by 2020, as set out in the Scottish Government's Programme for Government 2014-15.

Towards a successful strategy

In order to ensure a successful outcome, we developed a new strategy which included the following elements:

- Define desired board composition/skills matrix
- Awareness Raising
- Remove barriers to equality
- Extend the reach of our recruitment
- Having appropriate processes, messages and language

In addition, to support awareness-raising and develop a diverse pool of talent and experience of individuals - who might put themselves forward for membership of private and public sector bodies, HIE **created a shadow board member position.**

Creation of Shadow Board Member position

To secure a shadow board member HIE engaged with the Developing Board Experience initiative being led by the Institute of Directors and Scottish Government. This initiative aims to give prospective board members a practical insight into how boards operate and a clear picture of what's involved in being a member.

It is designed for individuals – particularly women - who are judged to possess the skills, attributes and potential to be a member of a board, but have little or no experience at board level. Selected individuals will be allowed, on a pre-arranged and closely supervised way, to sit in on board (and ideally sub-committee) meetings to observe first-hand how boards work and to participate in discussion.

This will build their understanding, confidence and capacity to fill appropriate posts in the future.

HIE was the first public sector organisation to appoint a shadow board member under this initiative.

The HIE opportunity

In 2014, HIE created a shadow board member position to provide an individual with one year's experience.

Belinda Oldfield, General Manager, Revenue and Risk, Scottish Water, was appointed as the first HIE shadow board member in May 2014.

Shadow Board Members experience

In her year with the HIE Board, Belinda has received papers for and attended meetings of the HIE Board and of its primary sub-committee, the Risk and Assurance Committee. Belinda

has taken up the opportunity provided by HIE to both observe and to participate actively in these meetings. She has also experienced board engagement activity outwith formal meetings, seeing first-hand some of the projects enabled by HIE support and meeting communities and businesses supported by HIE.

To support Belinda in her role she was provided with an early induction to HIE, meeting with Executive Directors and key staff who provided information on the organisation's activities and how these are delivered. She has also participated in a board development day which covered the governance and ethical standards environment and which included engagement with the Commissioner for Ethical Standards in Public Life.

A key element of Belinda's time with HIE has been the early and on-going conversations with the HIE Chairman. The early discussions enabled an open and constructive relationship to be established and ensured mutual clarity on what the shadow arrangement aimed to achieve and how it would operate. This was reviewed on an on-going basis so that changes could be made in light of experience. Belinda has confirmed that she found the non-executive board and executive team very supportive and welcoming.

According to Belinda, this experience has provided her with:

- Insights into the operation of another public sector organisation
- Development of experience in acting in a non-executive rather than executive capacity
- Increased confidence to ask appropriate questions
- An opportunity to observe the working of a board as a collective and how individual skills and experience are harnessed in that environment
- A greater understanding of investment evaluations and financial context
- The benefits of observing the key role played by a board chairman

This experience has left Belinda inspired and with increased confidence to seek and apply for board appointments where she feels her talents and skills can make a difference.

Good practice and Lessons learned

This was the first shadow board member appointment undertaken by HIE and we were keen to ensure that captured good practice and that we learn from this experience and ensure that this learning is used to inform how future opportunities are delivered.

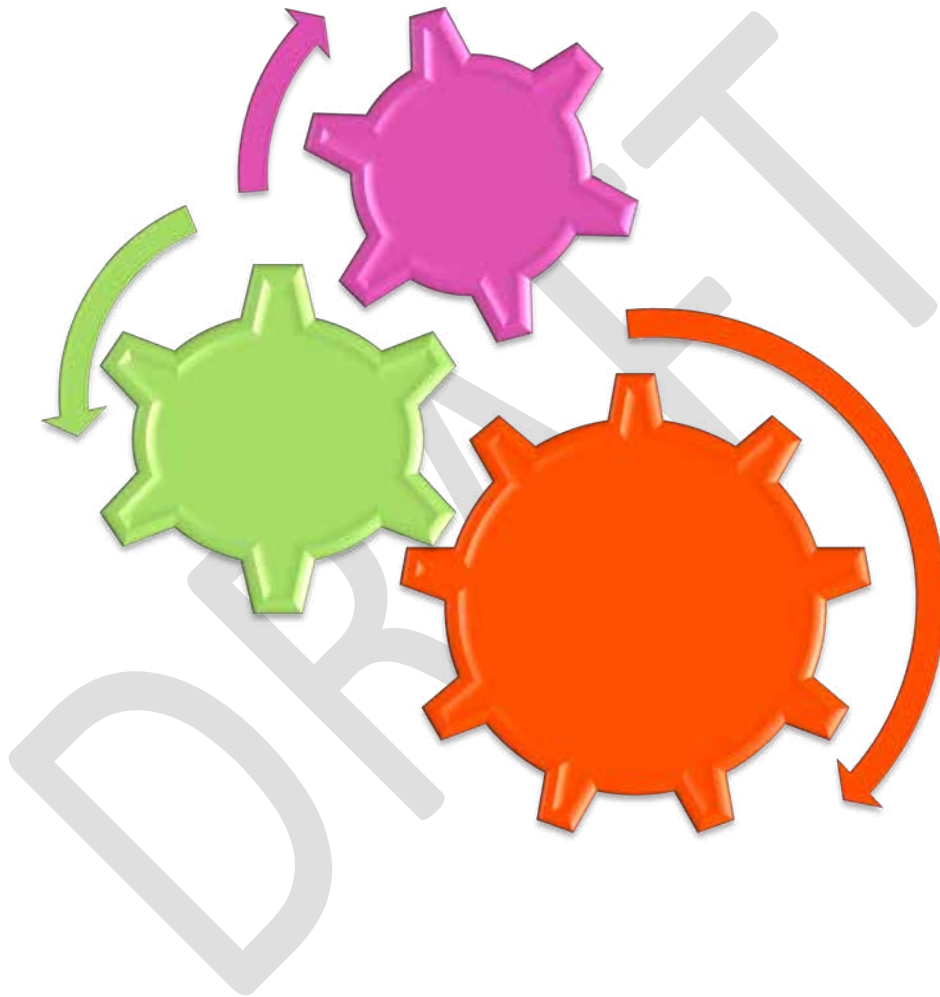
The key areas of good practice and lessons learned were:

- An early and comprehensive induction is essential
- The shadow board member should be fully integrated into all normal board activity, communication and support from day one
- Plan to ensure a full experience is achieved – not just contained to board meetings
- Establish early engagement and ongoing dialogue with chairman on how the arrangement will work, and adjust as appropriate
- Ensure executive staff are appropriately briefed and are supportive
- Ensure wider board are appropriately briefed and are supportive
- Be provided with appropriate infrastructure needed to fulfil the role
- Have an appropriate engagement letter which makes clear tenure of appointment and expected outcomes

Tool 6 –Further Reading

- [Commissioner for Ethical Standards in Public Life in Scotland – Diversity Delivers](#) (September 2008)
- [Financial Reporting Council – Guidance on Board Effectiveness](#) (March 2011)
- [Financial Reporting Council – Feedback Statement: UK Board Succession Planning Discussion Paper](#) (May 2016)
- [Handbook on Application of the Revised Code](#) (September 2011)
- [ICSA: The Governance Institute - The Nomination Committee — Coming Out Of The Shadows](#) (May 2016)
- [On Board – A Guide for Board Members of Public Bodies In Scotland](#) (April 2015)

Guidance on Succession Planning for Public Body Boards



Summary

This 'light touch' guidance seeks to help public bodies develop effective succession plans for their Boards. This has been co-produced by the Scottish Government's Public Bodies Unit

and Public Appointments Team, sponsor teams and a range of staff and Board members of public bodies, building on good practice.

An interactive 'toolkit' of resources to support this guidance is also available, which will be updated regularly [\[insert hyperlink when ready\]](#). It will be up to each public body to decide which elements of the toolkit (if any) are most likely to be of assistance to them and what is likely to work best for them in relation to different stages of succession planning. There is no requirement for public bodies to use any element of the toolkit.

Introduction

The purpose of succession planning is to deliver highly effective, diverse Boards

Diversity simply means difference. In relation to Board diversity and succession planning we use it to refer to two distinct, but related, concepts: members' skills, experience, knowledge and other relevant attributes, such as personal values, and diversity of members in relation to their protected characteristics as defined by [The Equality Act 2010](#). Both concepts of diversity are equally important and should be reflected in public bodies' succession plans.

Diverse Boards are more likely to be better able to understand their stakeholders and to benefit from fresh perspectives, new ideas, vigorous challenge and broad experience. This diversity of thought and contribution should result in better corporate governance and decision-making, and, in turn, support continuous improvement of our public services in Scotland.

A Board that reflects the people and communities that it serves is also more likely to have credibility with them; thus promoting public trust in Board decision-making. Moreover, a public body which understands its diversity in relation to the protected characteristics of its members, and can demonstrate the steps it has taken to secure or improve its diversity, is far more likely to be able to demonstrate compliance with the legal requirements of the Public Sector Equality Duty.

Succession planning will differ from body to body, for example, the Boards of some bodies have a proportion of their membership nominated by other bodies or directly elected, or there may be requirements for particular skills (e.g. minimum number of legally qualified members). Although the Scottish Ministers are ultimately responsible for making most Board appointments, there is much that public bodies can do themselves to ensure that, when Chair or Board positions do arise, they are prepared to maximise opportunities to attract candidates that meet the body's needs, including from the existing membership of the Board or its committees. The important thing is that consideration is given to planning ahead, and to the future needs of each body and its Board, to ensure that any succession planning arrangements are flexible enough to meet future requirements.

Legislation and Policy

In addition to helping bodies to deliver more diverse and effective Boards, this guidance seeks to help bodies address the requirements of new policy and legislation:

The Public Sector Equality Duty

The [Public Sector Equality Duty \(PSED\)](#) was created under the Equality Act 2010 and came into force on 5 April 2011. It consists of a general equality duty, supported by specific duties which are imposed by secondary legislation. [Those subject to the PSED](#) must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

These are sometimes referred to as the three aims or arms of the general equality duty. The Act explains that having due regard for advancing equality involves:

- Removing or minimising disadvantages suffered by people due to their protected characteristics.
- Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
- Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

The equality duty covers the nine protected characteristics as defined by The Equality Act 2010: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex and sexual orientation.

Further information and supporting guidance on the PSED is provided by the [Equality and Human Rights Commission](#).¹

The Equality Act 2010 (Specific Duties) (Scotland) Amendment Regulations 2016

The [Equality Act 2010 \(Specific Duties\) \(Scotland\) Amendment Regulations 2016](#) require listed public authorities with appointed Board members to use information about their Board's diversity to better perform the PSED.

By 30 April 2017, each listed public authority is expected to include in the mainstreaming reports that are published every two years as part of the requirements of the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 details of:

- the number of men and of women who have been members of the authority during the period covered by the report;
- how the information provided about the relevant protected characteristics of its members has been used so far; and
- how the authority proposes to use the information provided in the future to promote greater diversity of membership.

Listed authorities are required to report both on the steps they have taken, and on the steps they plan to take across all relevant protected characteristics to promote member diversity. Because of the small numbers involved care must be taken not to inadvertently disclose protected characteristics associated with individuals. Other than numbers of men and

¹ <https://www.equalityhumanrights.com/en/commission-scotland/public-sector-equality-duty-scotland>

women as members of the authority, no information on protected characteristics will be published in the report.

Non-statutory guidance is available from the Equality and Human Rights Commission, which outlines the requirements of these regulations [\[provide link when ready\]](#).

Gender Balanced Boards – The Partnership for Change

The Scottish Government's Programme for Government encourages public, private and third sector organisations to sign up to the Partnership for Change and to set a voluntary commitment for gender balance on their boards of 50/50 by 2020. Most public bodies have signed up to the [Partnership for Change](#).

The Public Appointments and Public Bodies etc. (Scotland) Act 2003

Bodies should also be aware of the pre-existing legislative context in which regulated appointments are made to their Boards.

The Commissioner for Ethical Standards in Public Life in Scotland regulates appointments to the Boards of many of Scotland's public bodies. The appointment process is run by officials on behalf of the Scottish Ministers. The Commissioner has, in consultation with the Scottish Ministers, Scottish Parliament and the Boards of Scotland's public bodies, produced a Code of Practice that gives guidance on the way in which the appointments should be made. The principles underpinning the code are merit, integrity and diversity and equality.

The Commissioner has also produced a strategy, entitled [Diversity Delivers](#), intended to enhance equality of opportunity and to increase the diversity of the boards of Scotland's public bodies. As well as including recommendations for the Scottish Government, the strategy includes a number of recommendations for activities that public bodies themselves should engage in in order to secure more diverse Boards. This also includes a helpful checklist.

Key issues

The following issues will usually be central to the consideration of the Board's approach to succession planning:

- Scottish Ministers are ultimately responsible for making most Board appointments, but there is much that public bodies can do themselves to ensure that when Chair or Board positions do arise, they are prepared to maximise the opportunities associated with these.
- Succession planning is led by the Board, has the support of the SG sponsor and harnesses the knowledge and expertise of the Chief Executive and other executive officers.
- Succession planning should be conducted with the dual purpose of ensuring that the members of the Board have the requisite skills, experience, knowledge and other relevant attributes for the Board to perform effectively, and ensuring there is diversity in relation to members' protected characteristics.

- Board succession should be considered in light of the body's long-term strategy - which sets out what the body will do, how and when they will do it, and the approach to monitoring progress - recognising existing strengths and acknowledging the skills, experience and knowledge that are needed in the future.
- Boards should think creatively about the sorts of skills and attributes they need, and the balance of these, in order to be as effective as possible.
- Once the Board has identified the skills and attributes it needs in order to be effective, and any gaps in terms of its membership, the Board will wish to design engagement, outreach and development activity to attract people from target groups to its work so that they are in the best possible position to maximise the opportunities at appointment rounds.
- It can be helpful to mainstream succession planning into the body's communications and outreach activity, taking every opportunity to build awareness and understanding of the Board's work and make connections with potential members.
- Succession planning should consider how to nurture a talent pool which allows those with no previous Board experience to develop the skills required to become a Board member, for example through shadowing or mentoring.
- It can be beneficial to engage with some target groups on an ongoing basis, in order to develop awareness and understanding. Existing Board members from such target groups can act as role models and help make connections.
- Evaluating the effectiveness of individual members and how that in turn has an impact on the effectiveness of the Board should be an on-going activity, and inform succession planning.
- The approaching end of every appointment term is a real decision point; re-appointment is never automatic. Members may only be re-appointed by Ministers for second and subsequent terms in the same role if: they possess the skills and knowledge the Board requires going forward when their term comes to an end; and at formal appraisal their performance has been assessed as effective.
- As well as considering planning for succession through open competitions, there is a need to think about succession planning within public bodies for Board leadership roles such as chairs for sub-committees, and how to build capacity among existing Board members to take these on.

Additional considerations

Boards may also wish to consider the following:

- In order to promote synergies between Board succession and a body's long-term strategy, it may be appropriate for the Board's succession plan to be appended to the body's corporate plan and for the plan to cover the duration of the corporate plan (usually three or five years). In all circumstances, succession plans should be reviewed on a regular basis.

- Boards may wish to consider establishing a dedicated Succession Planning Committee to evaluate the existing skills of Board members and those that will be needed in future. It is important that any committee operates in a fair and transparent manner and that it has the delivery of an effective, diverse Board as its central purpose so as not to reinforce the status quo. Some bodies may prefer to adopt other ways of delivering the same outcome.

Roles and Responsibilities

This section outlines the usual roles and responsibilities of the key players involved, noting that not all appointments to Boards are made by Ministers; some members are directly elected or nominated by other bodies.

The Chair

- Leads the Board's approach to succession planning to ensure that the Board is diverse and effective.
- Effectively harnesses the diverse contributions that Board members bring.
- Establishes any Succession Planning Committee and seeks agreement of the Board for its terms of reference.
- Regularly reviews, with members, Board work in relation to succession planning.
- Ensures that Ministers and Scottish Government sponsors are aware of the needs of the Board and that Ministers' views are reflected in the Board's succession plan.
- Keeps up-to-date with any developments in equality and diversity relevant to the work of the Board, circulating to Board members as appropriate.
- Supports Board colleagues to overcome barriers and promotes a coaching/mentoring environment, including in relation to unsuccessful candidates.
- Conducts Board member appraisals to establish whether existing and new Board members are fulfilling their potential; addresses development opportunities and poor performance to ensure Board needs are met.
- Leads the Board in its community engagement and other outreach activities, including those designed to encourage applications from people in currently underrepresented groups.

Board Members

- Operate as role models and take part in relevant communications.
- Are visible and use their contacts or networks to promote Board positions and the work of the Board.
- Contribute ideas and reflections through individual appraisals and Board reviews.
- Participate directly in succession planning activity such as being part of a selection panel or a member of any Succession Planning Committee.
- Participate in community engagement and other outreach activities, including those positive action activities designed to encourage applications from people in currently underrepresented groups.

The Chief Executive

- Advises the Board on the skills and other attributes required to support the delivery of the corporate plan and Ministerial priorities.

- Harnesses appropriate executive support for designing and delivering the succession plan (e.g. HR, equality, communications leads).
- Ensures that corporate communications in relation to community engagement and outreach activities are consistent with the brand and values of the body and with ministerial aims for the board to be reflective of society.
- Is responsible for ensuring compliance with the [Equality Act 2010 \(Specific Duties\) \(Scotland\) Amendment Regulations 2016](#).

Sponsor Teams

- Advise and support public bodies, their Boards and Ministers on the development of high quality Board succession plans.
- Ensure that succession plans are shared as appropriate with Ministers..
- Work with Boards to review and update succession plans in light of changing priorities and Board composition.
- Facilitate appointment rounds with support from the Public Appointments Team.

Ministers

- Set the policy and performance framework for public bodies.
- Offer early input to thinking around succession and planning for appointments.
- Where appropriate, agree the Board's succession plan in the context of the body's corporate plan.
- Approve the appointments to Boards.
- Promote the value that they place on effective and diverse Boards.
- Build awareness of the work of Boards and encourage members of the public, particularly those from underrepresented groups, to apply for Board roles.

Public Appointments Team

- Provides support and guidance on appointments, including direct support for appointment rounds.
- Shares intelligence from the Board's previous rounds, and learning and good practice from other appointment rounds, including positive action measures that can be taken on an on-going basis.
- Delivers a national outreach programme and work with Boards on bespoke outreach and community engagement events.

Public Bodies Unit

- Provides advice and guidance around Board succession planning.
- Organises networking and capacity-building events, and the sharing of good practice.

Contacts for Further Information

Robert Boyter, Public Bodies Unit, Scottish Government –
email: robert.boyter@gov.scot

Vikki Bruce, Public Bodies Unit, Scottish Government –
email: victoria.bruce@gov.scot

Evie McLaren, Public Appointments Team, Scottish Government –
email: evie.mclaren@gov.scot

Kirsty Walker, Public Appointments Team, Scottish Government –
email: kirsty.walker2@gov.scot

Ian Bruce, Office of the Commissioner for Ethical Standards in Public Life in Scotland –
email: i.bruce@ethicalstandards.org.uk

DRAFT

Briefing: 2016 amendments to the specific duties and implications for colleges

Purpose

This briefing is aimed at Secretaries to college boards, college board members and staff with an equality and diversity remit. It summarises recent changes to the Equality Act that have an impact on college board members and institutional reporting, and briefly provides some questions to consider when addressing the changes.

Background: the public sector equality duty and specific duties for Scotland

The Equality Act 2010 replaced previous anti-discrimination law, consolidating it into a single act. It contains a public sector equality duty (PSED) which consists of a general duty supported by specific duties. Scottish colleges and HEIs, and the Scottish Funding Council, are covered by both the general duty and the specific duties.

General duty

The general duty requires colleges and HEIs to have due regard to the need to:

- = eliminate unlawful discrimination, harassment and victimisation.
- = advance equality of opportunity, considering the need to: remove or minimise disadvantage, meet the needs of people with protected characteristics, and encourage participation where it is low.
- = foster good relations between people from different groups.

Specific duties

The specific duties aim to help colleges and HEIs to better meet the general duty. They are designed to help develop evidence-based policies and practices, improve transparency and accountability, and deliver better outcomes for everyone in Scotland.

To meet the specific duties, Scottish colleges and HEIs will need to:

- = report on progress on mainstreaming the general duty into all functions.
- = develop and publish a set of equality outcomes that cover all protected characteristics (or explain why not all protected characteristics are covered).
- = assess the impact of policies and practices against the needs of the general duty.
- = gather and use information on employees.

- = publish gender pay gap information.
- = publish statements on equal pay for gender, race and disability.
- = have due regard to the general duty in specified procurement practices.
- = publish information in a manner that is accessible.

2016 amendments to the specific duties and implications

The Scottish Government has amended the specific duties of the Equality Act to introduce a new requirement on listed authorities to publish the gender composition of their boards and to produce succession plans to increase the diversity of their boards. “Listed authority” includes college boards of management and regional strategic boards.

<http://www.legislation.gov.uk/ssi/2016/159/regulation/4/made>

The amendments require:

- = The Scottish Ministers, from “time to time”, gather information on the relevant protected characteristics¹ of board members of listed authorities, to be aggregated into Scotland wide statistics on board participation.
- = The Scottish Ministers provide that information back to listed bodies.
- = Listed authorities publish in their mainstreaming reports:
 - = information on the gender composition of boards.
 - = how they will increase the diversity of boards through succession planning, including use of data on protected characteristics.

Note: the next mainstreaming reports are due in April 2017. The government has indicated it will be collecting monitoring data directly from members through an anonymous online system in October 2016, with data returned to institutions by the end of the calendar year.

EHRC guidance on the new regulations will be published in late October or early November.

Scottish Government statement on the new reporting requirements (from legislation EQIA

<http://www.gov.scot/Publications/2016/03/9832/1>):

The Scottish Government believes that the promotion of gender balanced public boards through its 50/50 by 2020 campaign gives a platform for public authorities to test their recruitment structures and through addressing the barriers that may be facing women, they can use the learning to help make their board positions more accessible to all potential candidates, irrespective of their protected characteristics.

We are asking boards to look at all protected characteristics in their succession planning, not just sex, as we recognise the potential benefits for a wide range of groups within society.

¹ age; disability; gender reassignment, pregnancy and maternity; race; religion or belief; sex; and sexual orientation

The reason that boards will only be required to publish their gender balance is that this information is less likely to impinge on data protection legislation, though we are aware that consideration will have to be given in the future as to how best to reflect non-binary people when reporting, in relation to sex.

Gender Balance on Public Boards Bill

The Scottish Government's legislative programme for the coming year includes a bill to require "positive action" to be taken to redress gender imbalances on public sector boards.

It will:

- = apply to non-executive appointments to the boards of Scottish public authorities.
- = and "lock in" the gains that have been made in women's representation on public boards in Scotland.

Alignment with the Code of Good Governance

The new regulations complement and strengthen the code in relation to promoting the diversity of governing bodies by seeking to reflecting the make-up of the local community by offering the opportunity of membership to a range of potential members.

Reflective questions for secretaries

- = What is the current gender composition of your governing body and how is this information gathered and shared?
- = What other monitoring data on protected characteristics do you currently collect?
- = What activity have you undertaken to diversify your membership?
 - Which protected characteristics has this activity been in relation to?
 - Could this activity be considered positive action?
 - What other initiatives or positive action measures could you put in place?
- = What training and support would you find helpful in meeting these new requirements and priorities?
- = What training and support might be appropriate for governing body chairs and/or members?

Contact

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High Level Strategic Risk Register

1 Introduction

- 1.1 The purpose of this paper is to allow the Board of Management to consider the College's High Level Strategic Risk Register.

2 The Risk Register

- 2.1 The High Level Strategic Risk Register is owned by the Board of Management and details the actual critical risks that the College is facing, with a high-level indication of the mitigation that will be applied to each.
- 2.2 Attached as Appendix 1 to this paper is an annotated version of the High Level Strategic Risk Register. The proposed amendments reflect the discussions held at the Board's Planning Event on 18 and 19 November 2016.

3 Recommendation

- 3.1 It is recommended that the Board consider the High Level Strategic Risk Register.

Rob Wallen
Principal

HIGH LEVEL STRATEGIC RISK REGISTER

The following should be seen as the actual critical risks that the College is facing, with a high-level indication of the mitigation that will be applied to each:

Governance issues: the risk that the reclassification of colleges and other changes to college governance reduce the flexibility of the Board of Management to manage financial and estates issues and to meet targets set out in the Outcome Agreement.

Mitigation: involvement by the Chair and Principal in national fora (such as the Board of College Scotland, National Bargaining, Strategic Dialogues) to ensure that the College's interests are recognised and protected, and seeking the support of The North East Scotland Foundation for Further Education to support the College's continuing development.

Responsibility: Chair, Board of Management and Principal

Corporate issues: the risk that the College fails to maintain service continuity because of unforeseen circumstances, including change of governmental and SFC policy.

Mitigation: sound internal planning and monitoring arrangements, and regular liaison with Scottish Government and SFC officials.

Responsibility: Senior Management Team

Commercial issues: the risk that the College becomes reliant on profit from the College company's training for the oil and gas industry, and that this might be reduced by any down-turn in the North Sea oil sector, thereby threatening the College's financial stability and sustainability.

Mitigation: seek improved funding from SFC; further investment in the College company to ensure it maintains market share of oil and gas training ~~even if there is a downturn~~ and a diversification of commercial work into other areas.

Responsibility: Principal and Vice Principal Business Services

Curriculum issues: ~~the risk that the continuing decline in funding in real terms will have a negative impact on the relevance, breadth and quality of curriculum delivery, and hence on student recruitment, retention and attainment, with resultant financial and reputational damage~~ ~~the risk that in establishing a nationally influenced regional curriculum, the College fails to deliver its current high level of service and as a result its reputation is damaged and recruitment is affected, or that organisational capacity cannot be realigned in line with changing governmental requirement or changing patterns of demand, and the College fails to deliver programmes that are essential for local industry and prosperity.~~

Mitigation: ~~review of where and how the College's curriculum is delivered, with an~~

emphasis on curriculum innovation in maximising efficiency that will be sustainable despite declining unit resource.

Responsibility: Vice Principal Learning and Quality

IT issues: the risk that ~~in implementing the change necessary for the integration of IT services in the College~~ in a difficult financial environment, the College is not able to maintain the robustness and fitness for purpose of IT infrastructure that is essential for course delivery, student services and business services.

Mitigation: establish and monitor the implementation of IT integration project plans, monitor system usage and system disruptions, and review the College's IT support service.

Responsibility: Principal

Quality issues: the risk that in that changing to a new SFC-driven, self-evaluation model in a climate of reducing human and financial resource will make it difficult to implement successful and robust quality arrangements for improving student outcomes and meeting stakeholder expectations which, in turn, will lead to diminished stakeholder confidence in, and reputational damage for, the College.

Mitigation: implement, embed, resources, monitor and review an effective and robust set of quality and self-evaluation processes that continue to provide improving and sustainable outcomes and experiences for both students and stakeholders.

Responsibility: Vice Principal Learning and Quality

Financial issues: the risk that changes to Scottish Government policy, funding levels and the funding methodology, combined with the inflexibility of ONS reclassification, make it difficult to maintain a balanced budget.

Mitigation: plan programmes to remove relatively high cost areas of activity and reduce level of service provided during the planning period such that there is a smooth reduction of costs over a manageable timescale and a return to a balanced budget by the end of the period; securing access to funding from the NES FE Foundation by maintaining effective relationships with the Trust; acting to mitigate the level of cuts to the College's income by collaboration between the College and other partners to seek areas for cost reduction and income generation to augment government income.

Responsibility: Principal and Vice Principal Finance

Estates and Facilities issues: the risk that much reduced funding and/or the loss of assets, and the implementation of major systemic change may impact on the College's ability to implement its Estates Development Strategy and/or to maintain the necessary quantity, quality and currency of facilities and other resources.

Mitigation: proceed with the Estates Development Strategy based on the agreed timescales while building local support for the plans, and prioritising equipment replacement and renewal based on level of impact on the students' experience; securing access to funding from the NES FE Foundation by maintaining effective relationships with the Trust.

Responsibility: Vice Principal Finance

Staffing issues: the risk that agreements arising from national collective bargaining may not be compatible with the College's own aspiration to develop flexible workforce arrangements that are aligned with the needs of students and employers and are compatible with the available resources.

~~the risk that in a situation of pay constraint and a return to national collective bargaining will prevent the College from maintaining its position of staff being the highest paid in the sector and may impact adversely on other terms and conditions of employment implemented as part of harmonisation causing disruption. In reducing costs in line with much reduced funding and in adjusting to rapid structural and systemic change, the College may be unable to sustain staffing in critical areas and experiences a significant loss of knowledge and skills.~~

Mitigation: influence the national discussions on the workforce of the future while continuing with local discussion with staff representatives and reaching agreement on new ways of supporting student learning and striving to maintain and enhance staff motivation through improved employee engagement.

~~seek to implement workforce planning strategies to ensure appropriate resources and structures to minimise impact on student experience, and seek to motivate staff through good communication and clear management support, and to implement an effective organisational and staff development programme.~~

Responsibility: Vice Principal Human Resources

Demand for College Provision issues: the risk that demand for SFC-funded, SDS-funded and full cost recovery provision diminishes thus reducing available income to the College.

Mitigation: ensure that an informed and targeted marketing strategy, based on robust stakeholder-led intelligence (including employer engagement) and need, is fully implemented; ensure that full, detailed and routine reporting is enabled for the Senior Management Team to allow close and regular monitoring of stakeholder demand; and ensure that diversification of provision is fully considered and enacted upon using available intelligence as well as innovative, flexible and efficient approaches.

Responsibility: Principal, Vice Principal Business Services, Vice Principal Learning and Quality

RISK MATRIX

BEFORE MITIGATION		Severity of Outcome		
		Minor	Moderate	Major
Likelihood of Occurrence	Very Likely			Finance
	Likely		Estates & Facilities Quality	IT Staffing Commercial
	Unlikely			Corporate Curriculum Governance
	Highly Unlikely			

Risk Level
Extremely High
Very High
High
Medium
Low
Insignificant

AFTER MITIGATION		Severity of Outcome		
		Minor	Moderate	Major
Likelihood of Occurrence	Very Likely			Finance
	Likely		Commercial Quality Estates & Facilities	Finance
	Unlikely		Corporate Staffing Curriculum	IT
	Highly Unlikely			IT Governance

Risk Level
Extremely High
Very High
High
Medium
Low
Insignificant

Draft Outcome Agreement AY2017-18

1. Introduction

- 1.1 The purpose of this paper is to provide the Board of Management with an opportunity to consider the College's draft Outcome Agreement for AY2017-18.

2. Background

- 2.1 Since AY2012-13 the College has been required to sign an annual Outcome Agreement with the Scottish Funding Council (SFC).
- 2.2 Outcome Agreements are intended to enable the SFC and colleges to demonstrate the impact of the college sector and its contribution to meeting Scottish Government priorities. The Outcome Agreement is also a funding contract between the SFC and each region.

3. Outcome Agreement for AY2017-18

- 3.1 As in previous years, the SFC has issued College Outcome Agreement Guidance - <http://www.sfc.ac.uk/communications/Guidance/2016/SFCGD212016.aspx>
- 3.2 The Outcome Agreement for AY2017-18 follows the same format as the current Agreement – two main sections: a regional context statement and an outcome progress table. The College is also asked to identify key priority outcomes to be delivered by the end of AY2017-18 and key priority outputs to be delivered in AY2017-18.
- 3.3 The College's Outcome Agreement Manager has confirmed that the SFC do not expect the AY2017-18 Outcome Agreement to be a brand-new document: it should be a refresh of the current AY2017-18 Outcome Agreement updated to reflect any new requirements in the guidance documents.
- 3.4 At the Board's Planning Event in November 2016, Members noted the process for the development of the Outcome Agreement for AY2017-18 and it was agreed that the current Outcome Agreement (AY2016-17) should be reviewed and updated to reflect key discussions held at the Event and recent College developments.
- 3.5 A copy of the first draft of the Outcome Agreement AY2017-18 will be circulated to Members under separate cover prior to the meeting on 05 December 2016.
- 3.6 The timeline for the Outcome Agreement AY2017-18 is as follows:

Activity	Deadline
First draft Outcome Agreement submitted to SFC	16 December 2016
Feedback	January 2017
Final Outcome Agreement submitted	31 March 2017
Publication of Outcome Agreements	April 2017

- 3.7 The College's Outcome Agreement Manager has advised that indicative funding allocations for AY2017-18 are expected to be announced in the second week of January 2017.

4. Recommendation

- 4.1 It is recommended that Board consider the draft Outcome Agreement for AY2017-18.

Appendix 1 – Agenda Item 10.2

Draft Outcome Agreement AY2017-18 issued under separate cover

Draft Access and Inclusion Strategy

1. Introduction

- 1.1 The purpose of this paper is to provide the Board of Management with an opportunity to consider the College's draft Access and Inclusion Strategy.

2. Background to the Strategy

- 2.1 During AY 2015-16 the SFC undertook a review of the Extended Learning Support (ELS) system which was part of their previous funding methodology. Following the review the SFC concluded that these funds should be used by colleges to support their inclusive practices and that each college region should develop an evidence-based access and inclusion strategy as part of their Outcome Agreement document. The strategy must evidence how the College uses this funding and the impact that this funding has.
- 2.2 The SFC has issued guidance on the required key elements of the Strategy as part of the Guidance for Outcome Agreements for 2017-18 http://www.sfc.ac.uk/web/FILES/GUI_SFCGD212016_CollegeOAGuidance1718/SFCGD212016_Annex_C_Access_and_Inclusion_Strategy.pdf
- 2.3 An internal working group of staff involved with key aspects of access and inclusion at NESCol has been convened to develop the College's new Strategy. At the time of writing the Strategy was being prepared; however a copy of the draft will be circulated to Members under separate cover prior to the meeting on 05 December 2016.

3 Recommendation

- 3.1 It is recommended that the Board consider the draft Access and Inclusion Strategy.

Rob Wallen
Principal

Appendix 1 – Agenda Item 10.3

The draft Access and Inclusion Strategy issued under separate cover

Report by the Governance Steering Group

1 Introduction

- 1.1 The purpose of this paper is to advise the Board of Management of matters considered by the Governance Steering Group.

2 Background

- 2.1 The remit of the Governance Steering Group is "To support the Board of Management in maintaining high standards of governance."
- 2.2 The Group's membership is as follows: Ken Milroy, Ann Bell, Doug Duthie and Pauline May.
- 2.3 To date, the Governance Steering Group has met on two occasions during AY2016-17 – 16 August and 24 October 2016.

3 Business Conducted by the Steering Group

- 3.1 The business conducted at the meeting of 16 August included:
- A review of the Governance Manual and the Committee Terms of Reference
 - Discussion of the induction process for the new Principal
 - Discussion of Board evaluation processes
 - Discussion of developments relating to the Board's Remuneration Committee.
 - Discussion of the proposed Panel for the External Effectiveness Review
 - Preparation of a response to a consultation on the Recommendations of the Good College Governance Task Group.
- 3.2 The business conducted at the meeting of 24 October included:
- Discussion of the proposed process for the External Effectiveness Review including timings, areas of focus and key evidence
 - Consideration of Model Standing Orders and a Good Practice Guide for Election of Staff Members to Boards, both issued by the Good Governance Steering Group
 - Discussion on how to encourage diversity on the Board e.g. selection process, promotion of the College and work of the Board
 - Discussion on establishing a succession planning process
 - Clarification of the remit of the Selection & Appointments/Nominations Committee
 - Agreement to consider a joint Board event with Dundee & Angus College.

4 Actions

- 4.1 The following summarises actions which are being progressed following the two meetings of the Governance Steering Group:
- 4.1.1 Further amendments to the Governance Manual
- Update to include aspects of the Model Standing Orders which are not currently covered
 - Add description of process for the election of staff members
 - Add information on the Board's Equality and Diversity Champion
 - Add information on the Board's relationship and role in relation to ASET and Clinterty Estates Limited
 - Add summary of appointment process for Principal and Chief Executive.

4.1.2 External Effectiveness Review

- Meeting between Governance Steering Group and potential panel members to be arranged
- Remit for panel members to be prepared (panel to be asked to focus on one section of the Code of Good Governance - Relationships and Collaboration).

4.1.3 The Governance Steering Group at its next meeting will:

- progress the External Effectiveness Review
- review the Recruitment and Selection Policy for Board of Management Members in relation to equality and diversity issues
- consider the timing of initiating an appointments process to fill the current Board vacancy
- hold further discussions regarding succession planning.

5 Recommendation

5.1 It is recommended that the Board note the contents of this paper.

Ken Milroy
Regional Chair

Pauline May
Secretary to the Board of Management

Report by the Investment and Project Committee

1. Introduction

- 1.1 The purpose of this paper is to assist the Board of Management to consider the work of the Investment and Project Committee.

2. Background

- 2.1 The Investment and Project Committee has been delegated authority and responsibility for the fulfilment of the Board's Estates Development Strategy.
- 2.2 The Committee is required, under its terms of reference, to report to meetings the Board of Management on the business that it conducts.

3. Business Conducted by the Committee

- 3.1 Since the last meeting of the Board of Management, the Committee has met on one occasion – on 15 November 2016.
- 3.2 The business conducted at the meeting of 15 November was concerned with progress with the project to redevelop engineering technologies training facilities at the Fraserburgh Campus.
- 3.3 Mr Milroy will provide an oral report to this meeting on the business conducted at the meetings of the Committee.
- 3.4 The next meeting of the Committee is scheduled to take place on 24 January 2017.

4. Recommendation

- 4.1 It is recommended that the Board consider the information provided on the work of the Investment and Project Committee.

Rob Wallen
Principal

Partnership Opportunities in Construction

1 Introduction

- 1.1 The purpose of this paper is to provide the Board of Management with information relating to partnership opportunities that are being considered with regard to energy efficient building techniques.

2 Background

- 2.1 Aberdeen City Council has a very mixed housing stock, including many buildings that were constructed before energy efficiency was understood or valued.
- 2.2 The Scott Sutherland School of Architecture has expertise in both developing ways of "retro-fitting" energy efficiency into older buildings and in the design of highly energy-efficient new buildings.
- 2.3 North East Scotland College has a team of Construction staff (some based in Aberdeen and some based in Fraserburgh) with a wide range of construction skills and between them a wealth of practical experience of building projects and trains a large number of students in construction skills each year.
- 2.4 The combination of these three facts suggests the opportunity for two projects that might be of benefit to all three organisations.

3 Possible Projects

3.1 Project 1: Energy efficiency of older properties

- 3.1.1 The College has suggested to the Head of Scott Sutherland School of Architecture ("Scott Sutherland") and the Chief Executive of Aberdeen City Council that the College and Scott Sutherland work in partnership to make an older council property energy-efficient.
- 3.1.2 In this situation the Council would identify a property, Scott Sutherland would identify strategies and innovations that could be used to make it energy efficient and College staff and students would undertake the construction work required.
- 3.1.3 The initial response from Aberdeen City Council officials and from the Head of Scott Sutherland have been positive.
- 3.1.4 In effect this would be a research project which would pilot approaches the success of which could be assessed and which might provide a model for a larger programme of energy efficiency work on older properties
- 3.1.5 An alternative approach would be for one of the bungalows at Clinterty which are owned by the College to be "retro-fitted" based on guidance from Scott Sutherland.

3.2 Project 2: Energy efficiency new build

3.2.1 A more ambitious project – and one that would need external financial support – would involve a new build. The College could ask Aberdeen City Council whether some of the College's land at Clinterty could be rezoned for housing on the understanding that one or more energy efficient (ideally carbon-neutral) homes be constructed, by College students using a design provided by Scott Sutherland, as a pilot for what can be achieved.

3.2.2 When completed the house could be

- sold at an affordable price to someone on the Council housing list
- rented out on a social-housing basis
- rented out to key workers
- rented out as accommodation for College staff.

3.3 Benefits of the Projects

Each project would:

- help add to the available stock of energy-efficient housing
- provide a live test bed for Scott Sutherland students
- provide a real project for NESCol construction students
- help publicise energy efficiency
- provide good publicity for Scott Sutherland and the College.

3.4 Funding

As research projects each project might attract funding/sponsorship of some sort – from UK or Scottish Governments (or even possibly from the EU), from SFC, from industry bodies or from individual firms (e.g. those involved in construction). Such funding could, for example, cover the cost of any building materials and any additional staff required (e.g. any on-site supervision).

3.5 Considerations and Potential Barriers

Of course, a number of issues will need to be addressed, including for example:

- establishing a sound business model is found for the project – ensuring that sufficient external funding was provided to make sure that no partner suffers any financial disadvantage
- ensuring that there are no obstacles in relation to health and safety
- seeking the agreement of employers of trainees to the involvements of their employees
- seeking industry buy-in and sponsorship – to cover for example materials costs.

4 Recommendation

4.1 It is recommended that the Board note these potential developments and consider whether they are happy for these projects to be further pursued.

Rob Wallen
Principal

Childcare

1 Introduction

- 1.1 The purpose of this paper is to provide the Board of Management with information relating to developments in childcare training.

2 Background

- 2.1 The extent to which a lack of stimulus in the pre-school years affects achievement throughout primary and secondary education is well-established.
- 2.2 The Scottish Government has made a commitment to increasing the entitlement for free childcare for each child from 0600 hours to 1540 hours.
- 2.3 This means that it is estimated that across Scotland some 14,000 additional childcare workers will need to be trained – in addition to the numbers that need to be trained to maintain the existing workforce. This includes managers (trained to SCQF 9 NPA or SCQF 10 Honours Degree level) as well as practitioners (trained to, say, HND level).
- 2.4 It is not known exactly what proportion of those will be needed in the North East Scotland region – but assuming that it is 8%, some 1,100 additional childcare workers will be need to be trained (in addition to the numbers currently being trained) in the region over relatively short period of time.
- 2.5 Scottish Government officials recently met the Colleges Scotland College Principals Group and indicated that colleges would be provided with additional funding to increase the numbers they train, and were given assurances that with additional funding colleges could provide the additional training.
- 2.6 However, Scottish Government officials recognise that there is a need for them to work to stimulate interest in young people and adult returners in moving into this area of work.
- 2.7 The Scottish Government has asked the Scottish Funding Council to work with colleges to reduce the gender imbalance in some areas of provision – working to achieve no worse than an 80%/20% gender split on any type of provision. This will be an additional challenge in the case of childcare where currently the number of male students is very low.
- 2.8 In order to make careers in childcare more attractive – for males and for females, Scottish Government officials are concerned to ensure that there is a clear career pathway that allowed progression beyond practitioner posts.

3 Arrangements in North East Scotland

- 3.1 Following discussions with the Principal of the University of Aberdeen and with senior staff of the University's School of Education, an articulation route has been agreed between the College's HNC and HND in Childhood Practice and the University's BA Primary Education. The arrangements is such that someone who completes the HND can at some point join year 3 of the BA programme and thereby qualify as a primary school teacher.
- 3.2 This arrangement sits alongside the existing articulation into the University's BA Childhood Practice degree (which is the qualification required for managers of childcare facilities) and the College's own NPA in Childhood Practice which is available as part-time study for those who have completed the HND and have taken up employment as childcare workers.

- 3.3 It means that there is a clear progression pathway from provision available to pupils at school – such as the Foundation Apprenticeship in Children & Young People – into College and University provision.
- 3.4 It has been suggested to Scottish Government officials that the HN provision – and indeed the degrees – could be delivered in such a way that the individual could be employed by an authority and undertake study on day-release basis – an HNC qualification can typically be delivered on a “full-time” basis over two days a week for one year, and the qualification already requires a substantial element of work-placement so this would not mean a major change except in the status of the student. This change of status could make progressing into this area of work more attractive. Attached as Appendix 1 to this paper is a curriculum pathway map which details the arrangements.
- 3.5 Scottish Government officials believe that the arrangements developed in this region provide a model that could be adopted throughout Scotland.
- 3.6 A meeting is to be organised by Scottish Government officials, Aberdeen City Council, the University, the College and DYWNES to ensure that all parties work together to encourage pupils at school and adult returners to undertake training in this area and to find the best way of supporting them through the process.

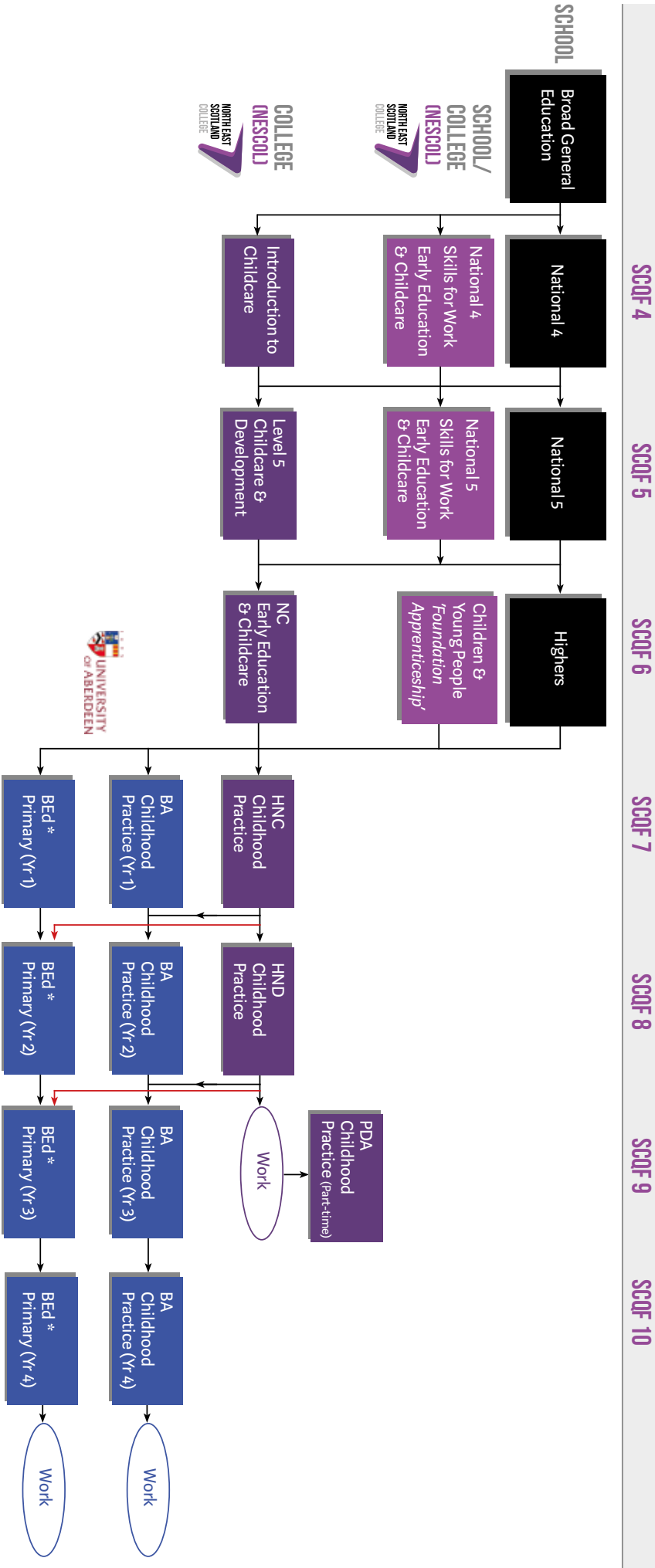
4 Recommendation

- 4.1 It is recommended that the Board note the contents of this paper.

Rob Wallen
Principal

NORTH EAST SCOTLAND – ABERDEEN AND ABERDEENSHIRE CARE PATHWAYS - CHILDCARE

Agenda Item 11.1
Appendix 1



* N.B. entry into Bed Primary at any stage requires qualifications in English (e.g. Higher English) and Maths (e.g. National 5 Maths).

Investors in People

1 Introduction

- 1.1 The purpose of this paper is to provide the Board of Management with information relating to a recent Investors in People assessment.

2 Background

- 2.1 The next full Investors in People review is due in December 2018. Between now and then Investors in People assessors will be conducting small annual reviews.

3 Assessment Visit - November 2016

- 3.1 Two assessors visited the College on 21 and 22 November 2016, and conducted interviews with a range of staff from across the College (Aberdeen City, Altens and Fraserburgh campuses).

- 3.2 The oral feedback at the end of their visit indicated that in the view of the assessors:

- There is "remarkable positivity" from staff, things that were a problem at the last review are no longer being mentioned.
- There is a clear sense of the College being NESCol: there was no mention of the legacy colleges or the merger.
- Staff are optimistic about the future and want to know what's next – at the review last year staff were worried about the future, this is no longer the case. That is not to say that they are unaware of the financial pressures but this does not dent their optimism or desire to be creative and innovative.
- New recruits are extremely positive about their new roles and the support they have received.
- There is more consistency of support for staff from Faculty Managers and Curriculum & Quality Managers (CQMs); in particular the CQM role has evolved.
- Fraserburgh staff really appreciated Aberdeen staff attending their social event in the summer. Opportunities to socialise are welcomed. Staff are talking about "friends" across campuses whereas before they would speak about "colleagues".
- Staff in Fraserburgh are seeing the benefit of the investment in the campus.
- Unusually, when it comes to health and wellbeing, the assessors were surprised by how knowledgeable staff were about mental health issues and how comfortable they were to discuss.
- Communication has significantly improved; it is no longer the big issue it was.
- The Staff Excellence Awards are being viewed as something really positive and the student involvement was particularly liked.

- 3.3 One area for further work is Performance Management which (as we were aware) is not yet being applied consistently across the College.

- 3.4 Overall, in the view of the assessors, staff are more trusting, want to embrace innovation and are engaged. This indicates that the College has moved a long way up the "change curve" since December 2015 and the assessors commented on the remarkable distance we have travelled.

- 3.5 The written report will be available shortly.

4 Recommendation

- 4.1 It is recommended that the Board note the contents of this paper.